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EXECUTIVE SUMMARY

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Welfare Time Limits

An Update on State Policies, Implementation, and Effects on Families

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Time limits on benefit receipt became a central feature of federal welfare policy in the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). Proponents of welfare reform argued that the time limits in the new Temporary Assistance for Needy Families (TANF) program, which replaced Aid to Families with Dependent Children (AFDC), would send a firm message to recipients that welfare is intended to be temporary and that, when presented with a deadline, recipients would find jobs or other sources of support. Conversely, critics pointed out that many welfare recipients have low levels of education and skills and other personal and family challenges that make steady work difficult, and they predicted that time limits would cause harm to many vulnerable families.

This report provides a comprehensive examination of what has been learned to date about time limits: the implementation of state policies, the number of families affected by time limits, the effects of time limits on employment and welfare receipt, and the circumstances of families whose welfare cases have been closed because they reached a time limit. It updates a study conducted in 2002 that examined states' and families' early experiences with TANF time limits.[1] The earlier study included a survey of state welfare administrators to obtain information on states' time-limit policies and their experiences implementing the policies.

The Lewin Group and MDRC produced this report for the U.S. Department of Health and Human Services (HHS) Administration for Children and Families (ACF). Through this study, findings from the earlier survey were updated with information from 2005 TANF state plans and calls to selected states. States were categorized according to their time-limit policies and how they implemented these policies. HHS funded three other activities: (1) analysis of the monthly TANF administrative data that states must report to ACF on a quarterly basis, (2) site visits to seven states and one territory to examine the implementation of time limits, and (3) a synthesis of the existing research on time limits.

This update is timely because most states now have several years of experience, under varying economic conditions, with the federal 60-month lifetime time limit on the receipt of

[1]Dan Bloom, Mary Farrell, and Barbara Fink with Diana Adams-Ciardullo, *Welfare Time Limits: State Policies, Implementation, and Effects on Families* (Washington, DC: U.S. Department of Health and Human Services, Administration for Children and Families; and New York: MDRC, 2002).

cash assistance. Designed to serve as a resource for policymakers, administrators, advocates, journalists, researchers, and other interested parties at the federal, state, and local levels, the report addresses the following questions:

- How are states implementing time limits? What messages are they sending to recipients about time limits? Are they granting many exemptions and extensions? What processes do states use to determine which families qualify for these exceptions?

- How many families are subject to the federal time limit? How many cases have closed after reaching the time limit?

- What characteristics are associated with accumulating months of assistance, reaching the federal time limit, and being terminated as a result of reaching the time limit?

- How do time limits affect patterns of employment, welfare receipt, income, and other outcomes among current and potential welfare recipients?

- How are families faring after losing TANF benefits due to time limits? Are they better or worse off than when they received welfare? How do these families whose cases closed because of time limits compare with other families who left welfare voluntarily?

Key Findings

The final TANF regulations following enactment of PRWORA gave states considerable flexibility in terms of how they can structure their TANF programs to meet state goals as well as the requirements established by PRWORA. The Deficit Reduction Act (DRA) of 2005 reauthorized the TANF program and changed the formula used to calculate which families count in the work participation rate, but DRA did not change the basic time-limit rules.

States' Time-Limit Policies

While PRWORA prohibits states from using TANF block grant funds to provide assistance to most families in which an adult is included in the TANF cash grant for longer than 60 months, it allows states broad flexibility in designing time-limit policies. States can impose a 60-month time limit, a shorter time limit, or no time limit. They can exempt certain categories of recipients from their time limits or can grant extensions of benefits to families who reach the limit. Such flexibility exists in large part because time limits do not apply to assistance that is paid for with state funds and because states are allowed to use federal funds to extend assistance to up to 20 percent of their caseload beyond the federal time limit. In reality, the federal time limit is not a limit on individual families but, rather, a fiscal constraint that shapes state policy choices.

- **States have developed varying approaches to time limits.**

In federal Fiscal Year (FY) 2005, 24 percent of adult-headed families who were receiving TANF assistance lived in states that terminate assistance at 60 months; 22 percent lived in states with a time limit shorter than 60 months, resulting in termination; and 47 percent lived in states that have established a time limit but routinely allow families to receive some assistance after reaching 60 months. About 2 percent lived in a state (Indiana) that provides reduced benefits after families reach a 24-month time limit, and 5 percent lived in the two states (Michigan and Vermont) that had not established a time limit on benefits in their state TANF plans at the time that the analysis for this report was conducted. Michigan implemented a 48-month time limit on October 1, 2007.

The largest states that do not terminate assistance after reaching 60 months are California and New York. California removes the adult from the case but continues to provide assistance for children's needs. New York allows families who reach the time limit to transition to a state and locally funded safety net program that provides the same benefit levels as the state's TANF program, although part of the benefit is in the form of vouchers for such expenses as housing and utilities, rather than in cash. Other states that allow families to receive some assistance after 60 months may limit it to families who are compliant with program requirements or who face certain barriers to employment.

The Implementation of Time Limits

To obtain more detailed information, Lewin and MDRC conducted interviews with welfare administrators, supervisors, and line staff in seven states and one territory — Arkansas, Connecticut, Missouri, Puerto Rico, Texas, Utah, Virginia, and Washington — building on field research from the 2002 study of time limits. The implementation research focused on the following topics: how the time-limit message is communicated, how exemptions are handled, working with cases approaching the time limit, the extension process, and what happens after recipients reach the time limit. The implementation of time-limit policies varies considerably across states and even from welfare office to welfare office within states. Key findings from the discussions with staff in these seven states and Puerto Rico are discussed below.

- **States provide exemptions from or extensions to their time limits for certain groups of families, but the policies and processes for identifying families differ from state to state.**

Most states grant time-limit exemptions or extensions for recipients facing certain barriers to employment, such as medical problems or domestic violence, but the processes for identifying and verifying such problems are quite different from state to state. Agencies also vary in the extent to which they encourage staff to be proactive in uncovering employment barriers; many of the states visited reported relying primarily on recipients to self-report barriers. Many of these states also grant extensions or exemptions to recipients who comply with program rules but do not have jobs when they reach the time limit. However, states define compliance in different ways.

- **Staff reported that recipients' awareness of time limits has increased over time, especially in states where many families have been terminated from assistance. The way in which states implement extension policies affects the messages that staff convey to recipients about the time limit.**

In states that have granted extensions to most recipients reaching time limits, staff reported that the time-limit policies no longer seem credible and that they do not discuss the policies frequently with recipients. In states that grant few extensions, caseworkers report that while they generally consider each case for an extension, they rarely recommend extensions, and so they discuss the time limit more emphatically. In these states, when TANF was first implemented, staff report that recipients were less concerned with time limits, but, more recently — as terminating families who reach the time limits becomes more common — recipients (even those who had never received TANF before) generally understand and accept that assistance is time-limited.

In some states visited for this study and the previous time-limits study, caseworkers reported that recipients understand the general features of the policy but that it is difficult to explain the details, including multiple time limits in states with periodic time limits, the interaction between federal and state time limits, and extension policies.

- **When TANF agencies rely on workforce agencies to deliver employment services, the time-limit message may be diluted.**

Some state TANF agencies have partnered with state and local workforce agencies to deliver employment services to TANF recipients. Administrators hope that this shift will capitalize on workforce staff's knowledge of the local labor market to help recipients quickly find employment. In some cases, TANF staff report that the messages about time limits become less prominent as recipients interact primarily with staff outside the TANF agency.

Families Reaching Time Limits

All states, the District of Columbia, Puerto Rico, and the Virgin Islands report information on their TANF caseloads to ACF. The data provide information on the extent to which families are subject to federal time-limit provisions, how many months of assistance accrued toward the federal time limit, how many families have reached 60 months, and how many families have been terminated from assistance. Key findings from analyses of these data reported to ACF for FY 2005 include the following:

- **About half of all TANF assistance cases are subject to the federal time limit.**

Of 1.9 million families receiving TANF assistance in FY 2005, approximately 52 percent were subject to the federal time limit. Approximately 44 percent were child-only cases and thus exempt from time limits. The remaining 4 percent were exempted from accruing months because they received assistance funded with state-only segregated funding, due to a state waiver policy, or because they lived in Indian Country or an Alaskan village experiencing high unemployment.

Another 168,000 families received non-TANF assistance from a separate state program (SSP) and thus were not subject to federal time-limit provisions. States created SSPs to serve a variety of groups, including two-parent families, noncitizens, and families exempt from work participation requirements. One of the changes brought about by DRA requires that all families with an adult or minor head of household receiving assistance funded within an SSP be included in the denominator when calculating the state's work participation rates.

- **Only a small portion of TANF assistance cases have at least 60 months of assistance.**

In a given month in FY 2005, approximately 4.5 percent of TANF assistance cases (and 8.0 percent of all adult-headed families) had received at least 60 months of assistance. No state had reached the 20 percent cap for granting extensions beyond 60 months due to hardships by FY 2005, although a small number of states were approaching the cap.

- **Compared with those who have accumulated fewer months, families who have reached 60 months are headed by individuals who are older, on average; have lower levels of education; are more likely to have a disabled family member; and are more likely to be living in public housing or receiving a rent subsidy.**

State policies are as important as demographic characteristics in understanding the accumulation of months. For example, families who live in states that have termination time-limit policies that cancel the family's entire welfare grant or that have strict sanctioning policies that close the cases of recipients who are deemed noncompliant with work requirements are significantly less likely to reach 60 months than families who live in states that have more lenient policies.

- **Since PRWORA was enacted, at least a quarter million cases have been closed due to reaching either a state or a federal time limit, although about one-third of the closures occurred in New York, which routinely provides post-time-limit assistance funded through an SSP.**

In FY 2005, time-limit closures made up only 2 percent to 3 percent of all closed cases in a given month. Of all cases closed due to time-limit policies through FY 2005, about 80,000 (or about 30 percent of total closures) occurred in New York, which transferred most of these cases to a safety net program that provides the same level of benefits as TANF, although only partly in cash. Other states provide alternative forms of assistance. For example, Connecticut provides a limited number of vouchers to pay for rent or other necessities for families who are terminated from assistance. In addition, some states allow families who reach the 60-month lifetime limit to return to TANF if their circumstances change. It is important to note that the state administrative data do not capture all time-limit closures and thus underestimate the total case closures due to reaching time limits.

- **Families whose benefits were terminated because of time limits were more likely than all other case closures to lack a high school education, to have never married, to be living in public housing or receiving a rent subsidy, and to be African-American.**

Prior studies of welfare leavers found similar results. These characteristics overlap, however, and it is not clear which are independently associated with reaching a time limit or having one's benefits canceled. The data do not show the extent to which these families had other sources of financial support at the time of closure.

Effects of Time Limits on Employment and Welfare Receipt

Research on the impact of welfare reform policies — including time limits — on employment, welfare receipt, and other outcomes is largely limited to work conducted in the 1990s, when states were granted waivers to the AFDC rules, allowing them to impose time limits on benefit receipt. Because time limits were implemented as part of a package of other welfare reforms under these waivers, it is not possible to isolate their effects. Nevertheless, data from these studies suggest several tentative conclusions:

- **There is some evidence that time limits can encourage welfare recipients to find jobs and leave welfare more quickly, even before reaching the limit; however, the magnitude of this effect is not clear.**

Results from the early studies of waiver demonstrations found some evidence of "anticipatory" effects of time limits. These demonstrations were evaluated using a rigorous, random assignment research design, whereby families were assigned to a program group that was subject to the welfare reform policies (including the time limit) or to a control group that was subject to the previous welfare policies. The studies found that program group members were more likely to work than control group members. It is impossible to say whether these effects were driven by time limits, however, because the programs also included other major policy changes that promoted employment (such as expanded work requirements and services, changes to earned income disregards, and changes in sanctioning policies).

A series of econometric "caseload" studies used data on state policies, caseloads, and economic conditions to try to isolate the effects of welfare reform, and most of the studies found that welfare reform and the strong economy contributed to the decline in welfare caseloads. However, very few of these studies attempted to isolate the impact of time limits.

- **It does not appear that the cancellation of welfare benefits at a time limit induces many recipients to go to work in the short term.**

Two random assignment studies followed program and control group members for four years. (The studies examined Connecticut's statewide Jobs First program, which had a 21-month time limit, and a Florida pilot program, the Family Transition Program [FTP], with 24- and 36-month time limits.) In neither case did the program's effects on employment grow substantially when people began reaching the time limit and having their benefits canceled, suggesting that few people were induced to work by benefit termination.

- **Welfare reform initiatives with time limits have generated few overall effects on family income, material hardship, or household composition in the period after families began reaching the limits, although it is not possible to isolate the effects on families whose benefits were terminated.**

Neither Connecticut's Jobs First program nor Florida's FTP generated consistent overall effects on family income or material well-being in the post-time-limit period, although there is evidence that small groups of families may have lost income as a result of the programs. These results do not mean that program group members who reached the time limit lost no income when their benefits were cut off but, rather, that the program group as a whole (including those who did not reach the time limit) had about the same income, on average, as the control group. In addition, the programs had few effects on fertility, on marital status, or on the well-being of elementary-school-age children.

The Circumstances of Families After Time Limits

Key questions concerning the effects of time limits deal with the well-being and circumstances of families after their benefits are terminated. Although a number of state and federal studies provide information on post-welfare circumstances, most of these studies were conducted in the 1990s, when the labor market was very strong. Most of the studies focus on recipients who reached state time limits of fewer than 60 months; some states granted many extensions to these early time limits. The clients who reach time limits today may be very different from earlier clients, given the great diversity in the ways that states now implement time limits, implement diversion programs, prepare clients for work, and counsel them about time limits. Key findings from these early post-welfare studies include the following:

- **The employment rates of time-limit leavers after exiting welfare vary widely across states, ranging in these studies from less than 50 percent to more than 80 percent.**

Most of the variation in employment rates is attributable to state welfare policies that shape who reaches the time limit (for example, sanctioning and earnings disregards) or to state time-limit extension policies. As a consequence, employment rates in some states are higher for time-limit leavers than for other leavers, and rates in other states are lower for time-limit leavers than for other leavers. There is some limited evidence from a small number of states that recipients who reached time limits in later years were less likely to be employed than those reaching time limits earlier. Although the reasons for this are unclear, it may reflect worsening economic conditions, differences in recipients' characteristics, or changes in how policies (such as extension and exemption policies) were implemented.

- **Many families whose benefits were terminated due to time limits continued to receive some form of public assistance after leaving TANF. As more time elapses after exit, however, the share of time-limit leavers receiving these benefits decreases.**

Large proportions of time-limit leavers continue to receive food stamps, Medicaid, and other assistance after exit, although, as more time elapses after the time limit, fewer families continue to receive these benefits. The variation in food stamp receipt across states largely tracks the differences in employment rates (that is, the rate of food stamp receipt is lowest in states where most time-limit leavers are working). However, time-limit leavers are more likely than other leavers to receive food stamps, even in states where their employment rate after exit is higher than the rate for other leavers.

- **Families whose benefits were terminated due to time limits reported financial struggles and, in some states, experienced higher levels of material hardships than they had while on TANF.**

Homelessness has been quite rare among time-limited families, but levels of food insecurity and other hardships are relatively high. There is not a clear association between levels of hardship and employment status among time limit leavers. In most states, time-limit leavers did not report consistently greater levels of hardship than other leavers.

Conclusions and Implications

PRWORA and the final TANF regulations gave states considerable flexibility in terms of how they could structure their TANF programs to meet state goals as well as the requirements established in PRWORA. As a result, time-limit policies and the extent to which families receiving assistance are affected by time-limit provisions vary greatly across the states. Some states have chosen to implement very strict termination time limits, while other states continue to provide assistance to families who reach the state or federal time limit.

Overall, it appears that time limits have not generated as much attention or caused as much harm to the typical family on TANF as critics of PRWORA feared. This is due, in part, to the fact that many of the states that serve the largest TANF caseloads — namely, California, Michigan, New York, and Pennsylvania — had not implemented strict termination time limits. In addition, most states have implemented stricter work participation requirements since PRWORA was enacted and tougher sanctioning policies. Perhaps as a result, families are not reaching state and federal time limits in large numbers. It is worth noting that the percentage of families eligible for state TANF assistance who actually receive TANF benefits has dropped sharply in the past decade, though it is difficult to determine whether time limits have contributed to this trend.[2]

Little is known regarding how families who have reached time limits at later dates are faring. More research is needed that focuses on different cohorts of leavers to understand whether they are receiving other benefits (such as Medicaid and food stamps), whether they are employed, and whether they are experiencing material hardships.

In addition, states are now responding to DRA and the final regulations. While DRA did not change time-limit rules, the policy choices made by states in response to other provisions of DRA and the regulations may affect the number of families who accrue months toward the state and federal time limits. It will be important to track the changes that states make to their policies and implementation practices. In particular, changes made with regard to the operation of separate state programs or the use of segregated TANF funding, earnings disregards or income supplement policies, and changes in the use of sanctioning will determine how many families reach the state or federal time limit. States were just beginning to adjust their policies in response to DRA when the fieldwork for this study was conducted; thus, the effect of DRA on time-limit policies and the outcomes of families reaching the time limit should be topics of ongoing interest.

[2]U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, *Indicators of Welfare Dependence* (Washington, DC: U.S. Department of Health and Human Services, 2007).