



## Testimony

Before the Subcommittee on Human Resources,  
Committee on Ways and Means, House of  
Representatives

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# WELFARE REFORM

## States Are Using TANF Flexibility to Adapt Work Requirements and Time Limits to Meet State and Local Needs

Statement of Cynthia M. Fagnoni, Managing Director  
Education, Workforce, and Income Security Issues



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Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me here today to discuss the extent to which families receiving cash assistance are excluded from work requirements and time limits. The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) significantly changed federal welfare policy for low-income families with children, building upon and expanding state-level reforms. When the Congress created the Temporary Assistance for Needy Families block grant (TANF) to replace the previous welfare program, it emphasized that the new program was to be transitional in nature and focus on moving welfare recipients into employment. To this end, states are required to enforce work requirements and time limits on most families receiving cash assistance. More specifically, states face financial penalties if they do not include a minimum percentage of adults receiving cash assistance in work or work activities each year, referred to as the mandated participation rate requirement. This mandated rate increased each year, reaching 50 percent of all families in fiscal year 2002. In addition, states are to enforce a 60-month lifetime limit on families with adults who receive cash assistance. To receive its TANF block grant, each state must also meet a maintenance-of-effort requirement, under which it must spend at least a specified amount of its own funds, referred to as state maintenance-of-effort funds (MOE).

Along with these federal requirements, the law allows states considerable flexibility to exclude families from work requirements and time limits. First, these requirements only apply to families with an adult receiving aid, not to cases in which only children receive cash assistance. Second, PRWORA specifies that up to 20 percent of families receiving assistance may receive extensions to federal time limits. Third, states may provide cash assistance not subject to work requirements and time limits if they use their state MOE in specified ways, such as through a state program other than their TANF program.

As the Congress considers reauthorization of TANF, you asked us to determine and assess the states' implementation of these work requirements and time limits. More specifically, you asked us to determine (1) the extent of child-only cases among the cash assistance caseload funded by federal TANF and state MOE, (2) how states made use of work requirement flexibility, (3) the number of families states have excluded from time limits, and (4) key issues related to states' experiences in applying TANF work requirements and time limits. The information we gathered came from site-visits in 4 states, telephone interviews with TANF officials in 8 other states, and a survey administered to TANF officials in

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all 50 states and the District of Columbia.<sup>1</sup> We conducted our work from August 2001 through February 2002, in accordance with generally accepted government auditing standards.

In summary, of the 2.1 million cash assistance cases funded by federal TANF or state maintenance-of-effort dollars in the fall of 2001,<sup>2</sup> one-third of these cases, or 700,000, were composed of one or more children only. Because no adult in these families receives TANF or state MOE funded cash assistance, work requirements and time limits do not apply. Regarding work requirements, when PRWORA established federally mandated participation rates, it also included a “caseload reduction credit” provision. This provision specifies that each state’s mandated participation rate is to be reduced if its welfare caseload declines. Because of the dramatic declines in welfare caseloads that have occurred since 1996, states have generally faced greatly reduced mandated participation rates for the TANF programs. For example, in fiscal year 2000, caseload reduction credits reduced mandated participation rates to 0 in 31 states—instead of the mandated rate of 40 percent specified in the law. As a result, states have increased flexibility in determining the numbers of adults that are to be involved in work or work activities. Regarding time limits, after accounting for child-only cases, states excluded 11 percent of the remaining 1.4 million families with an adult from federal or state time limits. States’ experiences with implementing work requirements and time limits highlight key issues of interest for the reauthorization of TANF provisions, including the relatively limited number of families that have reached their time limits so far and the future adequacy of the federal 20 percent extension

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## Background

PRWORA made sweeping changes to national welfare policy, creating TANF and ending the federal entitlement to assistance for eligible needy families with children under Aid to Families With Dependent Children (AFDC). The Department of Health and Human Services (HHS) administers the TANF block grant program, which provides states with up

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<sup>1</sup>We visited California, Illinois, Maryland, and New York and conducted telephone interviews with Colorado, Hawaii, Florida, Michigan, Massachusetts, Mississippi, Texas, and Wisconsin. The states were selected to represent a range of factors, including variation in caseload size and in TANF program funding choices. The survey had a 100 percent response rate, although each state did not respond to all questions.

<sup>2</sup>This represents the number of families receiving cash assistance during 1 month between October and December of 2001.

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to \$16.5 billion each year through fiscal year 2002. TANF was designed to help needy families reduce their dependence on welfare and move toward economic independence. The law also greatly increased the discretion states have in the design and operation of their welfare programs, allowing states to determine forms of aid and the categories of families eligible for aid. TANF establishes time limits and work requirements for adults receiving aid and requires states to sustain 75 to 80 percent of their historic level of welfare spending through a maintenance-of-effort requirement. In addition, TANF gives states funding flexibility, which allows states to exclude some families from federal time limits and work requirements.

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### TANF Establishes Time Limits and Work Requirements for Adults Receiving Aid

TANF establishes a 60-month time limit for families receiving aid. States have the option of establishing shorter time limits for families in their state. A state that does not comply with the TANF time limit can be penalized by a 5 percent reduction in its block grant. While the intent of TANF is to provide temporary, time-limited aid, federal time limits do not apply to all forms of aid or to all families receiving aid. First, states are only to count toward the 60-month time limit any month in which an individual receives a service or benefit considered “assistance,” which is defined in the TANF regulations as cash or other forms of benefits designed to meet a family’s ongoing basic needs.<sup>3</sup> Second, time limits do not apply to the following types of cases:

1. Cases in which the adult in the household does not receive cash assistance, typically called “child-only” cases.<sup>4</sup>
2. Families that received assistance while living in Indian country or an Native Alaskan village where 50 percent of the adults are not employed.

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<sup>3</sup>“Assistance” does not include things like nonrecurrent, short-term benefits, such as rent deposits or appliance repairs; work subsidies; work supports such as child care or transportation subsidies for working families; or any other services such as counseling, case management, and peer support that do not provide basic income support.

<sup>4</sup>HHS has indicated that it would be inconsistent with statutory intent for states to simply remove adults from assistance units once they reach their 60-month time limit and then continue to use federal dollars to pay benefits to the children as a child-only unit. States may choose to use their MOE funds to do this.

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Third, all states have the option to use federal funds to extend assistance beyond the federal 60-month limit for reasons of hardship, as defined by the state. States can extend assistance for up to 20 percent of the average monthly number of families receiving assistance (“20 percent extension”).<sup>5</sup> States can also extend assistance for victims of domestic violence through federally approved domestic violence waivers.<sup>6</sup> Finally, assistance that is provided solely through state MOE is not subject to the federal time limit.

TANF also establishes work requirements for adults receiving aid. After 2 years of assistance, or sooner if the state determines the recipient is ready, TANF adults are generally required to be engaged in work as defined by the state.<sup>7</sup> In addition, TANF establishes required work participation rates—a steadily rising specified minimum percentage of adult recipients that must participate in federally specified work or work-related activities each year.<sup>8</sup> States were required in federal fiscal year 2002 to meet a work participation rate of 50 percent for all TANF families with adult members—referred to as the rate for all families. States were also required to meet a much higher rate—90 percent—for two-parent families.<sup>9</sup> States must meet these work participation rates to avoid financial penalties.

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<sup>5</sup> In calculating the federal 20 percent extension, child-only cases are included in the denominator but not in the numerator. All things being equal, the larger the percentage of child-only cases in a state’s caseload, the greater the number of families with adults whose time limit may be extended.

<sup>6</sup> States can elect the Family Violence Option allowing states to waive any TANF requirement, under certain conditions, for victims of domestic violence. If a state elects the Family Violence Option and waives the time limits for such recipients and later faces a penalty for extensions that exceed the 20 percent cap, the state may qualify for a reasonable cause penalty exception.

<sup>7</sup> States may not penalize parents with children under age 6 for not working if child care is not available. States have the flexibility to exclude other categories of recipients from work requirements, although they cannot remove these individuals from the work participation calculation.

<sup>8</sup> States may choose to exempt parents with children under age 1 from calculation in the work participation rate. Work activities that count for federal participation rate purposes include employment, work experience programs, on-the-job training, community service, providing child care for other TANF recipients, job search, and (under certain circumstances) education and training.

<sup>9</sup> The two-parent work participation rate of 90 percent means that each two-parent family must participate in a federally defined work activity for an average of at least 35 hours per week and that a specified number of hours be attributable to specific work activities. A state may have one parent participate for all 35 hours, or both parents may share in the work activities. HHS issued penalties for not meeting the two-parent work participation rate in fiscal year 2000 to Alaska, Arkansas, Minnesota, Mississippi, New Mexico, North Carolina, and Wisconsin.

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While states have generally met the work participation rate for all families, many states have faced financial penalties due to failure to meet the two-parent required rate in recent years. HHS issued penalty notices to 19 states in fiscal year 1997, 14 in fiscal year 1998, 9 in fiscal year 1999, and to 7 states in fiscal year 2000.

In addition to establishing federal participation rate requirements, PRWORA specified that the required rates are to be reduced if a state's TANF caseload declines. States are allowed caseload reduction credits, which reduce each state's work participation requirement by one percentage point for each percentage point by which its average monthly caseload falls short of its fiscal year 1995 level (for reasons other than eligibility changes).

In addition, federal time limits and work requirements may not apply in some states that were granted federal waivers to AFDC program rules in order to conduct demonstration programs to test state reforms.

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### States May Choose Various State Funding Options for Providing Cash Assistance

Previously, under AFDC, state funds accounted for 46 percent of total federal and state expenditures. Under PRWORA, the law requires states to sustain 75 to 80 percent of their historic level of spending on welfare through a maintenance-of-effort requirement to receive their federal TANF block grant. The federal TANF funds and state MOE funds can be considered more like funding streams than a single program and states may use their MOE to assist needy families in state programs other than their TANF programs. In fact, states have flexibility to expend their MOE funds for cash assistance in up to three different ways, some of which allow states to exclude some families from time limits and work requirements.

- A state may use its state MOE funds in three different ways to provide cash assistance for needy families.
- **Commingling:** A state can provide TANF cash assistance by commingling its state MOE with federal funds within its TANF program.
- **Segregating:** A state can provide some TANF cash assistance with state MOE accounted for separately from its federal funds within its TANF program.
- **Separating:** A state can use its state MOE to provide cash assistance to needy families in any one or more non-TANF state programs, referred to as "separate state programs."

Each state may choose one or more of these options to provide cash assistance. In some cases, in this testimony, we refer to the second and third options as using “state-only” funds when the distinction between segregating and separating funds is not necessary. In addition, we focus only on cash assistance and not on other forms of aid or services, including, for example, child care and transportation, for which time limits and work requirements generally do not apply.

How a state structures its funds determines which TANF rules apply to the needy families being served. (See table 1.) When a state commingles funds, it must meet all TANF requirements. For example, states that commingle all their state MOE with federal funds are only able to exclude families from time limits through the 20 percent extension, cannot exclude families from counting towards the federal work participation rate, and cannot provide assistance to certain groups of legal immigrants.

**Table 1: Application of Key TANF Restrictions and Requirements on State MOE Funds under the Three Funding Options**

Key program requirements and restrictions for cash assistance	Application of PRWORA rules by state funding option		
	State TANF program with federal or commingled funds	State TANF program with state MOE accounted for separately from federal funds (referred to as segregated)	State MOE for needy families in any non-TANF state program (referred to as separate state program)
Does 60-month time limit apply?	Yes, except for up to 20 percent of the cash assistance caseload	No	No
Do work-activities count toward the federal work participation rate?	Yes	Yes <sup>a</sup>	No
Do restrictions on assistance to immigrants apply? <sup>b</sup>	Yes	No	No

<sup>a</sup>With this option, states have the flexibility to serve families they might not otherwise be able to serve in TANF, such as certain legal immigrants, but at the same time count their work activities toward meeting the federal participation target rate.

<sup>b</sup>Immigrants arriving in the United States after August 22, 1996, are barred from the receipt of federal TANF assistance for a 5-year period.

States may exclude families from time limits by funding their cash assistance with state MOE, either through “segregated funds” or in any

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non-TANF state programs. More specifically, any month of cash assistance funded solely by state MOE funds does not count toward the federal 60-month limit and may be provided to families who have reached their federal time limit. States may exclude families from federal time limits if they

- Stop the clock. States can “stop the clock” so that a family’s cash assistance does not count towards the federal time limit. This is accomplished by funding any month of cash assistance with state-only funds rather than with federal or commingled federal and state dollars. For example, if a state provides monthly cash assistance to working families with state-only funds, those months of assistance do not count toward the federal time limit.
- Extend the time limit. States can provide cash assistance beyond the 60-month time limit by using state-only funds. A state may extend a family’s time limit because it has determined that the adult needs more time to prepare for and find employment.

Finally, while not required by federal law, states may choose to apply time limits on their state-funded assistance. In this case, states may also decide to stop the clock or extend time limits for certain families.<sup>10</sup>

In addition, families provided cash assistance funded by state MOE through non-TANF state programs are not subject to federal work requirements, though states may choose to impose their own work requirements on these families.

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<sup>10</sup>Nineteen states have chosen a time limit shorter than 60 months as allowed by PRWORA, with the most common limit being 24 months.



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## One-Third of Families Receiving Cash Assistance Are Child-Only Cases Not Subject to Federal Work Requirements or Time Limits

States reported that in the fall of 2001, 2.1 million families received cash assistance funded with federal TANF or state MOE dollars, with about 700,000, or one-third, of these families composed of children only. Generally, child-only cases are not subject to work requirements or time limits.<sup>11</sup> The most common types of child-only cases were families in which the

- caregiver is a nonparent, such as a relative, often a grandparent (40 percent);
- parent is receiving Social Security or Supplemental Security Income and not eligible for TANF (25 percent);
- parent is a noncitizen ineligible for federally funded TANF (23 percent);<sup>12</sup> and
- parent is subject to sanctions (7 percent). (See figure 1.)<sup>13</sup>

The breakdown of child-only cases varied significantly across states, however. For example, child-only cases in which the parent is an ineligible noncitizen ranged from 0 percent in ten states to 39 percent in California and 77 percent in Texas; this variation is likely due to the variation in immigrant populations across the states. (For more information on each state's child-only caseload, see Appendix I.)

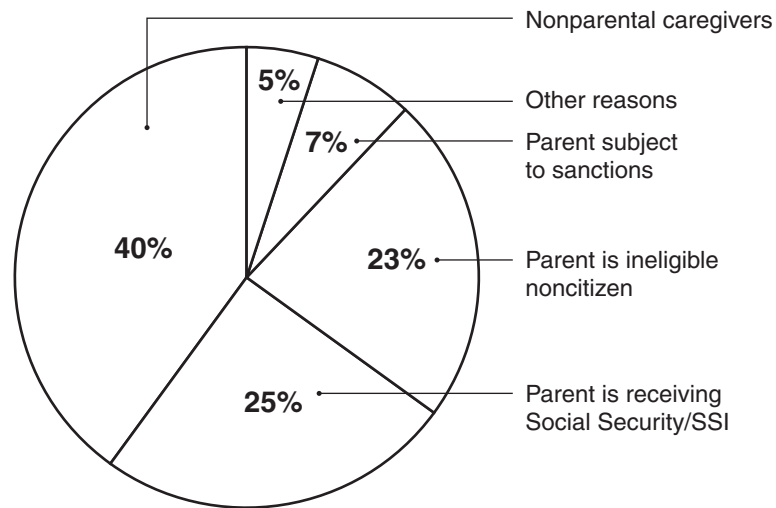
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<sup>11</sup>Connecticut has a small number of state-funded child-only cases that are subject to a state-imposed time limit on state-funded assistance. The time limit exclusion rules in Connecticut's separate state program are the same for both recipient and non recipient parents.

<sup>12</sup>Some households may include parents who are illegal immigrants or legal immigrants ineligible for cash assistance in addition to children who are citizens and eligible for cash assistance.

<sup>13</sup>States can sanction individuals not complying with TANF program requirements by taking away part or all their TANF cash benefits and possibly other public benefits as well.

**Figure 1: Reasons for Child-Only Cases**



Note: States were only able to report on 434,420 of the 700,000 federally funded child-only cases. Eighteen states had no data on the reasons for their child-only cases.

Source: GAO survey.

## States Use Flexibility under PRWORA to Exempt Some Families from Federal Work Requirements

Reduced federal participation targets—due to declining caseloads and the caseload reduction credit—and states’ use of their MOE funds in non-TANF programs give states considerable flexibility in implementing work requirements. (For more information on how states use their MOE funds, see Appendix II). Since the implementation of welfare reform, states have experienced strong economic growth and welfare caseloads have declined dramatically, from 4.4 million in August 1996 to 2.1 million as of September 2001, marking a 52 percent decline in the number of families receiving cash welfare. The work participation target rate for every state in fiscal year 2002 is 50 percent for all families. However, once the caseload reduction credit is taken into account, the target rates can be greatly reduced. For example, as shown in table 2, the actual rate for all families reported by HHS for fiscal year 2000 was zero in 31 states and less than 25 percent in all but two states.

**Table 2: Fiscal Year 2000 Required All-Family Work Participation Rate for Each State after Factoring in Caseload Reduction Credit (Stated Rate Was 40 percent)**

<b>State</b>	<b>Target</b>	<b>State</b>	<b>Target</b>
Alabama	0%	Montana	0%
Alaska	11	Nebraska	14
Arizona	0	Nevada	0
Arkansas	6	New Hampshire	0
California	8	New Jersey	1
Colorado	0	New Mexico	17
Connecticut	28	New York	5
Delaware	0	North Carolina	0
D.C.	11	North Dakota	0
Florida	0	Ohio	0
Georgia	0	Oklahoma	0
Hawaii	25	Oregon	0
Idaho	0	Pennsylvania	0
Illinois	0	Rhode Island	24
Indiana	0	South Carolina	0
Iowa	1	South Dakota	3
Kansas	17	Tennessee	0
Kentucky	0	Texas	0
Louisiana	0	Utah	6
Maine	9	Vermont	40
Maryland	1	Virginia	0
Massachusetts	0	Washington	2
Michigan	0	West Virginia	0
Minnesota	9	Wisconsin	0
Mississippi	0	Wyoming	0
Missouri	0		

Source: The Administration for Children and Families, HHS.

As a result, states have had increased flexibility in determining the numbers of adults that are to be working or preparing for work and the types of activities required. For states to count families' activities towards the work participation rate, families have to be participating in federally approved work activities. In a previous report, we found that some states included recipients in a range of work and work-preparation activities that extend beyond those that meet federal work participation requirements,

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particularly to meet the needs of recipients considered hard to employ.<sup>14</sup> Officials in one state told us that because the work participation rates are so low due to caseload reduction credits, states have more flexibility in the types of activities or services provided, for example, substance abuse treatment or mental health services, without fear of not meeting their federal work participation rates. In other cases, the lower target rates give states more flexibility in exempting TANF recipients considered hard to employ from meeting work requirements, as we found in our report on TANF recipients with mental and physical impairments.<sup>15</sup>

In addition to the flexibility provided by reduced federal target rates, many states have increased work requirement flexibility by using state MOE funds to provide cash assistance through non-TANF programs, as allowed by PRWORA. Twenty-six states use state MOE funds to provide cash assistance through separate state programs, which allows states to exclude families from federal work requirements and to serve certain immigrants ineligible for federal TANF. Sixteen of these states provide cash assistance to two-parent families through these programs. Several state officials told us they provide aid in this way to avoid the risk of financial penalties for failing to meet the federal two-parent work participation rate. State officials told us that two-parent families often have as many or more challenges as single parents, making the higher target rate for two-parent families difficult to meet.<sup>16</sup>

While states expressed concern about failing to meet the federal target rate for two-parent families, all 16 of these states imposed their own state work requirements on these families. Thirteen of the 26 states used state MOE in separate programs to provide cash assistance to certain legal immigrants not eligible for federal TANF aid; these 13 states still apply a state work requirement for these families as well. Overall, approximately

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<sup>14</sup>For more information, see U.S. General Accounting Office, *Welfare Reform: Moving Hard-to-Employ Recipients into the Workforce*, [GAO-01-368](#) (Washington, D.C.: Mar. 15, 2001).

<sup>15</sup>For more information on TANF and persons with disabilities, see our report entitled: U.S. General Accounting Office, *Welfare Reform: More Coordinated Federal Effort Could Help States and Localities Move TANF Recipients With Impairments Toward Employment*, [GAO-02-37](#) (Washington, D.C.: Oct. 31, 2002).

<sup>16</sup>The caseload reduction credit would also decrease the 90 percent work participation requirement for two-parent families; however, some states told us that they still moved two-parent families into separate state programs because they did not want to rely on caseload reductions to avoid a financial penalty.

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nine-tenths of the families receiving cash assistance in separate state programs are still subject to a state work requirement. While states generally imposed work requirements, about half of them also have policies in place to exclude families facing significant barriers to work from work requirements. For example, 13 states exclude families with an adult who is disabled and 13 states exclude families that care for someone with a disability.

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### States Excluded 11 Percent of Adult Families from Federal and State Time Limits

States generally targeted time limit exclusions to families they considered hard to employ, families that were working but not earning enough to move off of TANF, and families that were cooperating with program requirements but had not yet found employment. During fall 2001,<sup>17</sup> states excluded from federal or state time limits 11 percent of the 1.4 million cash assistance families with adults. The number of families excluded from time limits may increase in the future because most families have not yet reached their federal or state-imposed cash assistance time limit.

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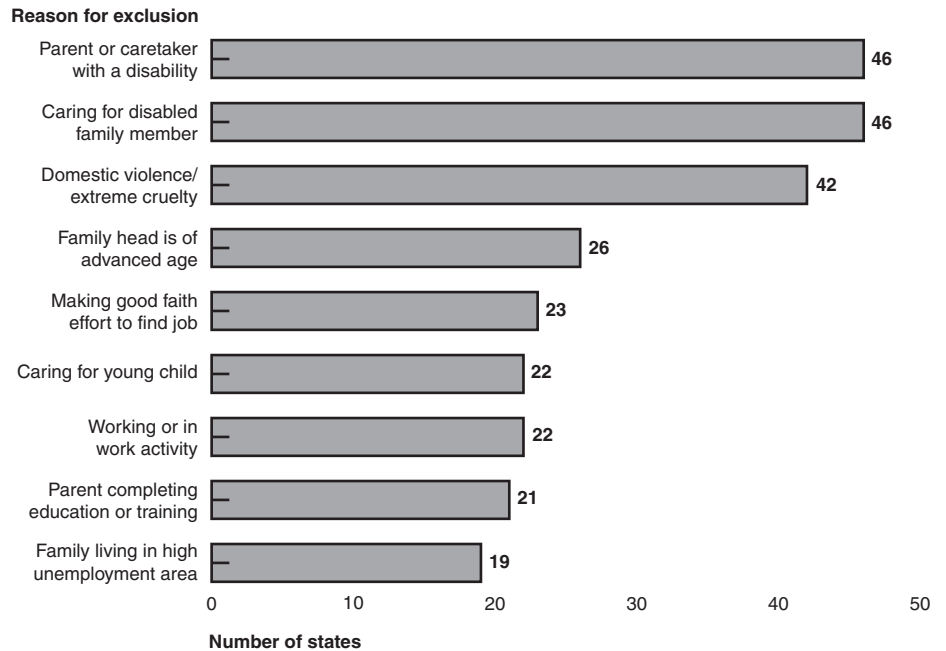
### Federal 20 Percent Extension and State-Funded Time Limit Exclusion Policies Generally Target Working or Hard-to-Employ Families

States targeted time limit exclusions to families they considered “hard to employ”, families that were working but not earning enough to move off of TANF, and families that were cooperating with program requirements. The majority of states excluded “hard-to-employ” families in which the parent had a disability or was caring for a child with a disability, families dealing with domestic violence, and families with a head of household of advanced age. (See figure 2.) Some of these exclusions are granted on a temporary basis (such as for disabled recipients pending transfer to the Supplemental Security Income program), and others are granted for longer periods of time (such as for family heads of advanced age).

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<sup>17</sup>In our survey, we asked states to provide us information for the most recent month for which they had complete data. Most states reported numbers from a month in the first quarter of federal fiscal year 2002.

**Figure 2: Number of States with Exclusions to Federal or State Time Limits by Recipient Characteristic**



Source: GAO survey.

Twenty-two states exclude working families from time limits, either through the federal 20 percent extension or by using state-only funds. Maryland and Illinois, for example, “stop the clock” for working families by funding them with state-only dollars. Officials from both states told us that their states adopted this policy to reward working families for complying with program requirements.

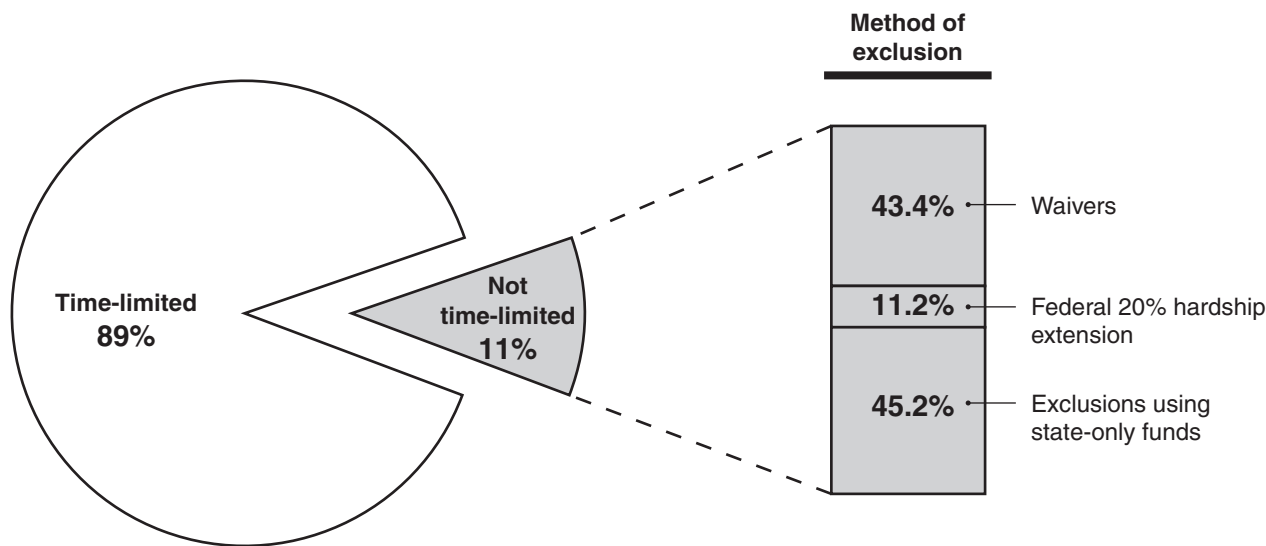
States that exclude families by using state-only funds use similar criteria to those used by states that rely solely on the federal 20 percent hardship extension. Using the 20 percent extension, states are able to extend time limits for a broad range of families, such as families cooperating with program requirements or making a “good faith effort” to find employment. For example, officials from Michigan, a state that commingles all of its state funds with federal funds, told us that they will use the 20 percent extension for all recipients following the rules of the program; if the number of families they want to provide and extension to begins to exceed 20 percent, they plan to continue providing assistance through state funds.

Almost half of the states exclude families making a good faith effort to find employment.

**While States Had Excluded 11 Percent of Families with Adults from Time Limits as of Fall 2001, This Percentage May Increase as More Families Reach Their Time Limits**

States have excluded from time limits 11 percent of the approximately 1.4 million families with adults receiving federal- or state-funded cash assistance. (See Appendix III for the percent of exclusions by state.) As shown in figure 3, 45 percent of these families—mostly in Illinois, Massachusetts, and New York—were excluded through states use of state-only funds. An additional 43 percent of the families were excluded from time limits under federal waivers granted to states before welfare reform to conduct demonstration programs. Many of these waivers remain in effect.<sup>18</sup>

**Figure 3: Percentage of Families with Adults Excluded from Time Limits and Method of Exclusion**



Note: Exclusions do not total 100% due to incomplete data from states. Delaware was unable to provide us with caseload data and is not included in this figure.

Source: GAO survey.

<sup>18</sup>Eight states exclude federally funded families from time limits because of pre-existing waivers to their welfare programs that allow them to exempt federally funded families from the federal time limit. These states are Arizona, Hawaii, Indiana, Nebraska, Oregon, South Carolina, Tennessee, and Virginia. In addition, Connecticut was operating under a waiver through September 2001. As a result, the federal clock did not start on federally funded families that were exempt from Connecticut's state time limit until October 2001. Therefore, Connecticut can extend cash assistance to some of its federally funded families well beyond 60 months without using the federal 20 percent extension.

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Even though states are free to exclude all state-funded families from time limits, 64 percent of state-funded families that include adults were still subject to a time limit imposed by the state. Twenty-six of the 33 states with state-only funds apply a state time limit to some or all of their state-funded cases. (See Appendix IV for additional information on state choices regarding funding and time limits.)

The percentage of the caseload that is excluded from time limits may increase, since most families have not reached their time limit. In 22 states TANF had not been in effect long enough for families to reach either the federal or the state time limit by the time we conducted our survey.<sup>19</sup> Even in those states where it was possible to have received 60 months of cash assistance, many families had not reached their time limit because they have cycled on and off welfare, slowing their accrual of time on assistance. As a result, only 15 states had begun to use the federal 20 percent hardship extension, and all of these states were applying it to less than 6 percent of their total caseload. One state we visited, California, told us it estimated that over 100,000 families with adults would reach the federal time limit in the next year. California plans to use state-only funds to continue aid beyond 60 months to children by removing the adult from the case. California also plans to continue aid to families that are making a good faith effort to find employment and to families that are hard to employ because the adult is aged, disabled, caring for a disabled family member, or experiencing domestic violence.

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## States' Experiences with TANF Highlight Issues for Reauthorization

States' experiences with implementing TANF time limits and work requirements for families receiving cash assistance highlight key issues related to reauthorization of TANF provisions. Officials from the four states we visited and eight states we interviewed shared their views on work requirements and time limits, and the flexibility they have to implement them. Some state officials commented on the limited extent of states' experiences with time limits, given that many families have not yet reached their time limits, as well as their inexperience with operating TANF during times of state budget pressures. State officials also highlighted their concerns about the federal 90 percent work participation requirements for two-parent families.

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<sup>19</sup>States responded to our survey using their most recent month of data available—generally a month in the first quarter of fiscal year 2002 (October through December of 2001).



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## States Support TANF Flexibility, but Some States Have Concerns

In general, state officials we spoke with were supportive of time limits and work requirements. For example, Maryland officials said that one advantage of time-limits assistance and work requirements was that families understood that the receipt of cash assistance was no longer an entitlement, thereby changing the culture of welfare. In addition, another Maryland official noted that time limits encourage caseworkers to link families, particularly the hard to employ, to the services they need to become self-sufficient. States also said that, for the most part, flexibility in implementing time limits and work requirements were important in allowing them to meet the needs of special populations while supporting the federal goal of reducing dependency. The flexibility in implementing their own time limits helps to ensure that states can adapt the federal program to meet state and local needs while still emphasizing the transitional nature of cash assistance through time limits.

While state officials were generally supportive of TANF flexibility, officials in almost all of the states we spoke with expressed the desire to have more flexibility in counting education and training towards the federal work participation rate. Some states officials also expressed a desire to count activities such as mental health and substance abuse counseling towards the federal work participation rate. The states that did not opt for additional flexibility through the use of state-only funds expressed two general concerns. First, they were uncertain about the consequences of their funding flexibility under TANF. A Mississippi TANF official told us that the state plans to follow the federal regulations rather than risk penalties by establishing its own program rules that could become confused with the federal regulations. Second, Colorado state officials were concerned about the potential administrative burden that could result from creating separate funding or programs that used state-only funds.

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## Changing Economic Conditions May Pose Difficult Choices for States in the Future

Up until very recently, TANF has been implemented under conditions of strong economic growth, with declining cash assistance caseloads and the resulting increase in resources available to states to assist families. This has fostered increased flexibility in how state officials use their federal TANF and state maintenance-of-effort dollars. Several states we interviewed now face budget pressures and increasing cash assistance caseloads, which could affect the policy choices they make about funding mechanisms and time limit exclusions in the future. This could affect some states' choices regarding continued support for families that take longer to become self-sufficient. California state officials noted that its plan to

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continue aid for all children whose parents have reached time limits may pose a future financial burden on the state.

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### States' Experiences with Adequacy of the 20 Percent Federal Extension May Change as More Families Reach Time Limits

State officials generally thought the 20 percent federal extension was adequate now, but were less sure about the future, given that many families have not yet reached the 60-month time limit. Given that states' experiences with families reaching their time limits is still limited, it is important to emphasize that much remains unknown nationwide about the numbers, characteristics, and experiences of families who have reached or are close to reaching federal time limits on assistance. In the past we have recommended that HHS work with state officials on this issue to promote research and provide guidance that would encourage and enable state officials to identify who has reached the 60-month time limit before they are able to work. HHS has taken steps to do so.<sup>20</sup>

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### States Support the Goal of Helping Two-Parent Families Reduce Their Dependency but Would Like More Flexibility in the Federal Two-Parent Work Participation Rate

State officials cited their difficulties in meeting the federal work participation target rate for two-parent families and a few discussed their solutions—serving two-parent families in separate state programs to avoid potential financial penalties. These states typically apply their own work requirements and time limits to these families, demonstrating the states' expectation that these families take steps to reduce dependency in the absence of a federal requirement to do so.

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Mr. Chairman, this concludes my prepared statement. I will be happy to respond to any questions you or other members of the subcommittee may have.

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### GAO Contacts and Acknowledgments

For future contacts regarding this testimony, please call Cynthia M. Fagnoni at (202) 512-7215 or Gale Harris at (202) 512-7235. Individuals making key contributions to this testimony included Sigurd Nilsen, Katrina Ryan, Elisabeth Anderson, Kara Kramer, Kim Reniero, and Patrick DiBattista.

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<sup>20</sup>For more information, see [GAO-01-368](#).

# Appendix I: States' Child-Only Caseloads and Reasons for Child-Only Cases

	Percentage of TANF and state MOE child-only cases by reason					
	Percentage of total caseload that is child-only	Parent receiving SSI	Parent is ineligible noncitizen	Parent is subject to sanctions	Nonparental caregivers	Other reason
Alabama	45	--	--	--	--	--
Alaska	19	39	6	0	55	0
Arizona	44	0	33	0	63	4
Arkansas	42	--	--	--	--	--
California	34	14	39	16	23	8
Colorado	38	27	0	0	55	17
Connecticut	34	40	5	1	54	0
Delaware	--	--	--	--	--	--
D.C.	19	--	--	--	--	--
Florida	57	--	--	--	--	--
Georgia	46	0	0	0	100	0
Hawaii	13	--	--	--	--	--
Idaho	42	0	0	0	100	0
Illinois	40	58	10	0	28	4
Indiana	20	42	4	13	41	0
Iowa	25	--	--	--	--	--
Kansas	33	35	4	5	56	0
Kentucky	44	0	0	0	100	0
Louisiana	45	45	0	0	55	0
Maine	24	--	--	--	--	--
Maryland	33	18	1	1	76	5
Massachusetts	37	--	--	--	--	--
Michigan	32	54	3	3	40	0
Minnesota	21	47	11	0	40	2
Mississippi	45	--	--	--	--	--
Missouri	25	50	1	0	49	0
Montana	22	37	7	0	56	0
Nebraska	31	64	0	0	36	0
Nevada	31	9	12	0	76	3
New Hampshire	29	30	0	0	51	19
New Jersey	34	--	--	--	--	--
New Mexico	15	--	--	--	--	--
New York	32	--	--	--	--	--
North Carolina	50	--	--	--	--	--
North Dakota	25	18	0	32	50	0
Ohio	45	--	--	--	--	--
Oklahoma	44	34	6	0	60	0
Oregon	35	28	25	3	37	7
Pennsylvania	28	--	--	--	--	--

**Percentage of TANF and state MOE child-only cases by reason**

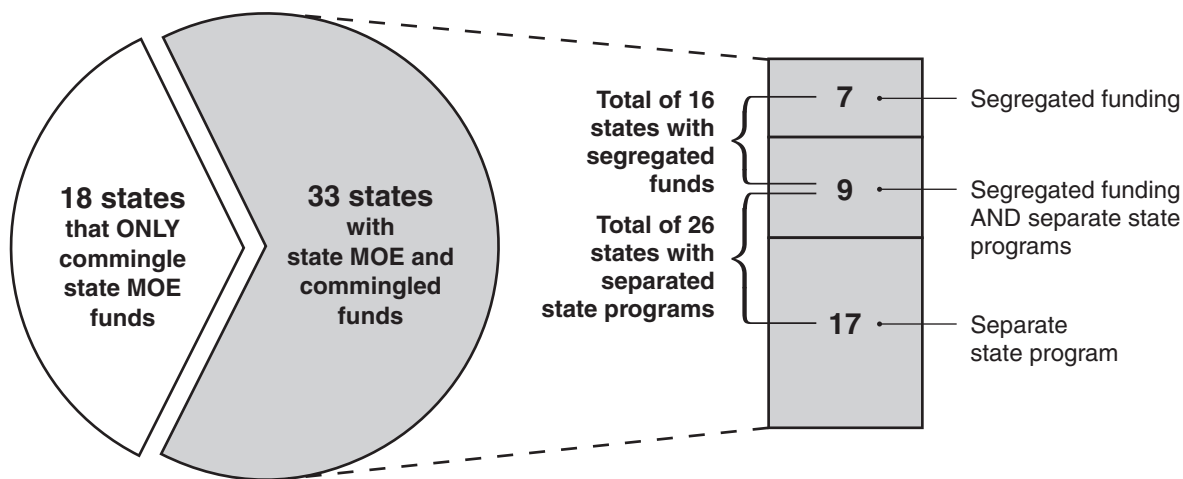
	<b>Percentage of total caseload that is child-only</b>	<b>Parent receiving SSI</b>	<b>Parent is ineligible noncitizen</b>	<b>Parent is subject to sanctions</b>	<b>Nonparental caregivers</b>	<b>Other reason</b>
Rhode Island	18	52	32	0	16	0
South Carolina	45	41	1	0	58	0
South Dakota	57	22	0	0	78	0
Tennessee	28	41	0	0	58	0
Texas	34	0	77	0	0	23
Utah	29	30	0	0	70	0
Vermont	16	56	0	0	44	0
Virginia	27	--	--	--	--	--
Washington	32	28	21	0	48	3
West Virginia	31	--	--	--	--	--
Wisconsin	61	51	0	0	49	0
Wyoming	73	--	--	--	--	--

Source: GAO survey.

# Appendix II: State Funding Choices

Most states use some form of state MOE funding to provide cash assistance to families. Eighteen states relied solely on federal or commingled federal and state funds in their TANF programs to provide cash assistance, as shown in figure 4. The other 33 states used at least one of the state MOE funding options in addition to commingled funds: 7 had segregated state funds; 17 had separate state programs; 9 had both segregated funds and separate state programs.

**Figure 4: Number of States That Use Different Funding Mechanisms to Expend State Funds on Cash Assistance**



Source: GAO survey.

States across the nation have opted to use state MOE funds to provide cash assistance. (See Table 3.) States with larger caseloads are more likely to use segregated funds or separate state programs than smaller states; similarly, states with the smallest caseloads are more likely to commingle all of their state and federal funds.

**Table 3: Funding Streams in All States and the District and Columbia**

<b>Commingled funds</b>	<b>Commingled + segregated state funds</b>	<b>Commingled + separate state programs</b>	<b>Commingled + segregated + separate state programs</b>
Alaska	Arizona	Alabama	California
Arkansas	Massachusetts	Georgia	Connecticut
Colorado	Minnesota	Hawaii	District of Columbia
Idaho	Nebraska	Indiana	Delaware
Iowa	Oregon	Maine	Florida <sup>b</sup>
Kansas	Pennsylvania	Missouri	Illinois
Kentucky	Washington	Montana	Maryland
Louisiana		Nevada	Rhode Island
Michigan		New Jersey	Vermont
Mississippi		New Mexico	
North Carolina <sup>a</sup>		New York	
North Dakota		Tennessee	
New Hampshire		Texas	
Ohio		Utah	
Oklahoma		Virginia	
South Carolina		Wisconsin	
South Dakota		Wyoming	
West Virginia			
<b>Total: 18</b>	<b>7</b>	<b>17</b>	<b>9</b>

<sup>a</sup>North Carolina uses only federal funds to provide cash assistance

<sup>b</sup>Florida has segregated and separate state programs but no federal/commingled

Source: GAO survey.

Even though two-thirds of the states have opted to use segregated funds, separate state programs, or both to provide cash assistance, only 11 percent of the total number of families receiving cash assistance is funded with these funds.

# Appendix III: Percentage of TANF or MOE Families with Adult Recipients in Each State Not Subject to Federal or State Time Limits

State	Percentage	State	Percentage
Alabama	1	Montana	0
Alaska	0	Nebraska	26
Arizona	76	Nevada	0
Arkansas	0	New Hampshire	3
California	0	New Jersey	0
Colorado	0	New Mexico	0
Connecticut	27	New York	28
Delaware	<sup>a</sup>	North Carolina	0
D.C.	2	North Dakota	0
Florida	2	Ohio	4
Georgia	0	Oklahoma	1
Hawaii	27	Oregon	97
Idaho	0	Pennsylvania	2
Illinois	34	Rhode Island	6
Indiana	7	South Carolina	26
Iowa	0	South Dakota	0
Kansas	1	Tennessee	29
Kentucky	0	Texas	0
Louisiana	0	Utah	4
Maine	25	Vermont	7
Maryland	9	Virginia	54
Massachusetts	53	Washington	0
Michigan	8	West Virginia	0
Minnesota	10	Wisconsin	0
Mississippi	0	Wyoming	6
Missouri	6		

<sup>a</sup>Delaware was not able to provide us with data on the families excluded from time limits in its caseload.

Source: GAO survey.

# Appendix IV: State-By-State Information on State Funding, Application of Time Limits, and Use of 20 Percent Extension

States	Have state MOE funds in segregated and separate state programs	Apply state time limit to some/all Families served through state MOE funds	Have not reached federal and/or state time limit at time of survey	Were using 20 percent extension at time of survey
Alabama	X	X		X
Alaska				X
Arizona	X			
Arkansas				
California	X	X	X	
Colorado				X
Connecticut	X	X		X
Delaware	X	X		<sup>a</sup>
D.C.	X		X	
Florida	X	X		
Georgia	X	X		
Hawaii	X	X	X	
Idaho				
Illinois	X	X	X	
Indiana	X	X		
Iowa			X	
Kansas				X
Kentucky			X	
Louisiana			X	
Maine	X			X
Maryland	X	X	X	
Massachusetts	X	X		
Michigan				X
Minnesota	X	X		X
Mississippi				X
Missouri	X	X	X	
Montana	X	X	X	
Nebraska	X	X		
Nevada	X	X	X	
New Hampshire				X
New Jersey	X	X	X	
New Mexico	X	X	X	
New York	X		X	X
North Carolina				
North Dakota			X	
Ohio				X
Oklahoma				X



<b>States</b>	<b>Have state MOE funds in segregated and separate state programs</b>	<b>Apply state time limit to some/all Families served through state MOE funds</b>	<b>Have not reached federal and/or state time limit at time of survey</b>	<b>Were using 20 percent extension at time of survey</b>
Oregon	X	X		
Pennsylvania	X		X	
Rhode Island	X	X	X	
South Carolina				
South Dakota			X	
Tennessee	X	X		
Texas	X	X	X	
Utah	X	X		X
Vermont	X		X	
Virginia	X	X		
Washington	X	X	X	
West Virginia			X	X
Wisconsin	X	X		
Wyoming	X			
<b>Total</b>	<b>33 states</b>	<b>26 states</b>	<b>22 states</b>	<b>15 states</b>

<sup>a</sup>Delaware was not able to provide data on their use of the federal 20 percent extension.

Source: GAO survey.

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# Related GAO Products

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*Welfare Reform: More Coordinated Federal Efforts Could Help States and Localities Move TANF Recipients with Impairments Toward Employment.* [GAO-02-37](#). Washington, D.C.: October 31, 2001.

*Welfare Reform: Challenges in Maintaining a Federal-State Fiscal Partnership.* [GAO-01-828](#). Washington, D.C.: August 10, 2001.

*Welfare Reform: Moving Hard-to-Employ Recipients Into the Workforce.* [GAO-01-368](#). Washington, D.C.: March 15, 2001.

*Welfare Reform: Work-Site-Based Activities Can Play an Important Role in TANF Programs.* [GAO/HEHS-00-122](#). Washington, D.C.: July 28, 2000.

*Welfare Reform: Improving State Automated Systems Requires Coordinated Federal Effort.* [GAO/HEHS-00-48](#). Washington, D.C.: April 27, 2000.

*Welfare Reform: State Sanction Policies and Number of Families Affected.* [GAO/HEHS-00-44](#). Washington, D.C.: March 31, 2000.

*Welfare Reform: Assessing the Effectiveness of Various Welfare-to-Work Approaches.* [GAO/HEHS-99-179](#). Washington, D.C.: September 7, 1999.

*Welfare Reform: Information on Former Recipients' Status.* [GAO/HEHS-99-48](#). Washington, D.C.: April 28, 1999.

*Welfare Reform: States' Experiences in Providing Employment Assistance to TANF Clients.* [GAO/HEHS-99-22](#). Washington, D.C.: February 26, 1999.