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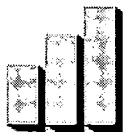
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ABSTRACT

This paper analyzes the approaches that states can take to address the needs of families facing the loss of Temporary Assistance for Needy Families (TANF) benefits due to time limits. Ways in which these approaches can be funded with state or federal welfare funds are discussed. The paper examines how states can use federal TANF or state maintenance of effort (MOE) funds to serve families that reach time limits and still need aid. Overall, states can: continue benefits to children in the family; provide subsidized community service jobs to unemployed parents; provide work supports for employed families; allow extensions to families needing them beyond a 20-percent caseload limit; and provide safety net assistance if no other aid is available. Families are reaching time limits now in many states. States should revisit and add to their time limit approaches in light of the recent changes in state TANF caseloads and the clarified and expanded flexibility that states have under the final TANF rules. The range of options available to states to assist families reaching time limits is not limited to the criteria they adopt for extension of time limits. (SM)

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June 21, 2000

WAYS THAT STATES CAN SERVE FAMILIES THAT REACH WELFARE TIME LIMITS

by Liz Schott

One of the best-known features of the 1996 federal welfare law is the 60-month time limit on the receipt of TANF assistance. Generally, a family that includes an adult is limited to 60 months of assistance provided with TANF funds. A state can provide TANF-funded assistance beyond 60 months, however, to up to 20 percent of the state's caseload.

States can set shorter time limits on welfare receipt and 20 states have done so. Families already are reaching time limits in 18 states and families in three additional states will begin to reach time limits during the next year. Nationally, at least 60,000 families have lost TANF benefits because of reaching a time limit. In 28 states that chose 60-month time limits, families will begin to reach time limits in October 2001 or later.¹

Most states adopted their time limits policies within the year following the passage of the 1996 welfare law.² States generally wanted to deliver a strong message to families that they were subject to time limits and many states, particularly those choosing 60-month time limits, deferred for another time developing detailed policies about circumstances under which families could receive extensions of benefits. A number of these states simply adopted the federal statutory language on exceptions due to hardship or domestic violence for up to 20 percent of the caseload.

States may want to revisit and modify their approaches to time limits for three reasons.

- First, the 60-month time limit that many states chose is much closer in time. Many states now should address the decisions they deferred when initially adopting time limits without addressing the time when families would begin to lose benefits under the limits.

¹ Two states — Michigan and Vermont — generally have not imposed time limits on receipt of welfare benefits in their state TANF programs. See additional discussion of Vermont's time limit policy at p. 7 and fn. 14. A chart of state time limit policies and dates when families first reach time limits is attached as an appendix.

² Some states already had set time limits pursuant to waivers under the former AFDC program prior to the 1996 welfare law. Some of these states continued their waiver-based time limits and others enacted different time limit policies after the passage of the federal law.

- Second, since states first set their time limit policies, HHS has issued final TANF rules and other guidance that clarify and expand state flexibility to use state and, in some cases, federal funds to assist families beyond 60 months.
- Finally, as TANF caseloads have been reduced by half in this strong economy, and many of the families remaining on TANF have multiple barriers to employment, states may wish to continue to assist in various ways many or most of the remaining families beyond the time limit.

A threshold question for policymakers to consider is what happens when a family reaches a time limit. While much of the focus may be on extensions of time limits — and in particular, the 20 percent limit on TANF-funded extensions specified in the federal welfare law — federally-funded extensions are only one way that states can serve families as they reach time limits. While many states will need to better define the criteria for extensions of benefits, it also is important for states to think more broadly about a range of ways to address the needs of families reaching time limits. States have flexibility under the federal welfare law to design their time limit policies to include various approaches.

- A state can impose the time limit on the adults and continue benefits to the children when a family reaches the time limit. At least six states that impose time limits do not stop aid to children when the time limit is reached.
- A state can provide wage-paying community service jobs to adults in families that reach the time limit and are not fully employed.
- A state can provide ongoing cash work supports to families that lose ongoing TANF cash assistance due to time limits.
- A state can provide extensions to the time limit without limiting the number of extensions to 20 percent of the caseload.
- A state can provide safety net assistance to families that lose benefits due to time limits.

This paper discusses each of these approaches that states can take to address the needs of families facing loss of welfare due to time limits. It also discusses how these approaches can be funded with state or federal welfare funds.

Federal Law Gives States Flexibility to Design Their Own Approaches to Meeting Needs of Families Reaching Time Limits

Under the federal welfare law, a family that includes an adult generally is limited to 60 months of federal TANF-funded assistance. A state can provide *federal* TANF-funded assistance

beyond 60 months, however, to up to 20 percent of the state's caseload based on hardship or if the family includes an individual who has been subject to domestic violence.³ In addition, a state has flexibility under federal law to use *state* funds to continue assistance beyond 60 months to more families. The federal welfare law requires a state to continue to spend state dollars in an amount equal to at least 80 percent (or in some cases, 75 percent) of its historic state welfare spending, but states are not required to impose time limits on the assistance provided with these state "maintenance of effort" (MOE) funds.⁴

Within this framework governing the use of federal TANF funds and state MOE funds, states have great flexibility to set time limits that are shorter than 60 months or not to impose time limits at all.⁵ Nearly all states have imposed time limits that are stricter than required by federal law. They have done so in two primary ways — by imposing time limits shorter than 60 months and by imposing time limits on assistance provided with state MOE funds.

Twenty states have imposed time limits that are shorter than 60 months. Of these, 17 states terminate assistance to the entire family when the time limit is reached and three states continue benefits to the children when this shorter time limit is reached.⁶

Nearly all states have placed a time limit on the use of state MOE funds for cash assistance. This is not required by federal law. Under federal law, states can use MOE funds to provide benefits to families that do not qualify for federal TANF assistance due to time limits.⁷ For example, states can use state MOE funds to extend benefits for the entire family beyond 60 months for more than 20 percent of the caseload. States also can use state funds to continue cash

³ 42 USC § 608(a)(7); 45 CFR § 264.1.

⁴ 42 USC § 609(a)(7); 45 CFR § 263.2(b).

⁵ In addition, another aspect of the federal welfare law applies to states with an approved waiver granted under the former AFDC program. States that continue waiver-based time limits can use TANF funds to provide assistance pursuant to the terms of the waiver, even if providing such assistance would otherwise be inconsistent with the time limit restrictions that the federal law places on use of TANF funds.

⁶ A brief summary of state time limit policies and dates when families will first reach time limits is attached as an appendix. Greater details about state time limit policies is available through the State Policy Documentation Project at <http://www.spdp.org/tanf/timelimit.htm>. The State Policy Documentation Project is a joint project of the Center for Law and Social Policy and the Center on Budget and Policy Priorities. For a cross-state overview of state implementation of time limits in seven states, see Dan Bloom, *Welfare Time Limits: An Interim Report Card*, Manpower Demonstration Research Corporation, April 1999, available at <http://www.mdrc.org>.

⁷ 42 USC § 609(a)(7)(B)(i)(III); 45 CFR § 263.2(b)(1)(ii).

benefits to the children in the household beyond 60 months.⁸

Exemptions: When Time Clocks Do Not Run

This paper addresses ways states can meet the needs of families subject to time limits after the family reaches a time limit. It is important to note that some families are not subject to time limits. The federal welfare law sets forth circumstances under which the federal time clock does not run. In addition, states have flexibility to decide which families are subject to time limits and which families are exempt from time limits.

The federal welfare law sets forth circumstances when states *must not* count receipt of assistance toward the federal 60-month TANF clock. Specifically, the law excludes months during which a parent or pregnant woman received assistance as a child provided that he or she was not the head of household or married to the head of household. In addition, the law excludes months of assistance received by an adult living in Indian country or an Alaska Native village with high unemployment. The law also excludes any months for which the only assistance an individual receives is noncash assistance under the Welfare-to-Work program.

The majority of states exempt additional groups of families from the *state's* time limit for cash TANF benefits. The most frequent reasons for time limit exemptions are that a parent or caretaker is disabled (26 states) or is caring for a household member who is disabled (22 states). Other time limit exemptions include policies that stop the clock when an adult is caring for a young child (13 states); when an adult is pregnant (10 states); when a parent or caretaker is elderly (17 states); for victims of domestic violence (18 states); when child care is unavailable (8 states); when other services that have been specified in an employment plan are unavailable (5 states); when the caretaker is not the parent (6 states); and when an adult is employed (7 states — in some of these states the person must be working a minimum number of hours or must be in subsidized employment).

Detailed information about state time limit exemptions is available through the State Policy Documentation Project at <http://www.spdp.org/TANF/timelimit.htm>. For additional discussion about state exemption choices, see Liz Schott, *State Choices on Time Limit Policies in TANF-funded Programs*, Center on Budget and Policy Priorities, September 1998, available at <http://www.cbpp.org/9-1-98wel.htm>.

States also can use federal TANF funds to help families beyond 60 months in several ways. As previously mentioned, a state can use federal TANF funds to provide ongoing assistance to a family that includes an adult beyond 60 months for up to 20 percent of the caseload. (For further discussion of the 20 percent extension option, see page 15.) In addition,

⁸ See discussion of both of these examples below at pp. 13-16 and pp. 5-6, respectively. For further discussion on state flexibility to use MOE funds to serve certain families beyond the federal time limit restrictions, see Liz Schott, *State Choices on Time Limit Policies in TANF-funded Programs*, Center on Budget and Policy Priorities, September 1998, available at <http://www.cbpp.org/9-1-98wel.htm>.

because the 60-month TANF time limit applies to TANF-funded *assistance*, a state can use TANF funds to provide any aid that is not considered assistance (as defined in the final TANF rules) even if a family has already exhausted the 60-month time limit.

Under the final TANF rules, “assistance” includes cash or noncash payments designed to meet a family’s ongoing basic needs for food, clothing, shelter and other household expenses. The rules explicitly *exclude* certain benefits from the definition of assistance. Assistance does not include, among other things, supportive services to families that are employed or work subsidies paid to employers to help cover the costs of employee wages, benefits, supervision or training.⁹ Because of this definition, states have new opportunities under the final TANF rules to use federal TANF funds to help support families, including families that have reached TANF time limits. Two of the approaches to serving families that have reached time limits discussed in this paper — providing work supports to employed families and providing subsidized community service jobs — involve benefits that are not “assistance” that can be funded with federal TANF funds.

Ways State Can Help Families Reaching Time Limits

States need not limit themselves to defining which groups of families can qualify for federal “20 percent extensions” when considering how to address the needs of families reaching time limits. This section discusses in greater detail ways that states can use federal TANF or state MOE funds to serve families that reach time limits and still need aid.

A state can continue benefits to the children in the family.

Stopping assistance to the entire family when a family reaches a time limit, while a policy aimed at affecting the behavior of the parents, may result in hurting the children. It also could undermine one of the purposes of the federal welfare law — assisting needy families so that children can be cared for in their homes. Parents may face the anomalous situation that their children cannot continue to receive assistance if the children continue to live with them, but the children could receive assistance if, instead, the children go to live with other relatives.¹⁰

Some states have chosen to continue to provide basic assistance for the needs of the children when a family reaches the state’s TANF time limit. Six states continue benefits to the

⁹ 45 CFR § 260.31. For additional discussion of the definition of “assistance” and examples of benefits states can provide that are not assistance, see Eileen Sweeney et al., *Windows of Opportunity: Strategies to Support Families Receiving Welfare and Other Low-income Families in the Next State of Welfare Reform*, Center on Budget and Policy Priorities, January 2000, available at <http://www.cbpp.org/1-12-00wel.htm>.

¹⁰ In response to the State Policy Documentation Project survey, every state indicated that after a child and parent had received assistance together for 60 months, the child could continue to receive assistance if he or she lived with another relative and the parent was not in the home. See Time Limit Findings in Brief at <http://www.spdp.org/TANF/timelimits/timelimitexpl.htm>.

children when the family reaches the time limit. They are Arizona, California, Indiana, Maine, Maryland, and Rhode Island.¹¹

Any state can make this same policy choice and use state maintenance-of-effort funds to pay for benefits after 60 months. A state also can use federal TANF funds to continue benefits to the children if the parent has not received federal TANF assistance for the full 60 months.¹² For example, both Indiana and Arizona have a 24-month time limit on benefits for adults but have no time limit on benefits for the children. In these states, when the parent is removed from the grant after 24 months and benefits continue to the children, the family will not reach the 60-month TANF time limit because there is no family that *includes an adult* receiving assistance beyond 24 months. Thus the state could continue to use federal TANF funds to provide benefits to the children even beyond 60 months and these benefits would not count toward the 20 percent limit on TANF-funded extensions.¹³

A state can provide subsidized community service jobs to unemployed parents.

Welfare time limits implement the view that welfare should be temporary and parents are expected to support their families through work rather than welfare. Not all parents will be working, however, when the family reaches a time limit on receipt of cash assistance. In particular, parents with low skills or other barriers to employment are less likely to be employed.

¹¹ Also, Texas continues benefits to the children when the family initially reaches the state's own time limit until the family reaches the federal 60-month lifetime time limit. (Texas imposes a time limit of 12, 24 or 36 months depending upon the adult's education level and work experience.)

In addition, New York state continues to provide for the needs of the family through its Safety Net Assistance program discussed at p. 16 below. Vermont (with one new, narrow exception) and Michigan do not impose time limits that cut off welfare benefits to family members. See additional discussion of Vermont's time limit policy at p. 7 and fn. 14.

¹² States considering a change in policy should be aware, however, that in the final TANF rules, HHS acknowledged that continuing TANF-funded benefits beyond 60 months to child-only cases when the parent has been taken off the grant prior to reaching the 60-month limit is permissible but suggested that it will monitor trends in the child-only caseload and may revisit this issue. In addition, there is some ambiguity as to whether a state also could use federal TANF funds for a child (but not an adult) if the family with the adult had received assistance for 60 months rather than only if the family had received assistance for *less than* 60 months. Since there is no question that it is permissible to use TANF funds if the adult did not receive TANF assistance for 60 months, a prudent state that wishes to take this approach would be well advised to ensure that the parent does not receive assistance for the full 60 months.

¹³ Both Indiana and Arizona had implemented their 24-month time limit on adults pursuant to waivers granted under the former AFDC program and both states certified to HHS that they would continue to follow their waiver policies instead of TANF time limit policies as they are permitted to do under the federal welfare law. While continuing their waiver approaches gives these states additional flexibility with respect to time limits, it is not necessary that a state have a waiver-based time limit to use federal TANF funds to extend benefits to children beyond 60 months if the adult has not received assistance for the full 60 months.

In addition, in specific local areas or when there is an economic downturn nationally, there may not be sufficient jobs for all adults reaching time limits.

States can help families that have reached time limits in ways other than providing cash assistance payments. An alternate approach is to provide the parent with subsidized employment that serves the needs of the community through private nonprofit or public agencies. Publicly-funded community service jobs can enable unemployed families losing welfare due to time limits to gain valuable work experience, provide a public service, and earn wages to support their families. Participants also qualify for the federal Earned Income Tax Credit, and, in at least a dozen states, also can qualify for a state EITC. This approach meets the time limit philosophy that parents should work rather than receive welfare for an unlimited time, while still providing basic income support for the family.

Vermont has been following this approach with its Community Service Employment program. Vermont has a “work trigger” time limit which requires participation in employment after 30 months of benefit receipt for single-parent recipients and after 15 months for two-parent families.¹⁴ Two months prior to reaching the time limit, parents must engage in job search. When a family reaches the time limit and has not found employment, the adult must participate in a community service job if one is available. In Vermont, Community Service Employment placements are for 10 months, followed by two months of job search. Subsequent 10-month placements followed by two months of job search are also available. Because of the strong economy, most families reaching the time limit have not needed to use Community Service Employment placements. Those who have been placed in subsidized jobs generally have averaged only three to four months in the program after which they either have found unsubsidized employment or have been determined unable to participate in work activities and thus not subject to the state’s “work trigger” time limit.

In Ohio, families will begin to reach the state’s 36-month time limit in October 2000. The state has indicated that counties may provide TANF-funded subsidized employment placements for families that no longer qualify for TANF due to the time limit. Because these choices have

¹⁴ This “work trigger” time limit has been the only time limit in Vermont. Vermont’s welfare reform program was implemented in July 1994 pursuant to a waiver under the AFDC program which the state has continued to follow. The waiver expires in June 2001 and the state has recently enacted significant legislation to implement its post-waiver approach to welfare reform. The new program will retain the Community Service Employment Program under which parents can be provided with subsidized community service jobs when the work trigger time limit is reached. The new program shortens the work trigger time limit to 12 months (or 18 months in certain circumstances). It generally does not impose a time limit on receipt of benefits and instead mandates the state agency to structure TANF funding in a manner that will allow it to meet federal requirements and continue benefits to needy families beyond 60 months. The new Vermont law will impose a time limit on welfare receipt in one limited circumstance. Specifically, it sets up a special program to provide financial assistance for parents participating in post-secondary education and a parent who receives a post-secondary degree through this new program is limited to 12 months of TANF benefits during the five year period *after* receiving the degree. The new law (H. 843) is available at <http://www.leg.state.vt.us/docs/2000/bills/passed/H-843.HTM>.

devolved to the county level in Ohio, it is up to each county to choose whether to develop wage-paying jobs for families that lose cash TANF benefits due to time limits.

A number of other states and localities also currently operate community service jobs programs, including Washington State, San Francisco, Philadelphia, Miami, Detroit, and Baltimore. In addition, New York City recently enacted a program that will create 7,500 placements, each lasting 12 months, over the next three years. While these other programs serve families before they reach a time limit on assistance, a state can incorporate both approaches and provide community service jobs to adults in families that have not yet reached a time limit as well as to adults in families that have reached a time limit.

There are many design issues for states or localities to consider in developing community jobs in private nonprofit or public agencies.¹⁵ Community jobs should be viewed as a transitional step for persons who are unable to obtain unsubsidized employment and participation is generally time limited, often for periods of one year or less. Because the community job is a transitional placement, it is important that it help the individual become more employable. Thus, the job should include supervision as well as work responsibilities and tasks that promote learning and enhance future employment. It is also beneficial if the program incorporates an education or training component.

While the capacity of these programs may not be large enough to serve all families reaching time limits, states can use community service jobs as one of an array of options for families that are reaching time limits.¹⁶ Given the time needed to develop, implement, and expand community jobs programs, states or localities that are interested in adding this approach should move forward promptly and not wait until families are reaching time limits.

A state can use federal TANF funds to provide wage subsidies in community jobs programs for families that already have reached the federal TANF 60-month limit. Because

¹⁵ For further information, see Eileen Sweeney et al. *Windows of Opportunity: Strategies to Support Families Receiving Welfare and Other Low-income Families in the Next State of Welfare Reform*, Center on Budget and Policy Priorities, January 2000, pp. 35-6, available at <http://www.cbpp.org/1-12-00wel.htm>; Clifford Johnson, *Publicly-Funded Jobs for Hard-to-Employ Welfare Recipients*, revised September 1999, available at <http://www.cbpp.org/714wtw.htm>; Clifford Johnson, William Schweke, Matt Hull, *Creating Jobs: Public and Private Strategies for the Hard-to-Employ*, Center on Budget and Policy Priorities and the Corporation for Enterprise Development, April 1999, available at <http://www.cbpp.org/6-28-99jc.pdf>; Clifford M. Johnson and Alex Goldenberg, *Work to Be Done: Designing Publicly-Funded Jobs To Meet Community Needs*, Center on Budget and Policy Priorities, September 1999, available at <http://www.cbpp.org/9-24-99wtw.htm>; Marie Cohen, *Work Experience and Publicly-Funded Jobs for TANF Recipients*, Welfare Information Network, September 1998, available at <http://www.welfareinfo.org/newwork.htm>.

¹⁶ Community jobs programs generally serve hundreds, or in some cases, thousands, of families. The program in Baltimore is planning to serve 1,100 participants and the Philadelphia program has the capacity to serve 750 participants. The Detroit program is serving 1,000 participants. Washington State began with 540 jobs in selected locations but plans to serve 3,300 participants statewide by June 2001. The New York City program will create 7,500 community service job placements over the next three years.

subsidies to employers to cover costs of employee wages, benefits, training or supervision are *not* defined as “assistance” under the final TANF rules, a state can provide such subsidies on behalf of a family that includes an adult that already has received assistance for 60 months.¹⁷ Because the family is not receiving assistance, a family that receives only TANF-funded wage subsidies does not count toward the 20 percent of the caseload limit on TANF-funded assistance beyond 60 months.

In order to use TANF funds to provide wage subsidies beyond 60 months without counting toward the 20 percent limit, states need to design their programs so that families that have reached time limits do not receive any TANF-funded “assistance” to supplement the subsidized wage. A state that wants to provide additional benefits to supplement the wages can do so by providing TANF-funded benefits that are *not* considered “assistance” under the final TANF rules. For example, a state could provide participants with a cash transportation allowance since, as discussed more fully in the next section, work supports for employed persons are not considered “assistance.” In addition, if a state wishes to provide a welfare grant to supplement wages from subsidized employment — as some state community jobs programs do — the supplement can be provided to families that reached 60 months with state maintenance-of-effort funds.¹⁸

A state can provide work supports for employed families.

Many families reaching a time limit are employed but their earnings are sufficiently low that, had they not reached a time limit, they would continue to qualify for at least some amount of cash TANF benefits. In studies of families that have lost benefits due to time limits, 44 percent of families in Florida, 63 percent of families in Virginia, and 85 percent of families in

¹⁷ 45 CFR § 260.31. For further discussion on the definition of assistance, see discussion above at p. 5 and references in fn. 9.

¹⁸ These same design considerations apply when a state provides community service jobs to families that have not yet reached the time limit. Months employed in jobs subsidized with TANF funds do not count against a participant’s 60-month TANF time limit on cash assistance as long as the family does not receive any other TANF-funded assistance. Therefore, a state may wish to design any supplemental payments in the community service jobs program so that participation does not unnecessarily run TANF time limits on participants. To the extent that states are running time clocks on participants in community service jobs it is either because the state has chosen to run a state time limit even though the federal time limit is not running or because the program is designed in a way that results in participants also receiving some TANF-funded benefits that are considered assistance and the federal time limit thus applies.

Time Limits and State “Make Work Pay” Policies

The vast majority of states provide work incentives in their cash TANF programs so that a low-income working family does not lose cash assistance as soon as earnings reach the level of the family’s welfare benefits. Instead, these “make work pay” approaches generally disregard a significant portion of earnings. For example, Illinois disregards two of every three dollars of earnings in determining eligibility for TANF and the amount of the welfare grant that a family will receive.

These work incentives allow a family to increase family income by combining earnings and a partial welfare grant, and thereby to reach a greater level of stability before exiting welfare. A recently-released study by Manpower Demonstration Research Corporation of the Minnesota Family Investment Program credits work incentives with increasing income and reducing poverty as well as significantly improving family well being. The study found dramatic declines in domestic abuse, an increase in marriage rates and, for children, better performance in school and fewer behavioral problems.*

The MDRC report notes, however, that work incentives and time limits may work at cross purposes. On the one hand, enhanced earnings disregards increase family stability before leaving welfare but have a side effect of keeping families on welfare longer and using up months on the time clock. On the other hand, time limits may encourage working families to leave welfare quickly to “bank” their lifetime allocation rather than to benefit from the work incentives. In addition, working families that reach time limits may lose benefits because of the time limits and not because of increased income.

MDRC suggests several approaches states could take to address this tension between time limit policies and “make work pay” policies including the following:

- States can “stop the clock” for families in which the adult is working substantial hours. Several states do this now. For example, if a parent is employed 30 hours per week the time clock does not run in Illinois and Rhode Island. In Delaware the state time clock stops if the parent is working 20 hours per week. Maryland stops the clock for all employed families. Louisiana stops the clock during the six month period when 100 percent of earnings are disregarded.
- States can extend assistance to employed families when the 60-month time limit is reached. Two states — Florida and Utah — provide extensions based on employment when a family reaches the state’s time limit but neither of these states provide such extensions beyond 60 months.**
- Instead of providing work incentives through the welfare system by disregarding a portion of earnings, states can provide supports for low-income workers outside the cash welfare system where time limits do not apply. One way to do this is to provide a worker stipend or other work supports as suggested in this paper.

* Virginia Knox et al., *Reforming Welfare and Rewarding Work: A Summary of the Final Report on the Minnesota Family Investment Program*, Manpower Demonstration Research Corporation, May 2000, at <http://www.mdrc.org/Reports2000/MFIP/MFIPSummary.htm>.

**In Florida, a family reaching the state’s 24 or 36-month time limit can receive one month of extension based on each month of unsubsidized employment since October 1996. The total months of benefit receipt cannot exceed the state’s 48-month lifetime limit. In Utah, families with recent work history that are working at least half time when they reach the state’s 36-month time limit can receive an extension (until they reach 60 months of benefit receipt) if the employment is expected to continue.

Connecticut were employed when the time limit was reached.¹⁹ As discussed in the box on page 10, state “make work pay” policies and state time limit policies may work at cross purposes. One approach that states could take to address this tension is to provide work supports to employed families that have left welfare. While states must provide Medicaid and Food Stamps to eligible families that have lost TANF due to time limits, and many states provide child care subsidies as well, few states provide any ongoing cash supports to working families that are not receiving cash welfare. These working families, however, were sufficiently poor to continue to qualify for welfare and lost the benefit not because of increased earnings but simply due to reaching a time limit. A recent study in Virginia found that employed families that lost TANF due to time limits had lower earnings and fewer benefits than employed families that left TANF for other reasons.²⁰

The work support could be a general cash stipend to cover work expenses and payroll deductions or it could be a cash allowance to meet a specific need, such as transportation. A work support will serve families and the state most effectively if it is simple to administer, uniform and easy to understand. For example, a state could provide a flat monthly \$150 worker stipend to all families that qualify. Alternatively, a state could recognize that all working families have transportation needs and, for simplicity, provide all eligible families with a flat monthly transportation allowance of \$150 without tailoring the monthly allowance to documented and varying expenses.

Because work supports for employed families are not considered “assistance,” a state could use federal TANF funds to pay for a stipend intended to cover work expenses without running TANF time clocks or after the 60-month TANF time limit has been reached. For example, a stipend of \$150 or \$200 per month reasonably can be considered as reimbursement for work expenses and a larger amount could be reasonable if it also covered transportation expenses. To the extent that the stipend exceeds an amount reasonably attributable to a work support, a state could use MOE funds for such an approach.

¹⁹ Dan Bloom et al., *The Family Transition Program: Implementation and Three-Year Impacts of Florida’s Initial Time-Limited Welfare Program*, Table and Figure 4.1, Manpower Demonstration Research Corporation, April 1999, and Dan Bloom et al., *Connecticut Post-Time Limit Tracking Study: Six-Month Survey Results*, Table 2, Manpower Demonstration Research Corporation, January 1999, both available at <http://www.mdrc.org>. Anne Gordon et al., *Experiences of Virginia Time Limit Families in the Six Months After Case Closure: Results for an Early Cohort*, Mathematica Policy Research, November 1999 <http://www.mathematica-mpr.com/vatimelimit.pdf>. The high percentage of recipients who are employed when they reach the time limit in Connecticut results from the state’s unusual earnings disregard. Because the state disregards all earnings that are below the poverty level, families with earnings in Connecticut are less likely to lose TANF benefits due to their income and instead are more likely to lose TANF benefits due to reaching a time limit. Similarly, Virginia also has an unusual work incentive policy that allows families to continue to receive welfare benefits until countable earned income (after deductions) reaches the federal poverty line. Connecticut and Virginia have two of the most generous “make work pay” policies in the nation.

²⁰ Anne Gordon et al., *Experiences of Virginia Time Limit Families in the Six Months After Case Closure: Results for an Early Cohort*, Tables III.9 and III.10, Mathematica Policy Research, November 1999, available at <http://www.mathematica-mpr.com/vatimelimit.pdf>.

A state that chooses to provide cash work support stipends to employed families not receiving cash welfare will need to decide what groups of families to cover. Stipends could be provided solely to employed families that have left TANF due to time limits, to all employed families that have left welfare, or to all low-income families regardless of past welfare receipt. A worker stipend that is broadly available to all families below a specified income level has the advantage of treating all low-income families equally regardless of current or recent welfare receipt. Such an approach could assist state efforts to divert families from entering the welfare caseload. The amount that the state is willing to spend supporting low-income working families ultimately may be the key factor in shaping the state's choice about which families qualify for such benefits.

If a state chooses to make a more limited investment and wants to focus on the impact of time limits on low-income working families, the state should still consider targeting the assistance to *all* families leaving welfare and not just families that leave due to reaching time limits. While a benefit that is limited only to families *reaching* time limits initially may appear to be a more targeted response, many employed families may choose to leave welfare before reaching a time limit in order to “bank” remaining months for an emergency. By limiting post-assistance work supports only to families that run out the time clock, a state could undermine its time limit policy. By making a work support available to a family with earnings that has left welfare, a state could encourage a family to leave welfare before it reaches a time limit and before the earnings place the family above the earnings limits. For example, a family with earnings that continues to qualify for \$150 per month of cash TANF benefits could choose to leave welfare and receive a work stipend of \$150 instead. Providing a work support stipend to all families leaving welfare — both families that have reached time limits and families that want to leave welfare before they reach time limits — assists working families and furthers state time limit policies.

A state also will need to decide whether to provide work support stipends on a time-limited basis or to continue providing the support so long as the family remains at a certain income level, for example, below 150 or 200 percent of the federal poverty line. A time-limited stipend that ends before the family reaches an adequate level of income may not fulfill goals for achieving family stability. Continuing stipends until a certain income level is exceeded, while more costly, better furthers state policy goals. The key factor influencing the duration for which work supports will be available is likely to be funding.

In general, states have not used the flexibility available to them to provide work supports to low-income working families not receiving cash welfare. A few states, however, have begun to make efforts in this direction. Texas recently established a pilot project that will provide “post-employment stipends” of at least \$1,200 a year to families that have left welfare for work. In addition, a number of states provide transportation assistance to families that have left welfare for work or to low-income working families regardless of current or recent welfare receipt. For example, families in Virginia can receive transportation assistance to support work for up to 12 months after a family has left welfare and families in New Mexico with income below the poverty level can receive transportation assistance.

States also could provide other supports to families that have lost TANF cash assistance due to time limits or that have left welfare for work. Several states have implemented programs that assist some low-income working families that have left welfare with their housing costs to ensure that the loss of welfare does not lead to housing instability. For example, Connecticut provides vouchers for up to one year after a family loses TANF due to time limits that pay rental costs exceeding about 40 percent of family income. New Jersey offers vouchers for three years to families leaving welfare with incomes below 150 percent of the poverty line and decreases the subsidy over time. These programs are limited in size and do not serve all families leaving TANF. Because housing benefits fall within the definition of assistance under the final TANF rules, a state taking this approach should structure the benefits separately with state MOE funds.²¹

A state can allow extensions to families that need them beyond a 20 percent limit.

Most states have set some criteria under which a family reaching the time limit can receive an extension and continue to receive benefits. The most common bases for an extension are domestic violence (24 states), the adult has made a good faith effort but is still unemployed or underemployed (20 states), or the adult is disabled (18 states) or is caring for a household member who is disabled (14 states). Some states also extend assistance for families residing in areas of high unemployment (7 states) or for families that need additional time to complete education or training (7 states).²² A number of states, including many of those that adopted the federal 60-month time limit, have adopted general language about extensions based on hardship or domestic violence but have not yet developed specific extension criteria.

There is necessarily a tension between policies identifying circumstances under which a family can receive an extension and a cap on the number of families that can receive an extension even if they otherwise qualify. For example, if a state has decided that a family with a parent who is disabled can receive an extension but also has placed a cap of 20 percent of the caseload on the number of extensions, some families with a parent who is disabled may be denied an extension solely because the cap has been reached.²³ In addition, a cap on extensions may lead policymakers to set criteria that allow extensions only under very narrow circumstances even

²¹ For more information about such programs and design considerations, see Barbara Sard and Jeff Lubell, *The Increasing Use of TANF and State Matching Funds to Provide Housing Assistance to Families Moving from Welfare to Work*, Center on Budget and Policy Priorities, February 2000, at <http://www.cbpp.org/2-17-00hous.pdf>.

²² Details of states extension policies available from the State Policy Documentation Project at <http://www.spdp.org>.

²³ Studies indicate that parents with disabilities may constitute more than 20 percent of state welfare caseloads. See, Eileen Sweeney, *Recent Studies Indicate That Many Parents Who Are Current or Former Welfare Recipients Have Disabilities or Other Medical Conditions*, Center on Budget and Policy Priorities, February 2000, at <http://www.cbpp.org/2-29-00wel.htm>.

Good Faith Effort Extensions for Families that Are “Playing by the Rules”

Twenty states provide extensions of time limits for a family in which the adult has made a good faith effort to find employment but remains unemployed — or underemployed — when the family reaches a time limit. These states generally require that the adult participate in work activities to receive the extension. A number of these states also require that the adult has a history of work participation in order to qualify for an extension. For example, in Virginia a family cannot receive an extension based on good faith effort if it has previously received a sanction for nonparticipation in work activities. In Tennessee, to qualify for a good faith effort extension, the adult must be currently complying and not have been previously sanctioned for more than three months.

As states refine their time limit extension policies, it is likely that some will adopt or continue policies that provide extensions for families that have made a good faith effort and still need assistance. In addition, some states may decide to disqualify families that they determine have not made a good faith effort — based on a history of sanctions — even if they otherwise meet the state’s criteria for extension based, for example, on hardship. A state that adopts good faith effort extension policies should consider using a compliance-oriented approach that recognizes the current efforts of a family to participate in work activities and to cure any past non-compliance.

Connecticut provides a good model for a compliance-oriented approach to good faith extensions. In Connecticut, a family with more than one sanction generally cannot qualify for a good faith effort extension of the state’s 21-month time limit except that a family may “restore good faith” through successful compliance with a new work plan. Families at risk of not receiving a time limit extension are referred to the state’s WorkSteps program from which they receive an assessment and case management services to assist compliance with TANF work activities. A family with a history of sanction can thus qualify for an extension upon compliance with the Individual Performance Contract developed through the WorkSteps program. The majority of families that have been referred to WorkSteps because they could not qualify for a good faith extension have come into compliance and been able to continue to receive assistance, if needed. Further information about the WorkSteps program is found at <http://www.welfareinfo.org/jandecpromising.htm>, and <http://www.ctfsa.org/esp.html>.

though other families are equally needy in order to ensure they stay within the ceiling. Even in states that have not formally limited extensions to 20 percent of the caseload, the criteria for extensions may be developed with a goal that the policies should result in extensions to no more than 20 percent of the caseload.

In 17 states, extensions generally are limited to 20 percent of the caseload, carrying over the limit in the federal welfare law. The 20 percent limit, however, only applies to federal TANF funds. There is no federal time limit on state MOE funds but these states have imposed, perhaps not always deliberately, a 20 percent limit on the state funds as well. Since there is no federal limit on the number of families that can receive MOE-funded assistance beyond 60 months, all states have flexibility to provide such assistance without a limit. A state wishing to do so simply

How is the 20 percent limit on federal TANF assistance beyond 60 months calculated?

The federal welfare law allows states to use federal TANF funds to extend benefits beyond 60 months for up to 20 percent of the caseload by reason of hardship or if a family member has been battered or subjected to extreme cruelty. 42 U.S.C. § 608(a)(7)(C); 45 CFR § 264.1.

The limit is based on 20 percent of the average monthly number of families receiving assistance during the current fiscal year or, at state option, the immediately preceding fiscal year. It is *not* based on 20 percent of the caseload at the time welfare reform was implemented. The denominator — all families receiving assistance — is based on all families receiving assistance including families that are not subject to the time limit. Thus, although child-only cases (with no adult on the grant) and certain other cases are not subject to the time limit, they are included in the total on which the 20 percent is calculated.

Time limit extensions for domestic violence victims under the Family Violence Option count toward the 20 percent limit but a state will not be penalized for exceeding the 20 percent limit based on FVO waivers. The final TANF rules issued in April 1999 set forth this policy protecting states from TANF penalties when they grant time limit extensions pursuant to the Family Violence Option. This was an unsettled question at the time that many states adopted their time limit policies and some states adopted time limit language that limits extensions based on domestic violence together with hardship extensions to the 20 percent cap. About one-third of the states have imposed a 20 percent limit on extensions. All but two of those states only allow extensions based on domestic violence within the 20 percent limit. (The exceptions are Rhode Island and Florida which, even before the final TANF rules were issued, had adopted policies allowing extensions based on domestic violence in addition to the state's 20 percent limit on extensions.) Since states will not be penalized if they provide extensions to more than 20 percent of the caseload due to waivers of time limits under the Family Violence Option, other states may want to adjust their policies to conform to this new opportunity available under the final TANF rules.

needs to ensure that any assistance to those families exceeding the federal 20 percent limit on assistance beyond 60 months is paid for with MOE funds. These are not additional funds but are merely a portion of the funds the state already is spending on needy families.²⁴

²⁴ This often is referred to as segregated state funding. All states use both TANF and MOE funds to pay TANF cash grants. If a state commingles the funds together to provide assistance to each family, the federal TANF time limit applies to all assistance paid. However, a state can use the federal TANF funds to provide assistance to families that have not reached a 60-month time limit as well as families beyond 60 months up to the 20 percent limit and use MOE funds to provide assistance to families beyond 60 months in excess of the 20 percent limit. (A state also could use MOE funds to provide assistance to those families not subject to TANF time clocks before the family reaches the 60-month limit. For example, Illinois, Maryland and Rhode Island provide MOE funds to employed families so that TANF time clocks do not run for such families.) For further discussion, see Liz Schott, *State Choices on Time Limit Policies in TANF-funded Programs*, Center on Budget and Policy Priorities, September 1998, available at <http://www.cbpp.org/9-1-98wel.htm>.

State policymakers may not have understood the flexibility they had under the federal TANF law to provide extensions beyond 20 percent of the caseload when they initially set their state time limit policies. They also may not have wanted to dilute a strong message that time clocks were running on families. However, as families increasingly begin to reach time limits, there are several reasons why policymakers may not want to limit extensions to 20 percent of the caseload. First, as caseloads have declined by half under welfare reform, the number of families that can be covered under the 20 percent limit in 2001 will be much smaller than the number of families that would have been covered in 1996. The number of families that are most likely to need assistance after five years — those with barriers to employment — may not decline as much as the caseload as a whole and thus may be a larger percentage of the caseload than in 1996. For example, consider a state with 100,000 families on assistance in 1996 when the legislature estimated that no more than 20,000 families — representing 20 percent of the caseload — would need benefits beyond five years. By 2001 the state's caseload may have declined to 45,000 and 20 percent of the caseload would be 9,000 families. However, the number of families needing benefits beyond five years only may have declined to 15,000, or 33 percent of the caseload.

Second, the number of families reaching the lifetime TANF time limit and still in need is likely to exceed 20 percent at some point in time. Families often have multiple short spells on welfare so they may not have received welfare continuously since the state's time limit began. Even if no more than 20 percent of families need extensions when a state initially reaches its time limit, additional families will require extensions over time and the 20 percent limit eventually will be inadequate to cover all families with continuing need. Minnesota estimates that 12 percent of the caseload with continuing need will reach the state's 60-month time limit initially in July of 2002, but that this number will cumulatively grow and reach 20 percent of the caseload within two years.²⁵ After that, a 20 percent limit would be inadequate. Research based on past receipt of public assistance under the AFDC program estimated that 41 percent of families would reach a cumulative 60 months of benefits within an eight year period.²⁶

A state can provide safety net assistance if no other aid is available.

Some states have chosen to continue to provide some basic assistance for a family that has exhausted time-limited aid and extensions. These policies recognize that a state's time limit policies may not provide sufficient protection for all families and that other back-up aid may be needed under certain circumstances. These programs primarily provide vendor or voucher payments so that, while the basic needs of the family are provided, the parent receives very little or nothing in the form of a cash payment.

²⁵ *Report to the Legislature on the 60-Month Limit on Receipt of Temporary Assistance for Needy Families (TANF) Funded Assistance: Implications and Recommendations*, Minnesota Department of Human Services, January 2000. The executive summary is available at <http://www.dhs.state.mn.us/ecs/welfare/exesumm.htm>.

²⁶ Greg Duncan at al., *Time Limits and Welfare Reform: New Estimates of the Number and Characteristics of Affected Families*, April 1997, available at <http://www.icpr.org/wpfiles/limit121.pdf>.

New York has a state-funded “Safety Net Assistance” program for families that can no longer receive assistance under its TANF-funded program due to the state’s 60-month time limit. The benefit levels are the same as those in the state’s TANF program, but the benefits are provided primarily by vendor payments rather than in cash. Specifically, the shelter and utilities portions of the benefits are provided through vouchers to the landlord and utility company; a small amount of the benefit (no more than 20 percent) is available to the family in cash. The remainder, if any, is paid through an electronic benefit transfer system which allows the recipient to purchase needed items at participating businesses.

Connecticut has established a state Safety Net program which serves families that have reached the state’s 21-month time limit and do not qualify for an extension. The program is administered through a contract with local family service agencies. Families participating in the safety net program receive a comprehensive assessment of work readiness and intensive case management as well as vouchers or vendor payments to meet the family’s basic needs such as food, clothing, and shelter.²⁷

State safety net benefits can be funded with state MOE dollars. As previously discussed, the federal welfare law explicitly allows state MOE funds to be used to assist families that have exhausted the 60-month time limit on federal TANF funds.²⁸ When a state uses MOE funds in a program that receives no federal TANF funds — often referred to as a “separate state program” — federal requirements such as time limits and federal work requirements do not apply. While a state can impose whatever work requirements it wishes in its safety net program, it will have greater flexibility to accommodate the special needs of long-term recipients than if it needed to meet federal work participation rates.

Conclusion

Families are reaching time limits now in a number of states and will be reaching time limits in the next year or two in nearly all other states. This is a good opportunity for states to revisit and add to their time limit approaches in light of the recent changes in state TANF caseloads and

²⁷ Additional information about Connecticut’s safety net program can be found in a summary prepared by the Welfare Information Network, available at <http://www.welfareinfo.org/jandecpromising.htm>, and at the website of the Connecticut Council of Family Service Agencies at <http://www.ctfsa.org/esp.html>.

²⁸ A state also could use *federal* TANF funds to provide safety net assistance to families that have not reached the 60-month TANF time limit. (As discussed above, a state also can use TANF funds beyond 60 months for up to 20 percent of the state’s TANF caseload; this could include funds used for safety net assistance.) For example, Connecticut provides safety net assistance to some families that have reached the state’s 21-month time limit and these families have not yet reached the TANF 60-month time limit. As discussed above, however, a safety net program that is wholly state-funded, and receives no federal TANF funds, provides a state with greater flexibility. For this reason, the better approach would be to design a safety net program as a separate state program. Accordingly, Connecticut uses state MOE funds to provide safety net assistance to families.

the clarified and expanded flexibility that states have under the final TANF rules. As discussed above, the range of options available to states to assist families reaching time limits is not limited to the criteria it adopts for extension of time limits. In designing policies to assist families reaching time limits, states will find they are better able to respond to family needs and accomplish state welfare goals if they look beyond extension policies to a wider array of options.

Time Limit Policies in State TANF Programs

State	Date Families First Reach Any Time Limit	Fixed-Period Time Limit	Lifetime Time Limit
Alabama	December 2001		60-month
Alaska	July 2002		60-month
Arizona	November 1997	24 in 60 months Time limit on adults only; benefits continue to children.	
Arkansas	July 2000		24-month
California	January 2003		60-month; (time limit on adults only; benefits continue to children)
Colorado	July 2002		60-month
Connecticut	November 1997		21-month
Delaware	October 1999	48 in 96 months	
Dist. of Col.	March 2002		60-month
Florida	October 1998*	24 in 60 months (or 36 in 72 months)	48-month
Georgia	January 2001		48-month
Hawaii	December 2001		60-month
Idaho	July 1999		24-month
Illinois	July 2002		60-month
Indiana	August 1997		24-month; (time limit on adults only; benefits continue to children)
Iowa	January 2002		60-month
Kansas	October 2001		60-month
Kentucky	November 2001		60-month
Louisiana	January 1999	24 in 60 months	60-month

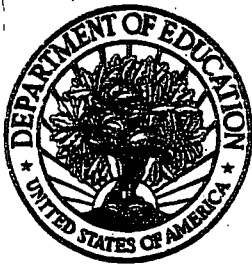
State	Date Families First Reach Any Time Limit	Fixed-Period Time Limit	Lifetime Time Limit
Maine	November 2001		60-month; (time limit on adults only; benefits continue to children)
Maryland	January 2002		60-month; (time limit on adults only; benefits continue to children)
Massachusetts	December 1998	24 in 60 months	
Michigan	No time limit		
Minnesota	July 2002		60-month
Mississippi	October 2001		60-month
Missouri	July 2002		60-month
Montana	February 2002		60-month
Nebraska	December 1998*	24 in 48 months	
Nevada	January 2000	24 months of assistance followed by 12 months of ineligibility	60-month
New Hampshire	October 2001		60-month
New Jersey	April 2002		60-month
New Mexico	July 2002		60-month
New York	December 2001		60-month; (families then eligible for Safety Net Assistance program)
North Carolina	August 1998	24 months of assistance followed by 36 months of ineligibility	60-month
North Dakota	July 2002		60-month
Ohio	October 2000	36 months of assistance followed by 24 months of ineligibility	60-month
Oklahoma	October 2001		60-month
Oregon	July 1998	24 in 84 months	

State	Date Families First Reach Any Time Limit	Fixed-Period Time Limit	Lifetime Time Limit
Pennsylvania	March 2002		60-month
Rhode Island	May 2002		60-month; (time limit on adults only; benefits continue to children)
South Carolina	October 1998	24 in 120 months	60-month
South Dakota	December 2001		60-month
Tennessee	April 1998	18 months of continuous assistance followed by 3 months of ineligibility	60-month
Texas	January 1998*	12, 24, or 36 months of assistance followed by 60 months of ineligibility; (time limit on adults only; benefits continue to children until 60-month time limit is reached)	60-month
Utah	January 2000		36-month
Vermont	No time limit		
Virginia	October 1999*	24 months of assistance followed by 24 months of ineligibility	60-month
Washington	August 2002		60-month
West Virginia	January 2002		60-month
Wisconsin**	October 2001		60-month
Wyoming	January 1999		60-month

* Some families will reach or have reached time limits earlier due to a pilot or phased-in implementation. The date given is based on statewide implementation of the time limit.

** Some families in Wisconsin will reach this time limit later as they were not subject to it until they were transitioned to W-2, the state's welfare reform program. Families also could lose benefits prior to reaching the 60-month limit due to reaching a 24-month limit on participation in a particular component of the program. State Policy Documentation Project, Revised 6/13/00

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