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TRENDS IN WELFARE - TO - WORK

TANF at 10: Welfare Reform in New Jersey, New York, and Pennsylvania

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In 1996, Congress passed welfare reform legislation that created the Temporary Assistance for Needy Families (TANF) program. TANF requires most welfare recipients to work and imposes time limits on welfare benefits. This issue brief is based on Mathematica's specially commissioned research on the implementation of TANF in New Jersey, New York, and Pennsylvania. This information was gathered to inform policymakers in the region; however, the experiences of these three states provide lessons that can add to the national welfare policy debate. The brief explores the policy options these states have chosen and how these choices may have affected their caseload declines.

The Welfare Landscape in These States

Spurred by President Clinton's promise "to end welfare as we know it," Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act in 1996. This welfare reform legislation made sweeping changes to federal policy, imposing work requirements on recipients as a condition for cash assistance, as well as lifetime limits on benefit receipt. The legislation also gave states much greater flexibility in setting their welfare policies. This brief looks at TANF policy options and their implementation in three states—New Jersey, New York, and Pennsylvania—and examines how their policy choices fit in the national context.

In some respects, these three states are similar—all being northeastern states with large populations. In

other respects, however, they differ. New York and Pennsylvania each contain one of the largest cities in the country; their welfare caseloads are concentrated in these cities. In addition, New York and Pennsylvania have particularly large welfare caseloads—ranking in size second and third nationally, behind only California (Table 1). In contrast, New Jersey has no single large city and is largely an affluent, suburban state. It has a low overall poverty rate but has a few small cities with high rates of poverty. New Jersey also has a substantially smaller welfare caseload than the other two states, reflecting both its smaller overall population, as well as its relative affluence. Of the three, New York has the largest population, the largest welfare caseload, and the highest poverty rate.

TABLE 1
SELECTED POPULATION CHARACTERISTICS

	NJ	NY	PA	US
Total Population (in millions 2005)	8.7	19.2	12.4	296.4
Population Rank Among the 50 States	10	3	6	NA
Number of TANF Cases (in thousands 2005)	47	188	97	2,068
TANF Caseload Size Rank Among 50 States	14	2	3	NA
Median Household Income (2003)	\$56,356	\$44,139	\$42,952	\$43,318
Percent Below Poverty (2003)	9	14	11	13
Percentage of Population (2004)				
White, non-Hispanic	64	61	83	67
African American, non-Hispanic	14	16	10	12
Hispanic	15	16	4	14
Other	7	7	3	7
Percent Speaking Language Other than English at Home (2000)	26	28	8	18
Percent Born Outside the United States (2000)	18	20	4	11

Source: U.S. Census Bureau (<http://quickfacts.census.gov>)

New York and New Jersey’s populations are particularly diverse, with higher percentages that are nonwhite and non-U.S.-born than the nation as a whole. In contrast, Pennsylvania has a less diverse population than the rest of the country, one that is substantially whiter and more likely to be native born (Table 1). The states’ TANF populations generally reflect these cross-state differences in the racial and ethnic distribution of the general population.

Before TANF, the three states had welfare programs that could be considered either in the middle or toward the high end of the generosity spectrum. New York’s benefit levels were among the most generous in the country—typically ranking in the top five or six states nationally. New Jersey and Pennsylvania, in contrast, have historically been more “middle of the road” in terms of welfare generosity and have typically ranked very near the middle of all states on this dimension. As discussed next, the stringency of the TANF programs in these three states are generally consistent with their pre-TANF histories of being toward the middle or toward the more-generous end of the welfare policy spectrum.

Enforcing Work Requirements

TANF compelled states to increase the work focus of their welfare programs. Under federal rules, recipients must participate in work activities after two years of benefit receipt. However, most states require recipients to participate in work-related activities before this two-year point. States must enforce work requirements through sanctioning—a reduction in the cash benefit amount. States have flexibility in determining what minimum hours of work activity will be required each week, who is exempt from this policy, what work activities will be allowed, and how these requirements will be enforced through sanctions.

Of the three states profiled in this brief, none chose the most stringent options available for defining work requirements. For example, although their policies vary, all three states offer exemptions from these requirements for special circumstances, such as an individual’s own disability, care of a disabled family member, or the care of a very young child. Although many states have these exemptions, some do not.

A similar picture emerges with sanctioning policies. None of these three states chose the most stringent

option available—closing TANF cases completely after the first month of noncompliance—a policy used in 14 states. New Jersey and Pennsylvania adopted gradual, full-family sanctions, first reducing the grant for noncompliance with work requirements and proceeding to case closure only after repeated months of noncompliance. New York, in contrast, is one of 10 states that has a policy of partial sanctions only—reducing (not eliminating) benefits for noncompliance with work requirements. This partial reduction never progresses to case closure (Table 2).

TABLE 2
BASIC TANF POLICIES

State	Maximum Monthly Benefit Level for Family of Three	Minimum Hours Required in Work Activities Each Week	Sanction Policy	Lifetime Limit on Benefit Receipt (Months)
New Jersey	\$424	35	Gradual, full-family sanctions	60
New York	\$703	30	Partial sanctions only	None
Pennsylvania	\$421	20	Gradual, full-family sanctions	60
Median State	\$396	30	Gradual, full-family sanctions	60

Source: Rowe and Versteeg, 2005

Among these three states, Pennsylvania has the least stringent work requirement policies. For example, it does not require recipients to work until they have received benefits for two years. In contrast, most states, including New Jersey and New York, require immediate work. In addition, until 2006, Pennsylvania required only 20 hours of work per week after two years, while other states—including New York and New Jersey—have required 30 or more hours of work each week since implementing TANF. Finally, in the early years of TANF implementation, Pennsylvania was very cautious about using sanctions. In these initial years, the state put in place detailed procedures to avoid sanctioning families in error. One result was that sanctions were very rare in Pennsylvania during this period. In contrast, New Jersey, New York, and many other states used sanctions with regularity from the beginning of TANF.

Pennsylvania’s more cautious approach may help explain why the state has had much lower TANF work participation rates than other states. Throughout

most of the TANF period, the state reported much lower percentages of recipients meeting federal work participation benchmarks than was typical in other states in the region or the nation as a whole.

Establishing Time Limits

Time limits on benefit receipt were a central element of federal welfare reform. States are barred from using federal TANF funds for cases that include an adult and have been receiving benefits for more than 60 months. However, certain exceptions apply, and states have substantial flexibility in how to implement their individual time-limit policies. For example, states can offer recipients temporary extensions of their benefits beyond the 60-month point, as long as no more than 20 percent of the caseload receives extensions. Moreover, states can use their own funds to assist families beyond the 60-month federal limit. As with work requirements, none of the three states profiled in this brief has chosen the strictest time-limit options available—in particular, a limit of less than 60 months. In fact, each has chosen policies that allow it to offer benefits to recipients beyond the 60-month point.

Like most states, New Jersey and Pennsylvania have an official lifetime limit on TANF benefits of 60 months. However, as allowed under federal regulations, both states offer temporary extensions to recipients who reach the federal limit on benefits; both use these extensions regularly. In fact, through these extensions, New Jersey and Pennsylvania both avoided closing any cases because of time limits in the first few years after their first TANF cases reached the 60-month point. In contrast, more than two-thirds of states nationwide closed cases because of time limits during this period.

New York has taken a different approach. It is one of a very small number of states that has no official time limit on benefits. New York’s constitution requires the state to provide support for the needy. Therefore, legislators designed a cash assistance program without time limits. Instead, when recipients reach the 60 month limit on federal TANF benefits they transition into a state-funded program that is not time limited.

However, a closer look at how TANF policies were implemented in New York reveals a more complicated picture. In particular, qualitative studies of the

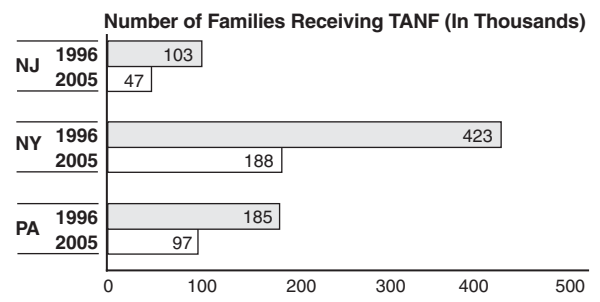
implementation of TANF in New York suggest some local welfare agencies used the end of federal benefits as a way to motivate long-term recipients to find a job and leave welfare. In addition, once long-term recipients transition onto the state program, much of their benefit is no longer paid in cash and is instead offered as vouchers for things like housing and utilities—a form that may be less appealing to many recipients. These policies and practices give the five-year point for benefit receipt in New York substantial significance for recipients. In fact, given the timing of caseload declines in the three states as discussed next, the five-year point may have had more significance in New York, a state without an official time limit, than it had in New Jersey and Pennsylvania, where there is an official limit.

What Happened to Caseloads?

Although New Jersey, Pennsylvania, and New York differed in their policy responses to federal welfare reform, they have achieved similar caseload declines in the years since TANF was implemented. As of 2005, their caseloads were roughly half the size they were when federal welfare reform legislation was passed in 1996 (Figure 1). These declines are similar to those that occurred nationally during this period.

Although the size of the overall caseload decline in each of these states was similar, the timing of the decline varied. In the years immediately after TANF implementation, the size of New York’s TANF caseload fell much more slowly than it did in New Jersey, Pennsylvania, and many other states (not shown). One factor that may have contributed to New York’s slow initial decline is the state’s “partial sanctions only” policy for enforcing TANF work requirements. Under this policy, New York welfare recipients who

Figure 1: Trends in the Size of the TANF Caseloads



Note: These figures include New York welfare cases that have reached the 60-month federal limit and have continued to receive benefits under the state-funded program

Source: Administration for Children and Families website

do not comply with work requirements can remain on TANF, although their cash benefits will be reduced. In contrast, both New Jersey and Pennsylvania enforce work requirements through full-family sanctions—closing cases after repeated months of non-compliance. Although Pennsylvania used full-family sanctions infrequently in the initial years under TANF, much was made in the state of the possibility of benefits ending if welfare recipients did not meet work requirements. Therefore, in both New Jersey and Pennsylvania (and in contrast to New York), recipients received a strong message during the initial period of TANF implementation that those who did not comply with work requirements could not remain on TANF—a message that undoubtedly contributed to the large caseload declines in these two states during this period.

This pattern changed substantially in later years—with larger caseload declines occurring in New York than in other states during the period 2000 to 2003. These larger declines during this period caused New York to catch up with other states in terms of overall caseload declines. The approach of the five-year federal limit on benefits—which arrived for the first New York TANF recipients in 2001—may have played a role. The federal limit presented New York welfare agencies with an opportunity to create a sense of urgency among long-term and noncompliant recipients, raising for the first time the possibility of their benefits ending (since the state does not have full-family sanctions). This sense of urgency may have motivated some recipients to find work and leave welfare as the federal time limit approached.

Since 2003, TANF caseloads in New Jersey and particularly in Pennsylvania have begun to increase—with jumps of 8 percent and 21 percent, respectively, over a two-year period. This pattern is not evident in New York or the nation as a whole. The increases in New Jersey and Pennsylvania could be tied to state policies of extending benefits to recipients reaching time limits as long as they are complying with other TANF rules. Another factor at play in Pennsylvania may be the state's limited use of diversion programs

to reduce the number of applicants entering the TANF program. The state implemented a narrowly targeted diversion program in 2005. In contrast, many other states—including New Jersey and New York—adopted larger-scale diversion programs at an earlier point to encourage applicants not to enter the TANF rolls if they could quickly find work or simply needed one-time help with a temporary financial setback.

Looking to the Future

Recent changes in federal TANF rules place new pressures on states to reduce their welfare case-loads and increase the proportion of their TANF recipients in work activities. New federal regulations link these two goals, and states with larger caseload declines—with 2005 as the new base year—will face lower targets for the proportion of their TANF recipients in work activities. Given the large caseload declines that occurred during the early years of TANF, most states are unlikely to experience substantial declines in their welfare caseloads in the coming years. As a result, most states must substantially increase the proportion of TANF recipients in work activities to avoid financial penalties. Like most states nationally, the three states discussed in this brief have not yet met the new federal benchmarks for the proportion of their caseload working. To avoid these financial penalties, they and other states will need to develop new strategies and policies that further reduce welfare caseloads or substantially increase the proportion of their TANF recipients that are working.

A more detailed presentation of these findings is available in the paper, "An Examination of the First Ten Years Under TANF in Three States: The Experiences of New Jersey, New York, and Pennsylvania," available at www.mathematica-mpr.com. This paper was prepared for the conference "TANF at Ten: A Retrospective on Welfare Reform," held on October 6, 2006, in Princeton, New Jersey, and sponsored by the Policy Research Institute for the Region at Princeton University and the Rescue Mission of Trenton. For more information about this research, contact Robert G. Wood, senior economist, at rwood@mathematica-mpr.com, (609) 936-2776. To read more about Mathematica's welfare research, go to www.mathematica-mpr.com/welfare.

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