

The Impact of Federal TANF Reauthorization in New York

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The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, which established the Temporary Assistance for Needy Families (TANF) program, was officially reauthorized on February 8, 2006 in the federal Deficit Reduction Act of 2005. The reauthorizing legislation extended the TANF program through September 30, 2010. The new legislation maintains the basic level of New York's annual TANF block grant at \$2.4 billion and retains the current work participation-rate standards. Fifty percent of "all families" (families that include an adult receiving TANF income supplements) and 90 percent of two-parent families must be participating in work-related activities. The legislation does not change either the list of activities that count as "work-related" nor the rules for the minimum hours needed for a family to count toward these participation standards—20 for single parents of children under age 6, 30 for other single parents, and 35 to 55 hours for two-parent families. However, the legislation did make the following significant changes:

- ❑ The caseload reduction credit is revised, so that participation standards are reduced only for caseload reductions that occur from FY2005 into the future. Thus, absent further caseload declines, a state would face a 50-percent participation standard in contrast to the much lower standard most have faced until now. New York will go from facing a zero work participation rate requirement to needing to engage close to 50% of single parent families and 90% of two-parent families in work-related activities.
- ❑ Families in "Separate State Programs" (SSPs)—TANF-like programs funded solely with state funds that are counted toward the TANF state-spending (or "maintenance-of-effort") requirement—will be included in the participation-rate calculation. In New York these would be families in the Safety Net program.

These changes are effective in October 2006 (FY2007). In addition, the legislation directs the U.S. Department of Health and Human Services (HHS) to issue regulations by June 30, 2006, that include standards to guide states in their definition of work activities and to verify hours of participation.

This report will look at three particular aspects of the impact of the TANF reauthorization on New York's TANF program:

- I. The penalty provisions for failure to comply with the new work participation rates in the reauthorized Temporary Assistance for Needy Families (TANF) program and an assessment of the magnitude of the risk facing New York's program.

- II. The initiatives proposed by the Governor in the SFY 2006-07 budget to address the gap between New York's existing work participation rates and the rate that will become effective October 1, 2006, specifically the proposals for full family sanctions, changes to the earned income disregard and the expansion of the Flexible Fund for Family Services.
- III. Alternative policies and practices that might enhance New York's work participation rates.

I. Is New York Likely to Lose \$358 million in Federal Resources?

It has been estimated that New York could lose as much as \$358 million in federal funds for failure to comply with the new work participation rules. The \$358 million estimate is the result of adding together the following three different possible penalty provisions:

- Increases in MOE Requirement from 75% to 80%: The framers of the 1996 federal welfare law were particularly concerned that states might take advantage of the new flexibility and declining caseloads to dramatically decrease state spending in support of low-income families and children. In order to guard against this possibility, the law restricted the use of the federal block grant funds to specific activities and established "maintenance of effort" (MOE) requirements. Under the TANF MOE requirement, New York must currently spend at least 75% of the \$2.291 billion that it spent on needy families in the federal fiscal year that ended in 1995. If the state fails to meet its required overall and two-parent work requirements, the MOE increases from 75% to 80%, an increase from the current \$1.719 billion to \$1.833 billion, or \$115 million.
- 5% Reduction in TANF Block Grant for Failure to Meet Work Participation Rate: A state's failure to meet the "all families" work participation rate can result in the state's block grant being reduced by up to 5 percent. Five percent of New York's \$2.4 billion TANF grant is \$122 million.
- 5% Reduction in TANF Block Grant for Failure to Establish Counting and Verification Procedures: There is a second potential 5% penalty for "failure to establish or comply with procedures for counting and verifying work activities" which would also be equal to \$122 million.

While this committee is correct to be concerned about the potential impact of these penalties, it is highly unlikely that New York would experience a loss of \$358 million in federal resources due to these measures.

1. Since TANF's inception in 1995, New York has never had any difficulty meeting its \$1.719 billion maintenance of effort requirement. A broad, but not unlimited, array of benefits and services for low-income families with children can count toward satisfying a state's MOE obligation. For the Federal 2004 Fiscal Year, New York reported MOE spending of \$2.230 billion, more than \$500 million more than the amount required under the 75% requirement and almost \$400 million more than would be required under the 80% rule. Given this level of expenditures out of state and local funds, a mandated increase in the MOE requirement would have no fiscal implications for state or local governments.

For the past six years, New York has spent above and beyond its required TANF MOE.

Year	TOTAL STATE MOE EXPENDITURES IN THE TANF PROGRAM	TOTAL STATE MOE EXPENDITURES IN SEPARATE STATE PROGRAMS	TOTAL STATE TANF EXPENDITURES	STATE MOE AT 80%	DIFFERENCE OF MOE AT 80% AND TOTAL STATE SPENDING	STATE MOE AT 75%	DIFFERENCE OF MOE AT 75% AND TOTAL STATE SPENDING
1997	1,426,655,531	0	1,426,655,531	1,521,765,899	<95,110,368>	1,426,655,531	0
1998	1,718,578,445	0	1,718,578,445	1,833,150,341	<114,571,896>	1,718,578,445	0
1999	1,876,445,315	241,824,592	2,118,269,907	1,833,150,341	285,119,566	1,718,578,445	399,691,462
2000	1,715,885,387	262,244,113	1,978,129,500	1,833,150,341	144,979,159	1,718,578,445	259,551,055
2001	1,503,669,276	447,840,366	1,951,509,642	1,833,150,341	118,359,301	1,718,578,445	232,931,197
2002	1,250,823,045	674,875,726	1,925,698,771	1,833,150,341	92,548,430	1,718,578,445	207,120,326
2003	948,387,680	931,198,024	1,879,585,704	1,833,150,341	46,435,363	1,718,578,445	161,007,259
2004	1,103,790,053	1,126,606,385	2,230,396,438	1,833,150,341	397,246,097	1,718,578,445	511,817,993

Source: TANF Financial Data found at <http://www.acf.hhs.gov/programs/ofs/data/>

- While failure to meet the new work participation requirements might put the state at risk of being assessed the first “5% of grant” penalty, the \$122 million should be seen as a maximum penalty but by no means the likely penalty. The maximum penalty can be reduced based on the severity of noncompliance. The penalty can also be waived under "corrective compliance" procedures for states with approved corrective compliance plans, and HHS may also choose to waive penalties upon determining that a state has "reasonable cause" for failing to meet the work rates."

The Congressional Budget Office estimates that beginning in 2007, some states would fail to meet the requirements and would pay penalties totaling nationally \$23 million over the 2009-2010 period. On average, states would pay penalties two-to-four years after their failure to meet requirements because the data on work participation are not available until about one year after the end of the fiscal year and the law allows states a period of time to attempt to correct their failures before a penalty is assessed. (<http://inclusionist.org/files/CBO%20Estimate%20TANF.pdf>)

- The third potential “penalty” is not connected at all to work participation rates. The penalty would be assessed if the state failed to establish or comply with procedures for counting and verifying work activities. New York should make every effort to comply with these requirements but the proposals that have been put forward in the Executive Budget, such as Full Family Sanctions and changes to the Earned Income Disregard, will not impact on the ability to comply with this mandate.

II. Will the Governor’s Proposals Increase Work Participation Rates?

The 2006-2007 Executive Budget includes a number of proposals purportedly designed to help increase work participation rates.

Changes to the Earned Income Disregard: The budget proposes to set the Earned Income Disregard at 50% (it is currently 45% and indexed to changes in the Consumer Price Index) for recipients on welfare less than five years and reduce the disregard percentage to 25% for recipients on welfare more than five years.

Full Family Sanctions: Currently public assistance benefits are withheld only from the head of household for noncompliance with work requirements. The Executive Budget proposes the elimination of public assistance benefits to the entire household if the head of household does not comply with work requirements.

Expansion of the Flexible Fund for Family Services (FFFS): The Governor is proposing to expand the Flexible Fund for Family Services from \$600 million to \$1.025 billion and include in the FFFS child care and almost all other employment, education and service programs. The rationale is that counties know best which programs are effectively helping their families find and maintain employment and therefore all state level programs should be contracted through the local department of social services.

Mathematically, there are two ways to increase the work participation rates: either increase the numerator (the number of cases in which the adults are engaged in work activities) or shrink the denominator (the number of cases). The Governor's proposals seem to focus almost exclusively on the second strategy rather than the first. If families that are truly in need of public assistance are pushed off the welfare rolls, the Governor's strategy could have tragic results for New York's low-income families and children.¹ On the other hand, if the families taken off the welfare rolls are not in need of public assistance, current rules and regulations provide ample opportunity to investigate the eligibility of participants and close these cases. Changes in the nature of sanctions and the earned income disregard proposed by the Governor should not be necessary.

Earned Income Disregard

The proposal to reduce the Earned Income Disregard to 25% for families who have been on public assistance for more than 5 years may actually decrease work participation rates rather than increasing them. The Earned Income Disregard was established in order to ensure that working (and increasing work effort) would result in higher disposable incomes for families on public assistance. Absent the earned income disregard, if a family were to lose \$1 of public assistance benefits for each \$1 earned through employment, work "would not pay" after their paychecks were reduced for payroll taxes, families paid for work-related expenses such as transportation, child care, clothing and food away from home and food stamp benefits were reduced as a result of the higher income. Under the Governor's proposal, a family would lose \$.75 in public assistance benefits for every \$1.00 earned. The following example shows how the

¹ Pushing families off public assistance helps to comply with work requirements in two ways. First, the state gets a case load reduction credit for reducing its public assistance rolls which reduces the work requirement by one percentage point for each percentage point reduction in the caseload. Reducing the caseload by 3% reduces the work participation rate requirement from 50% to 47%. Secondly, closing cases reduces the denominator of the work participation rate. If the families whose cases are closed are not engaged in "countable" work-related activities, this will increase the work participation rate. If these families are "countable" they will be removed from both the numerator and the denominator and effectively reduce the work participation rate.

Governor’s proposal would decrease the additional disposable income per hour worked in half from \$1.37 under the current rules to \$.43 under the proposed rules for five-year cases.

The “additional income per hour worked” would be even lower if the family lived in subsidized housing and was required to pay 30% of its income in rent. In those cases the additional income per hour worked under the current system is about \$.67 and the additional income per hour worked under the proposed system would be only \$.17. If families have to pay for transportation or childcare their marginal earnings rates would be negative.

Proposed Changes to the Earned Income Disregard Would Dramatically Reduce Work Incentives				
New York City	<u>No Work</u>	<u>Current Rules</u>	<u>Proposed Rules</u>	
			Over Five Years	Under Five Years
Minimum wage	\$6.75	\$6.75	\$6.75	\$6.75
Monthly hours worked	0	100	100	100
Earned Income	\$0	\$675	\$675	\$675
Public Assistance Benefits	\$691	\$230	\$95	\$264
Food Stamps (Assumes maximum excess shelter deduction)	\$352	\$328	\$369	\$318
Payroll Taxes	0	\$53	\$53	\$53
Total Income	\$1,043	\$1,180	\$1,086	\$1,204
Additional income per hour worked		\$1.37	\$0.43	\$1.61

The proposed changes to the Earned Income Disregard would make many hardworking Safety Net recipients ineligible for public assistance. Under the current rules, a family of three in New York City working up to 41 hours per week at the minimum wage is eligible for public assistance. Under the proposed rules, a family of three would be ineligible for public assistance if a parent worked more than 30 hours per week. This would decrease the denominator (the number of cases) of the work participation rate but in many cases (depending on the number of hours worked and the type of family) would also decrease the numerator. The net impact on the work participation rate would be NEGATIVE for these families. If families find that the incremental in-pocket income is not worth the extra effort involved in keeping a low-paying job, they may respond to the new policy by quitting their jobs or reducing their work effort. These families would still be counted in the denominator of the work participation rate calculation but the local department of social services would now have to spend resources to maintain their status as “countable” for the numerator of the work participation rate.

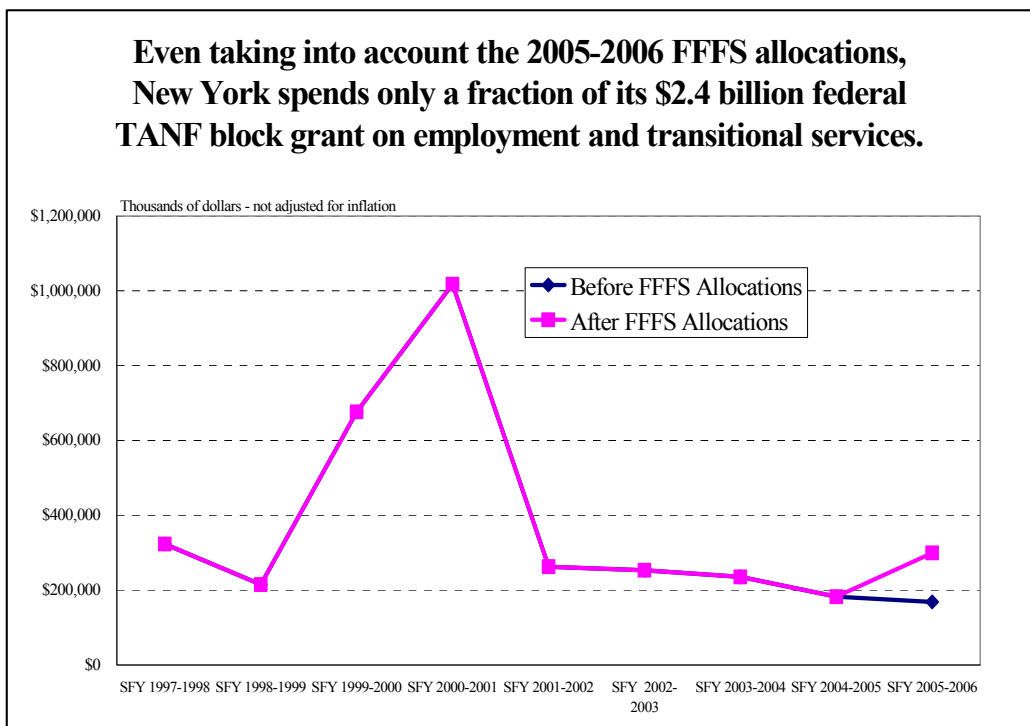
According to the most recent data available on work participation rates, families in the Safety Net program in New York have very high work participation rates: 49.1% for single parent families and 58.4% for two-parent families. Their inclusion in the calculation of the work participation rate should serve to increase the state’s work participation rate, not decrease it! It would be foolish to diminish the work incentives for this extremely vulnerable group of families.

Full Family Sanctions

Full family sanctions will punish children for the actions or inactions of their parents despite the fact that research has found that states with full family sanctions have not been any more successful in moving families from welfare to work than states which do not currently exercise this option. Sanctionable offenses can be as minor as being late for an appointment or not filing paperwork with the right office. The academic research² on this topic has come to the following conclusions:

- ❑ There is no evidence that full-family sanctions are more effective than partial-family sanctions at encouraging recipients to participate or at improving employment outcomes.
- ❑ There is significant evidence that a large share of families that are sanctioned for failing to comply with program requirements are families with greatest needs - families with barriers to employment, including adults with disabilities, adults caring for family members with disabilities, very low basic skills, mental health problems, and others.
- ❑ Families that are sanctioned tend to have worse outcomes on average than other TANF recipients, including lower incomes and higher rates of hardships.

Flexible Fund for Family Services



² For a more extensive review of this academic research and a list of additional sources for more information on this topic, *see* Appendix A of this testimony.

Counties will need to devote more resources to child care and employment programs to comply with the new TANF work participation requirements but the proposed expansion of the Flexible Fund for Family Services actually reduces resources available for these purposes. Governor Pataki is once again proposing that almost all Temporary Assistance for Needy Families (TANF) - funded programs except cash assistance, the earned income tax credit and the child and dependent care credit be folded into the Flexible Fund for Family Services (FFFS. Last year the Governor proposed that \$1 billion be allocated to the FFFS but the legislature reduced the amount to \$600 million and renewed stand alone funding for child care and other critical programs. This year's budget proposes last year's \$1 billion FFFS plus an additional \$25 million for a total of \$1.025 billion. This represents a \$52 million dollar cut in funding for the programs being folded into the FFFS.

This reduction in the funding for employment and service programs comes at a time when spending for these purposes is only a fraction of the \$2.4 billion federal TANF block grant. Last year Social Services districts spent only \$122 million of the \$600 million FFFS for TANF services and employment services. While New York City took advantage of the flexibility afforded by the FFFS and tripled its spending for these purposes from \$22 million in 2004-2005 to \$91 million in 2005-2006, outside New York City the increase in spending for these purposes was only \$6 million. Four counties (Chautauqua, Delaware, Monroe, Tompkins) did not allocate any FFFS resources to these critical services.

The Expanded Flexible Fund for Family Services would Cut Funding for Critical Programs and Supports by more than \$50 million			
Proposed 2006-2007 Flexible Fund for Family Services			\$1,025,000,000
FFFS 2005-2006			\$600,000,000
Child Care Funds - 2005-2006			\$379,000,000
Remaining FFFS Resources			\$46,000,000
Total 2005-2006 Funding for Programs Moved to the FFFS			\$98,003,000
Reduction in Funding	Amount:		(\$52,003,000)
	Percentage Decrease:		-53%
2005-2006 Enacted Budget Funding Levels for Programs Moved to the FFFS			
Youth Employment	\$25,000,000	Language Immersion/English Training/ESL	\$2,000,000
Preventive Services Initiative	\$15,000,000	Basic Education	\$2,000,000
EDGE/BRIDGE	\$9,553,000	VESID/LIVES	\$1,500,000
Technology Training	\$8,500,000	Caretaker Relative	\$1,150,000
Transportation	\$8,400,000	Adult and Family Literacy	\$1,000,000
YEETP	\$4,000,000	ACCESS - Welfare to Careers	\$1,000,000
Wage Subsidy Program	\$4,000,000	Emergency Homeless	\$1,000,000
Supplemental Homeless Intervention	\$4,000,000	DAP	\$500,000
DV Screening	\$3,000,000	Build NY	\$1,000,000
Supportive Housing for Families	\$2,500,000	Workforce Development Institute	\$600,000
Displaced Homemakers	\$2,300,000		

Appendix 2 includes a table summarizing the programs and services that have been funded in New York with federal TANF resources since 1997-1998 and the proposals for TANF spending included in the Governor's 2006-2007 Executive Budget.

III. What should New York State do to increase work participation rates?

New York should increase work participation rates by taking the “high road” and extending more opportunities to families. A high-road strategy has three major elements: 1) extending TANF income supplements to more working-poor parents; 2) providing substantially more parents with opportunities for education and job training to help them move ahead, and 3) creating wage-paying transitional jobs for parents who are otherwise unable to obtain work.³

The Workforce Alliance argues that the problem that TANF was originally set up to battle—“welfare dependency”—is largely a thing of the past. About 70 percent of families with incomes below the poverty line now include one or more workers. By comparison, fewer than 20 percent of parents with incomes below the poverty line receive TANF income supplements, and many of these parents are working or in between jobs. In fact, some four out of every five adults who receive TANF income supplements have worked more than half their adult years. Today’s problem is poverty despite work. TANF needs to be reformed to make it work as part of a larger wage subsidy and career advancement system designed to tackle this economic problem. Under such a system, cash assistance should be thought of as a “work support” for parents with unstable, low-wage jobs, and also as a supplemental form of “financial aid” for low-income parents who are trying to better themselves through education and training. While federal reauthorization retains participation rates as the sole measure of success in TANF, states should look beyond this kind of antiquated process measure, and concentrate on producing outcomes meaningful to workers and employers, including career advancement, wage gains, and job retention. States won’t achieve better outcomes for TANF beneficiaries if they only focus on job placement. Moreover, such a limited focus is unlikely to lead to a 50-percent participation rate. States could attempt to meet higher rates by establishing large numbers of “workfare” jobs, but such “make-work” jobs do little to help families get real jobs or move ahead in life.

The number of TANF beneficiaries participating in many of activities that relate to education and training for advancement—such as vocational education, on-the-job training, and job skills training—is quite low in most states. Thus, a key element of a high-road strategy to meet the new participation standards should involve taking fuller advantage of countable activities like these that help families move ahead in labor market.

- “Vocational educational training” is countable as a stand-alone activity for up to 12 months. New York should maximize the use of full-time vocational education as an activity. They can do this by making full use of their “allowance” for vocational education (and teen parent school attendance), which permits them to place 30 percent of all families that are counted toward the 50 percent rate in full-time vocational education and, if they are teen parents, high school or GED classes. In doing so, states should focus on parents with potential to succeed in vocational education and connect them to programs that train graduates for career-ladder jobs that meet local labor market demand in targeted industry sectors. In addition, states should use “bridge programs” to link vocational and basic education for parents with relatively low levels of basic skills. In New York for FFY 2004, only 13% of those counted as working were enrolled in

³ Most of this discussion is borrowed from an excellent paper, “Taking the High Road: How States Should Meet TANF’s New Participation Standards” by Shawn Fremstad and Jason Walsh of the Workforce Alliance, “February 21, 2006. http://www.workforcealliance.org/policy/TANF/TWA-TANF_High_Road-FINAL.pdf.

vocational training. This was lower than the national average of 15%. Thirty-one states had higher vocational education training rates.

- ❑ On-The-Job Training (OJT)—a countable TANF activity with no cap on participation—is dramatically underutilized by states. Typically, OJT involves reimbursement to an employer for up to 50 percent of workers’ wages while they are training on the job. OJT is also an allowable use of WIA funds and TANF beneficiaries who are co-enrolled in WIA can take advantage of the resources and services of both programs. A serious effort by a state to do such co-enrollment can also push toward better integration of TANF and WIA, and thereby tilt a state’s TANF program toward the employment-focused outcome measures of WIA. New York reported no participants in on-the-job training programs for FFY2004.
- ❑ Adult Basic Education and ESL are not explicitly listed as separate countable activities, but states have the discretion to include them in their definitions of those activities. A number of states count participation in these programs toward core activities such as vocational education or community service. There is a danger that HHS may try to restrict such flexibility when it issues the new TANF rules required by June 2006 but New York should fight against this.
- ❑ New York should also increase the number of parents enrolled in “”jobs skills training”” or “education directly related to employment.” Both activities are countable if a parent is working at least part-time (20 hours) or engaged in certain other activities for 20 hours a week, such as community service or work experience. New York had less than 1% of its participants engaged in these activities in FFY 2004.
- ❑ Finally, from a programmatic standpoint, New York will need to respond to the significant proportion of TANF participants who lack the basic reading, writing, and computational skills they need just to succeed in many vocational training programs, let alone in most decent jobs in today’s labor market. The challenge for New York is to design and support programs that link basic education to career pathways delineated by stages of occupational training that eventually lead to living-wage jobs. Fortunately, New York can look to models provided by a new generation of such “bridge programs” in states like Arkansas, which uses TANF funds to support the Career Pathway Initiative, a program sited at half the state’s community colleges that redesigns curriculum to integrate the teaching of basic skills with vocational training that prepares graduates for career pathway jobs in demand occupations.
- ❑ Wage-paying Transitional Jobs: Transitional jobs (TJ) are wage-paying, community-service jobs, typically combined with intensive supports and skill development, for unemployed adults who have not been hired after a job search in the regular labor market. Workers in these jobs obtain experience and employer references that improve chances of success in the job market. Transitional jobs can be counted as a number of different activities (e.g., subsidized employment and work experience). New York should create or bring to scale TJ programs targeted to parents unable to find a job, especially in places with a high proportion of the state’s long-term cash assistance caseload. Transitional jobs are an especially promising policy response to the needs of hard-pressed urban and rural communities, and unemployed people facing barriers to work.

New York Should Place More Families in Vocational Education and On-the-job Training Programs

Federal Fiscal Year 2004	US		New York	
	Number	Percent	Number	Percent
Total Families	1,984,560		147,034	
Families included in participation rate	952,523	48.0%	69,663	47.4%
Participating families	307,784	32.3%	26,211	37.6%
Type of Participation				
Unsubsidized employment	163,889	53.2%	12,921	49.3%
Subsidized private employment	1,118	0.4%	174	0.7%
Subsidized public employment	2,777	0.9%	1,297	4.9%
Work experience	41,104	13.4%	3,537	13.5%
On-the-job training	721	0.2%	-	0.0%
Job search	55,765	18.1%	515	2.0%
Community service	30,409	9.9%	4,969	19.0%
Vocational education	46,487	15.1%	3,463	13.2%
Job Skills Training	6,371	2.1%	68	0.3%
Education related to employment	7,120	2.3%	153	0.6%
Satisfactory school attendance	11,455	3.7%	217	0.8%
Providing child care	402	0.1%	-	0.0%
Additional waiver activities	19,145	6.2%	-	0.0%
Other	6,043	2.0%	270	1.0%

Source: <http://www.acf.hhs.gov/programs/ofa/particip/2004/>

Appendix I - Additional resources for research on the effectiveness of sanctions.

Effectiveness

While many have opinions on the first issue, there is not strong authority to support the policy conclusion that full-family sanctions increase program participation. (Note that as used here, “participation” does not mean the measured participation rate but rather the likelihood that TANF recipients will participate in activities when required to do so.) Several years ago a Brookings Institution Policy Brief concluded that, “there is not enough solid evidence to draw firm conclusions about the relative effectiveness of full-family and partial sanctions.” This largely remains true. The Brookings brief summarized the research as follows:

Most people would agree that sanctions are not designed to reduce welfare caseloads, but rather are intended to persuade recipients to comply with work requirements and to find jobs. Do they achieve this goal?

It is inherently difficult to answer this question because many people respond to the threat of sanctions and never actually experience them. Findings from the National Evaluation of Welfare-to-Work Strategies conducted by the Manpower Demonstration Research Corporation and published in 2001 suggest that programs need to enforce work-related mandates in order to obtain high rates of participation in employment activities. In programs that did not closely monitor attendance and rarely imposed sanctions, participation rates were only slightly higher for adults in the group subject to work mandates than for adults in the control group that faced no mandates. Among the programs that enforced mandates, however, higher sanction rates were not associated with higher participation rates. Some observers contend that programs that do a good job of communicating expectations to recipients do not need to sanction as often.

On the question of full-family versus partial sanctions, the same brief summarized the state of research as follows:

It is not clear whether full-family sanctions generate larger changes in recipients' behavior than partial sanctions. It may be that most of the recipients who are able to follow the rules are induced to do so by partial sanctions. If that were true, full-family sanctions could end up imposing greater penalties on people who are unable to comply.

Some analysts have argued that full-family sanctions are particularly important in the context of time limits: when clients do not respond to partial sanctions, they often end up exhausting their months of eligibility without obtaining needed employment services. Others argue that full-family sanctions increase the likelihood that families with the most serious employment barriers will simply exit from welfare without receiving needed services.

Unfortunately, there is very little direct evidence to inform this debate. Many welfare-to-work programs using partial sanctions have generated high rates of participation in employment activities-and substantial increases in employment and reductions in welfare use-but there have been very few comparable evaluations of programs using full-family sanctions.

One study by Robert Rector and Sara Youssef of the Heritage Foundation in Washington, D.C. found that states with strong work requirements and full-family sanctions have

experienced much larger welfare caseload reductions than other states. This seems plausible, since full-family sanctions result in more case closures, but the study does not address whether the sanctions induced more people to work. On the other hand, a study by Sandra Hofferth, Stephen Stanhope, and Kathleen Harris of the University of Maryland did not find an association between stricter sanction policies implemented under waivers and work-related welfare exits (stronger work requirements were associated with work exits).

Despite strong views on both sides, at this point there is not enough solid evidence to draw firm conclusions about the relative effectiveness of full-family and partial sanctions.

Dan Bloom and Don Winstead, *Sanctions and Welfare*, Brookings Institution Policy Brief, at <http://www.mdrc.org/publications/191/policybrief.html>

A 2002 paper issued jointly by the Fiscal Policy Institute and the California Budget Project found that California and New York, the two largest states with partial sanction policies, had not experienced substantially smaller declines in their welfare caseloads than the nation as a whole. While some proponents of full family sanctions claimed that California and New York's cash assistance caseloads would have dropped more quickly if they penalized noncompliant adults by eliminating families' welfare benefits, rather than only reducing them, economic and policy factors unrelated to sanctions play an important role in explaining this small difference between caseload declines in these two states and caseload declines in states with full family sanctions.

“Partial Sanctions Have Not Led To Smaller Caseload Declines.” David Carroll (California Budget Project) and Trudi Renwick (Fiscal Policy Institute) July 2002 . <http://www.fiscalpolicy.org/familysanctionspdf2.pdf>

In an article for *Social Service Review*, California researchers analyzed the characteristics and barriers of sanctioned TANF recipients and concluded:

The findings from the CalWORKS study confirm what other studies show: sanctioned recipients are more likely to be in a disadvantaged position than nonsanctioned recipients. . . These findings suggest that the reason sanctioned recipients fail to comply has less to do with resistance to the work requirements and more to do with the barriers than make it difficult for them to meet these requirements. . . . These findings may call into question the key assumptions underlying the behavioral logic of sanctions. . . While recognizing that some of the barriers experienced by sanctioned recipients may be self-inflicted, we conclude that sanctions penalize recipients in greater need because these individuals face more barriers to employment. Indeed, it might be argued that such a strategy exacerbates recipients' already difficult life circumstances by further reducing their income and limiting access to needed services.

Yehekel Hasenfeld et al., “The Logic of Sanctioning Welfare Recipients: An Empirical Assessment,” *Social Services Review*; June 2004, at p. 316-317.

Recent research by Rebecca Blank and Robert Schoeni also is relevant here: it concludes that increased income gains cannot be attributed to strong work penalties policies (sanctions and time limits). A 2003 article by Blank and Schoeni had been cited as authority for full-family

sanctions (countered by their objection). In a 2005 update of this article based on additional data from the early 2000s, they concluded that:

In the later period, . . . , states with more lenient penalty work incentives show greater [income] growth. Over the entire period, there is little evidence that any group of states does markedly better or worse than any other, when grouped by penalty work incentives.

Blank and Schoeni conclude that income gains in states with strong work incentives are almost entirely due to work incentive policies (earnings disregards) and not due to work penalty policies. *Updating “Changes in the Distribution of Children’s Family Income Over the 1990s” with More Recent Data*, is available on request from CBPP. Moreover, when the 2003 paper was being cited as authority for full-family sanctions, the authors wrote a letter noting:

As two individuals who have read the literature on welfare reform quite closely, we do not believe there is evidence to suggest that full-family sanctions have a positive effect on families. Indeed, there is evidence from the National Survey of America’s Families to suggest that those who are sanctioned off welfare are worse off than those who leave welfare through work programs. Other research finds that recipients who have been sanctioned have had high rates of serious health problems and have had significant barriers to employment. This suggests that in at least some cases, families that are sanctioned may have serious problems that are impeding their ability to participate and at least raise a caution about greater use of full-family sanctions.

The earlier paper discussed is Blank, Rebecca M. and Robert Schoeni. 2003. “Changes in the Distribution of Children’s Family income Over the 1990s.” *American Economic Review*. Vol 93(2): 304-08. It is summarized in *Changes in the Distribution of Children’s Family income Over the 1990s*, Policy Brief, National Poverty Center, July 2003. http://www.npc.umich.edu/publications/policy_briefs/etc/01.pdf.

Impacts

State-specific or multi-state studies continue to accumulate fairly consistent findings on who is sanctioned and how they fare afterwards. Persons who are sanctioned tend to have less education and work experience and have lower employment rates, and if employed, lower earnings, than other TANF leavers. Persons who are sanctioned often have multiple barriers to employment and mental and physical health problems. A recent paper adding weight to the cumulative impact research uses panel data from Michigan’s Women’s Employment Survey to examine the predictors of sanctioning and consequences for material hardship among a sample of welfare recipients under the Temporary Assistance for Needy Families program. Statistically significant predictors include being African American and lacking a high school education. Controlling for a wide range of personal and demographic characteristics, the authors find that sanctions predict utility shutoffs, engaging in hardship-mediating activities, and subjective perceptions of economic hardship. Kalil, A., K.S. Seefeldt, and H. Wang. 2003. “Sanctions and Material Hardship under TANF.” *Social Services Review* 76(4):642-662.

- A recent Washington state draft study found that TANF recipients in sanction status self-identified significant barriers to employment: child care (23 percent); transportation (43

percent) and medical problems (22 percent).

- ❑ In a recent California study of four counties (link below), case managers interviewed agreed that the majority of non-compliant recipients are persons with significant barriers and who *cannot* comply with welfare-to-work requirements. The California study noted that recipients possess limited knowledge of sanction policies and may not understand what is required; this again repeats many other study findings. Notably, almost all of the case managers interviewed opposed switching from the partial-family sanction California now employs to full-family sanctions.
- ❑ A Johns-Hopkins University study (cited below) in three cities – Boston, Chicago, and San Antonio – found that children in sanctioned families are more likely to have cognitive and behavioral problems than children in other families on welfare or who never received welfare. The children of families who left due to sanction fared worse than the children of families that continued in partial sanction. The researchers concluded that, “Sanctioned families have a number of characteristics that serve as markers of concern for the healthy development of children and youth.”

A number of studies have found that sanctions disproportionately affect minority families, particularly African-American families. A Wisconsin W-2 Program study found that 42 percent of African-Americans and 45 percent of Hispanics were sanctioned compared to 24 percent of whites. The HHS three-state study (SC, IL, NJ) found that African-Americans are more likely to be sanctioned than other racial and ethnic groups. The “Sanctions and Material Hardship” article also found that being African-American was a predictor of being sanctioned.

Sanction Policies and Measured Work Participation Rates

Unfortunately, some states will want to use full-family sanctions not because they necessarily believe that they are effective at improving outcomes for families, but because they believe that such a sanction policy will help the state meet the increased work participation requirements. It is certainly true that if states terminate assistance to families that are not meeting TANF work requirements (whether they are failing to participate for good or bad reasons), the state’s work participation rate “denominator” will fall and their measured participation rate will rise. States are not supposed to get credit for caseload declines that result from changes in sanction *policies* in the caseload reduction credit calculation, although under current regulations states would get credit toward the caseload reduction credit for a change in the caseload that results from administrative changes that makes full-family sanctioning under existing rules more prevalent. Under the new law, the exclusion for caseload reduction credit applies to policy changes *after 2005*. Thus, if a state moves from a partial sanction to a full-family sanction in 2006, this is a policy change that would require these closings be excluded from the caseload reduction credit. If, however, a state already had a full-family sanction policy and simply applies it more harshly in the future, but does not alter or accelerate the policy, any closings that result could count toward caseload reduction credit.

Sanction resources:

Good website for a compilation of writings about sanctions is at <http://www.financeprojectinfo.org/win/sanction.asp> Including *Addressing the Needs of Adults Sanctioned Under TANF*, March 2004, <http://www.financeproject.org/Publications/sanctionedclientsIN.htm>

Comprehensive literature review done for HHS is Review of Sanction Policies and Research Studies, Mathematica Policy Research for HHS, 2003, <http://aspe.os.dhhs.gov/hsp/TANF-Sanctions03/index.htm>

CRS Report for Congress, *TANF Sanctions – Brief Summary*, November 19, 2001.
http://digital.library.unt.edu/govdocs/crs//data/2001/upl-meta-crs-1945/RS21070_2001Nov19.pdf?PHPSESSID=a6576f19d2db0b415ea4e29cf5da6cfa

The Use of TANF Work-Oriented Sanctions in Illinois, New Jersey, and South Carolina, Mathematica Policy Research/HHS, 2004,
<http://aspe.hhs.gov/hsp/TANF-Sanctions04/>

Leaving Children Behind: The Case Against Full Family Sanctions, Children’s Defense Fund, 2002,
http://www.childrensdefense.org/familyincome/welfare/fs_ffsanctions.pdf

A Compliance-Oriented Approach to Sanctions in State and County TANF Programs, CBPP, 2000,
<http://www.cbpp.org/10-1-00sliip.htm>

The Impact of Welfare Sanctions on the Health of Infants and Toddlers, Children’s Sentinel Nutrition Assessment Program, July 2002, <http://dcc2.bumc.bu.edu/csnappublic/Welfaresanctions.htm>

This report discusses evidence of increased hospitalizations and food insecurity among sanctioned families. A March 2005 Policy Brief updates these findings using additional and more recent data: *Pediatricians Find TANF Sanctions Put Young Children at Risk*, http://dcc2.bumc.bu.edu/csnappublic/TANF_March2005.pdf

HHS Office of Inspector General Reports on Improving Sanction Notices and Educating Clients About Sanctions
<http://oig.hhs.gov/oei/reports/oei-09-98-00292.pdf>
<http://oig.hhs.gov/oei/reports/oei-09-98-00291.pdf>

Chi-Fang Wu, Maria Cancian, Daniel R. Meyer, and Geoffrey Wallace, *How Do Welfare Sanctions Work?*, Institute for Research on Poverty Discussion Paper no. 1282-4, June 2004, at
<http://www.irp.wisc.edu/publications/dps/pdfs/dp128204.pdf>

Kalil, A., K.S. Seefeldt, and H. Wang. 2003. “Sanctions and Material Hardship under TANF.” *Social Services Review* 76(4):642-662. available from the CBPP or by log-in at
<http://www.journals.uchicago.edu/SSR/journal/issues/v76n4/760405/brief/760405.abstract.html>

Two 2005 studies of four counties in California are available at <http://www.wprp.ucop.edu/>.

Chase-Lansdale, Coley, Lohman, et al., *Welfare Reform: What About the Children? Welfare, Children and Families: A Three-City Study*, Policy Brief 02-1, Johns Hopkins University, 2002,
http://www.jhu.edu/~welfare/19382_Welfare_jan02.pdf

Kathleen Mulligan-Hansel and Pamela Fendt, *Unfair Sanctions: Does W-2 Punish People of Color?* at
http://www.uwm.edu/Dept/CED/reports/race_report.pdf.

TANF Spending Allocations - Employment and Transitional Services

(in thousands)

	SFY 1997- 1998	SFY 1998- 1999	SFY 1999- 2000	SFY 2000- 2001	SFY 2001- 2002	SFY 2002- 2003	SFY 2003- 2004	SFY 2004- 2005	SFY 2005- 2006	SFY 2005- 2006	SFY2006- 2007	SFY2006- 2007
									Before FFFS	Including FFFS	Before FFFS	Including FFFS
Employment/Transitional Services/Health TANF Services and TANF Employment in FFFS												
									FFFS	\$121,927	FFFS	\$121,927
Academic Intervention	\$0	\$0	\$0	\$5,000	\$0	\$0	\$0	\$0	\$0	\$0		
ACCESS – Welfare to Careers	\$0	\$0	\$0	\$0	\$1,000	\$1,140	\$1,000	\$0	\$1,000	\$1,000	FFFS	FFFS
Advantage Schools	\$0	\$0	\$0	\$10,000	\$10,000	\$20,200	\$20,200	\$20,200	\$20,200	\$20,200	\$27,500	\$27,500
ATI Alternative to Incarceration Pilot	\$0	\$0	\$1,000	\$4,000	\$4,000	\$4,000	\$4,000	\$3,800	\$4,000	\$4,000	\$3,800	\$3,800
APPS				\$7,700	\$7,700	\$7,700	\$7,700	\$5,870	\$5,870	\$5,870	\$7,320	\$7,320
Automotive Skills Training	\$1,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0				
Basic Education						\$5,000	\$3,000	\$0	\$2,000	\$2,000	FFFS	FFFS
Blueprint	\$0	\$0	\$0	\$0	\$0	\$1,500	\$0	\$0				
BRIDGE		\$22,053	\$22,053	\$9,553	\$22,053	\$22,053	\$9,553	\$9,553	\$9,553	\$9,553	FFFS	FFFS
BRIDGE Child Care	\$3,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0				
Bridge College to Work	\$3,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0				
Build New York									\$1,000	\$1,000	FFFS	FFFS
Building Independence for the Long Term	\$1,800	\$0	\$18,100	Block Grant	\$0	\$0	\$0	\$0				
Built-on-Pride Apprenticeships	\$400	\$0	\$5,000	\$6,000	\$0	\$0	\$0	\$0	FFFS	FFFS	FFFS	FFFS
Caretaker Relative Assistance	\$0	\$0		\$1,000	\$500	\$0	\$150	\$0	\$1,150	\$1,150	FFFS	FFFS
Case Management for Homeless Families/Rent Subsidy Program	\$0	\$0	\$1,500	\$0	\$3,000	\$4,000	\$4,000	\$0				
Child Assistance Program Expansion	\$1,500	\$1,000	\$1,000	Block Grant	\$0	\$0	\$0	\$0				
Child Support Disregard Toward MOE	\$0	\$0	\$0	\$17,000	\$0	\$0	\$0	\$0				
Compliance with Federal Reporting Requirements	\$0	\$0	\$1,000	\$1,000	\$0	\$0	\$0	\$0				
CUNY Work Experience	\$500	\$0	\$1,000	\$0	\$0	\$0	\$0	\$0				
DAP						\$500	\$500	\$0	\$500	\$500	FFFS	FFFS
Displaced Homemakers Program	\$600	\$0	\$600	\$1,200	\$1,200	\$1,200	\$1,600	\$0	\$2,300	\$2,300	FFFS	FFFS
Domestic Violence Liaison Function									FFFS	\$3,757	FFFS	\$3,757
Domestic Violence Screening	\$5,000	\$5,000	\$8,000	\$8,000	\$8,000	\$7,000	\$6,000	\$6,000	\$3,000	\$3,000	FFFS	FFFS
Drug Abuse Screening/Treatment	\$18,000	\$12,000	\$18,000	\$18,000	\$15,000	\$5,000	\$2,500	\$2,500	FFFS	\$4,878	FFFS	\$4,878
EDGE	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	FFFS	FFFS	FFFS		
EDGE "Plus": English as a Second Language	\$5,000	\$0	\$3,000	\$5,000	\$1,000	\$1,050	\$1,250	\$0	\$2,000	\$2,000	FFFS	FFFS
EDGE "Plus": Literacy and Work Preparedness	\$8,000	\$0	\$0	\$4,000	\$2,000	\$1,000	\$1,000	\$0	\$1,000	\$1,000	FFFS	FFFS
EDGE "Plus": Local Interagency /VESID Employment Services (LIVES)	\$2,500	\$0	\$6,000	\$3,000	\$2,000	\$1,000	\$3,000	\$0	\$1,500	\$1,500	FFFS	FFFS

TANF Spending Allocations - Employment and Transitional Services

(in thousands)

	SFY 1997- 1998	SFY 1998- 1999	SFY 1999- 2000	SFY 2000- 2001	SFY 2001- 2002	SFY 2002- 2003	SFY 2003- 2004	SFY 2004- 2005	SFY 2005- 2006	SFY 2005- 2006	SFY2006- 2007	SFY2006- 2007
									Before FFFS	Including FFFS	Before FFFS	Including FFFS
EDGE Enhancement	\$0	\$6,000	\$0	\$0	\$0	\$0	\$0	\$0	FFFS	FFFS		
Emergency Homeless						\$500	\$500	\$0	\$1,000	\$1,000	FFFS	FFFS
Empire State Development Agency Job Specific Training	\$2,000	\$0	\$2,000	\$3,000	\$0	\$500	\$0	\$0				
Employment Agency Initiative	\$3,000	\$0	\$2,000	\$3,000	\$0	\$0	\$0	\$0				
Employment Demonstration Projects							\$0	\$8,500	FFFS	FFFS	FFFS	FFFS
Employment/Transitional Block Grant	\$0	\$0	\$0	\$0	\$60,000	\$34,500	\$38,625	\$50,000	FFFS	FFFS	FFFS	FFFS
Employment Set-Aside	\$0	\$0	\$3,700	\$2,000	\$0	\$0	\$0	\$0				
Family Loan Program	\$0	\$0	\$500	\$500	\$0	\$0	\$0	\$0				
Federal Compliance Staff	\$0	\$0	\$1,000	\$1,000	\$0	\$0	\$0	\$0				
Food Pantries/Nutrition Assistance	\$0	\$0	\$12,000	\$12,000	\$12,000	\$13,600	\$12,000	\$12,000	\$12,350	\$12,350		
Green Teams	\$0	\$0	\$0	\$0	\$0	\$860	\$1,010	\$0	FFFS	FFFS	FFFS	FFFS
Health Care Recruitment/Retention	\$0	\$0	\$0	\$80,000	\$20,000	\$0	\$0	\$0				
High Performance Bonus Spending***	\$0	\$0	\$0	\$4,000	\$0	\$0	\$0	\$0				
Home Visiting and Home Visiting Expansion	\$0	\$0	\$0	\$20,400	\$5,600	\$16,000	\$16,000	\$14,129	\$17,600	\$17,600	\$18,600	\$18,600
Supplemental Homeless Assistance (SHIP)							\$4,000	\$0	\$4,000	\$4,000	FFFS	FFFS
Hospital Wage Subsidy	\$0	\$0	\$2,000	\$0	\$0	\$0	\$0	\$0				
InVEST	\$3,250	\$0	\$25,000	\$25,000	\$0	\$0	\$0	\$0				
Kinship Foster Care Workgroup	\$0	\$0	\$0	\$150	\$0	\$1,000	\$150	\$0				
Learnfare	\$1,000	\$1,000	\$4,000	\$4,000	\$0	\$0	\$0	\$0				
Medical Exams	\$3,000	\$3,000	\$3,000	Block Grant	\$0	\$0	\$0	\$0				
Medical Society	\$0	\$0	\$0	\$1,200	\$0	\$0	\$0	\$0	FFFS	FFFS	FFFS	FFFS
Mental Health/Foster Care Recruitment/Retention	\$0	\$0	\$0	\$13,000	\$0	\$0	\$0	\$0				
Merit Scholars/Incentives	\$500	\$0	\$1,000	Block Grant	\$0	\$0	\$0	\$0				
New York Works (Work Now)	\$29,000	\$13,000	\$100,000	\$103,600	\$0	\$0	\$0	\$0				
NYS AFL-CIO Workforce Development Institute									\$600	\$600	FFFS	FFFS
Parents Count Demo	\$0	\$0	\$0	\$2,000	\$500	\$1,000	\$175	\$0	FFFS	FFFS	FFFS	FFFS
Performance Awards	\$11,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0				
PINS Workgroup	\$0	\$0	\$0	\$150	\$0	\$0	\$0	\$0				
Preventive Services Initiative	\$0	\$0	\$10,000	\$23,000	\$6,700	\$18,000	\$17,960	\$0	\$15,000	\$15,000	FFFS	FFFS
Rape and Pregnancy Prevention	\$7,000	\$7,000	\$10,000	\$10,000	\$10,000	\$11,600	\$10,000	\$10,000	\$2,100	\$2,100	\$10,000	\$10,000
Department of Labor Job Placement Staff	\$0	\$0	\$2,300	TANF Base	\$0	\$0	\$0	\$0				
School Based Health Centers						\$3,500	\$3,500	\$3,325	3500	3500	3325	3325
Summer Youth Employment	\$0	\$0	\$0	\$35,000	\$25,000	\$25,000	\$25,000	\$15,000	\$25,000	\$25,000	FFFS	FFFS
Supportive Housing for Families						\$2,000	\$2,000	\$0	\$2,500	\$2,500	FFFS	FFFS
TANF Services Block Grant	\$0	\$0	\$0	\$100,000	\$0	\$0	\$0	\$0				
Technology Training	\$0	\$0	\$0	\$5,800	\$7,000	\$7,000	\$7,000	\$0	\$8,500	\$8,500	FFFS	FFFS

TANF Spending Allocations - Employment and Transitional Services

(in thousands)

	<u>SFY 1997-1998</u>	<u>SFY 1998-1999</u>	<u>SFY 1999-2000</u>	<u>SFY 2000-2001</u>	<u>SFY 2001-2002</u>	<u>SFY 2002-2003</u>	<u>SFY 2003-2004</u>	<u>SFY 2004-2005</u>	<u>SFY 2005-2006</u>	<u>SFY 2005-2006</u>	<u>SFY2006-2007</u>	<u>SFY2006-2007</u>
									Before FFFS	Including FFFS	Before FFFS	Including FFFS
Teen Works	\$0	\$0	\$0	\$7,000	\$0	\$0	\$0	\$0				
Transitional Activities	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0				
Transition/Performance	\$22,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0				
Transitional Opportunities Program	\$0	\$0	\$0	\$3,000	\$0	\$0	\$0	\$0				
Transportation	\$8,000	\$5,000	\$20,000	\$20,000	\$10,000	\$7,500	\$5,000	\$5,000	\$8,400	\$8,400	FFFS	FFFS
Wage Subsidy Demonstration Program	\$0	\$0	\$12,000	\$45,000	\$5,000	\$5,000	\$5,000	\$0	\$4,000	\$4,000	FFFS	FFFS
Welfare Management Systems Update	\$50,000	\$10,000	\$30,000	\$50,000	\$0	\$0	\$0	\$11,500	x	x		
Welfare Reform Contingency Reserve Fund	\$104,000	\$114,000	\$330,000	\$318,000	\$0	\$0	\$0	\$0				
Welfare Reform Evaluation	\$0	\$300	\$0	\$500	\$0	\$500	\$0	\$0				
Women, Infants and Children Program	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Women, Infants and Children Program Expansion	\$0	\$0	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$1,900	\$2,000	\$2,000	\$1,900	\$1,900
Work Programs in Educational Institutions	\$0	\$0	\$1,000	\$1,500	\$500	\$0	\$0	\$0				
Workplace Accommodations**	\$3,000	\$0	\$1,000	\$2,000	\$0	\$0	\$0	\$0				
YEETP				\$1,800	\$4,300	\$4,300	\$4,300	\$0	\$4,000	\$4,000	FFFS	FFFS
Youth Enterprise Program	\$0	\$0	\$0	\$1,000	\$1,000	\$1,000	\$0	\$0				
Youth Post Discharge Program	\$0	\$0	\$0	\$1,000	\$0	\$0	\$0	\$0				
New FFFS Resources Potentially Available for Employment and Transitional Services												\$43,000
Subtotal - Other Services	\$323,050	\$214,853	\$676,253	\$1,017,553	\$262,553	\$253,203	\$235,173	\$182,277	\$168,623	\$299,185	\$75,445	\$249,007