Welfare Time Limits State Policies, Implementation, and Effects on Families

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Few features of the 1990s welfare reforms have generated as much attention and controversy as time limits on benefit receipt. Time limits first emerged in state welfare reform programs operated under federal waivers before 1996, and then they became a central feature of federal welfare policy in the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA).

This report provides a comprehensive summary of what has been learned to date about time limits: about state policies, their implementation, the effects of time limits on employment and welfare receipt, and the circumstances of families whose welfare cases have been closed because they reached a time limit. The report is designed to serve as a resource as Congress considers reauthorization of PRWORA.

This study was conceived and funded by the U.S. Department of Health and Human Services (HHS) and was conducted under contract by the Manpower Demonstration Research Corporation (MDRC) and The Lewin Group. HHS funded three activities: (1) a survey of state welfare administrators to obtain information on states' time-limit policies and experiences to date; (2) site visits to five states to examine the implementation of time limits; and (3) a synthesis of research on time limits conducted to date. The report describes the findings from all three study components.

Key Findings

A central theme that emerges from all the study components is that time limits are far more complex than they seem. This complexity is evident in the states' diverse policy choices, the way time limits are implemented at the local level, and the difficulties in interpreting data and studies about time limits.

States' Policies and Early Experiences

The survey of states provides comprehensive, up-to-date data on the states' time-limit policies and their experiences with time limits. Key findings include:

- **Responding to the broad flexibility allowed under the federal welfare law, states have developed widely varying approaches to time limits.**

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

As of early 2002, most states had time limits that result in termination of families' welfare benefits: 23 states had a 60-month termination time limit, and 17 states had a shorter termination time limit. In addition, 8 states and the District of Columbia had a time limit that reduces benefits or changes the form of benefits after the limit is reached, and 2 states had no time limit. Because the latter two categories include large states like California, Michigan, and New York, they comprise nearly half of the national welfare caseload.

- **All states provide exemptions or extensions from their time limits for certain groups of families, but the policies differ dramatically from state to state.**

The 60-month time limit on federal assistance applies nationwide, but not all families on welfare are subject to the limit. The survey of states found that about 55 percent of all families currently on welfare are subject to the federal 60-month time limit. Of those not subject to the federal limit, most are "child-only" cases, which now account for about one-third of the national welfare caseload. (In such cases, children are living with a parent or other relative who is not included in the welfare grant.) Most of the other families not subject to the federal time limit live in states that implemented their own time limits before 1996 and received waivers allowing them to delay implementation of the federal limit.

In addition, most states exempt certain categories of families from their state time limit even though the families are subject to the federal time limit. (There are also some families who are exempt from the federal limit but subject to state limits.) The most common exemptions are for recipients who are incapacitated or are victims of domestic violence. Finally, most states allow for time-limit extensions, usually because the family faces a particular hardship or because the parent was unable to find work despite diligent efforts. The states will have to use their own funds to pay for families' benefits if they receive more than 60 months of federally funded assistance and exceed the 20 percent cap discussed earlier.

- **Nationally, about 231,000 families have reached either the federal time limit or a shorter state time limit. At least 93,000 families have had their case closed at a time limit, and approximately 38,000 have had their benefits reduced. Most of the case closures occurred in a few states with time limits of fewer than 60 months.**

The federal 60-month clock began "ticking" when each state implemented its TANF program — sometime between September 1996 and July 1997. As of December 2001, families had reached the 60-month federal time limit in 22 states. The overall number of families who had reached the federal limit in these states — about 54,000 **—** represents a very small fraction of the families who could potentially have reached the limit. In addition, more than 80 percent were in New York State, where most families who receive 60 months of federally funded benefits can move to a state and locally funded program that provides the same benefits but only partly in cash. As a result, only around 8,000 families nationwide have had their case closed because of the 60-month time limit and are not receiving other assistance.

Most states have found that a very small proportion of recipients reach the time limit after 60 months of continuous benefit receipt. There are several reasons for this pattern. Even before the recent reforms, most people who received welfare did not remain on the rolls continuously for long periods. The strong economy, expanded financial supports for low-income working families, and enhanced state welfare-to-work programs increased the number of families who exited welfare in the 1990s. In addition, some states have shorter state time limits and/or have imposed large numbers of sanctions that closed the cases of recipients who were deemed noncompliant with work requirements (or they have removed the adult from the grant, creating a child-only case). Finally, as noted earlier, some families are exempt from the federal limit.

A larger number of families — about 176,000 — have reached state time limits of fewer than 60 months. Once again, however, states have found that few recipients reach even short time limits after continuous benefit receipt. State-to-state differences in definitions and data availability make it difficult to get an accurate count of the families whose cases have been closed because of these limits, but the number appears to be at least 85,000, with most of the total in five states (Connecticut, Louisiana, Massachusetts, Ohio, and Virginia). In several of the states with shorter time limits, a large proportion of the recipients whose cases were closed were already employed (that is, were mixing work and welfare) before they reached the time limits. Also, many states allow families whose cases are closed to return to welfare under certain conditions. Finally, approximately 38,000 families — in Arizona, Indiana, and Texas — have had their benefits reduced because they reached state time limits.

The Implementation of Time Limits

The implementation of time limits is far more complex than many might assume. The complexity arises because states are seeking to identify and protect particularly vulnerable families without diluting the overall message that welfare is temporary. The states' time-limit practices are as diverse as their policy choices: Even time-limit policies that look similar on paper may be implemented quite differently across states or even across welfare offices within states. Key findings from the survey and field visits include:

- **In an effort to send a clear message to recipients, welfare staff tend to ignore or gloss over the complexities of their state's time-limit policies.**

Many states' time-limit policies are complicated. For example, rather than imposing lifetime limits, many states limit recipients to a specific number of months of benefits within a longer calendar period (for example, 24 months in a 60-month period). These policies are intended to help recipients, but welfare staff, eager to persuade recipients to take time limits seriously, often ignore the nuances. Similarly, while benefit extensions are possible in most states, staff seldom mention extension policies until recipients are close to the time limit; workers do not want to risk diluting the message by giving recipients the impression that the time limit is not firm. Of course, once people begin reaching a time limit, the grapevine takes over, and recipients will form their views based on what actually happens.

- **The time-limit message can be complicated by earned income disregards and other state welfare policies.**

Many believe that welfare staff should urge recipients to leave welfare quickly in order to save, or "bank," their months of assistance for future emergencies. However, this message can be a hard sell because many recipients feel that they have few alternatives in the short term. The banking message is also complicated by the presences of expanded earned income disregards and other policies that allow people to continue receiving partial welfare benefits after they go to work (such policies have been implemented in most states). Because these supplemental welfare benefits almost always count toward time limits, staff must choose whether to urge working recipients to leave welfare quickly — essentially ignoring the disregards — or to stay on assistance to benefit from the disregards. Approaches vary depending on the generosity of the disregards, the individual recipient's situation (for example, whether she is close to reaching the time limit and whether she receives regular child support payments), and the policy preferences of state and local administrators.

- **Almost all states allow exemptions or extensions for recipients with serious medical problems, but the processes for identifying these recipients and verifying their condition vary; some critics believe that recipients who should be exempted often fall through the cracks.**

States have long faced the challenge of identifying recipients who are temporarily unable to work, but time limits raise the stakes. Most states ask recipients to report health problems that might lead to an exemption from work requirements or time limits, but fear, stigma, or lack of knowledge may prevent recipients from discussing mental health problems, substance abuse, domestic violence, and other issues. Also, once a recipient reports a problem, some states have developed elaborate review processes to ensure consistency and prevent abuse. But the same conditions that make work difficult may also hinder some from navigating the review process. Finally, given certain types of health problems, decisions about whether someone is able to work are far from clear-cut.

Despite these challenges, states believe that they identify most recipients facing serious barriers to employment; client advocates argue that more proactive assessment efforts are needed, noting, for example, that post-time-limit outreach programs targeted to families whose cases are closed sometimes find former recipients who should have qualified for an exemption.

- **Many states grant time-limit extensions to recipients who are unable to find jobs despite diligent efforts, but there are key differences in how compliance is assessed and defined and in how case closures are categorized.**

In assessing a recipient's level of compliance with work-related requirements, some states examine the individual's entire case history, but many focus primarily on the individual's current willingness to comply. In many states, recipients approaching the time limit are targeted for intensive monitoring and services.

Some states use clear-cut definitions of compliance, while others use more subjective criteria that are open to interpretation by individual workers. When definitions are not clear-cut, decisions about time-limit extensions tend to be subject to review, in an effort to ensure that cases are handled consistently.

Overall, some states grant extensions to most of the recipients who reach time limits without jobs, while others grant few extensions. However, states use different definitions and collect different types of data, making direct comparisons difficult. For example, when a recipient's case is closed for noncompliance with program rules around the time she or he reaches the time limit, or during an extension, some states might categorize this as a time-limit exit, while others might characterize it as a sanction. Also, in some states, recipients whose cases are closed because of time limits can easily return to welfare if they agree to comply; in other states, there are few opportunities to return. It is important to note that most of the experience with time limits to date pertains to state time limits of fewer than 60 months. There are no restrictions on using federal funds to assist families who are granted extensions to these short time limits; thus, states may respond differently when families reach the federal 60-month limit.

Effects of Time Limits on Employment and Welfare Receipt

Time limits are not designed simply to reduce long-term welfare receipt but also to change the behavior of current or potential welfare recipients — to encourage them to get jobs or seek other income sources instead of welfare. For example, the existence of a time limit might encourage recipients to leave welfare faster, before reaching the limit, in order to bank some of their months, or it might discourage *potential* recipients from applying for benefits. And, of course, individuals who have their welfare benefits canceled might try harder to find or keep jobs. The pattern of these effects may determine how time limits affect the income and material well-being of families.

Because time limits have almost always been implemented as part of a package of other welfare reforms, it is very difficult to isolate their effects. Nevertheless, the available data suggest several tentative conclusions:

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

Several state welfare reform initiatives that included time limits were started under waivers before 1996 and were evaluated using a rigorous, random assignment research design; that is, families were assigned, by chance, to a program group subject to the welfare reform (including the time limit) or to a control group subject to the previous welfare policies, and both groups were then followed over time to determine what difference the reforms made. Results from the early phases of these studies, before anyone reached the time limits, provide evidence about the "anticipatory" effects of time limits (although the study designs did not allow researchers to measure whether time limits affect welfare applications).

The studies consistently found that program group members were more likely to work than control group members, even before anyone reached the time limits. However, it is impossible to say whether these effects were driven by the time limits, because the programs also included other features that promoted employment (such as enhanced earned income disregards and expanded work requirements and services).

In contrast, most of the studies found that program group members were no more likely to leave welfare in the period before people began reaching the time limits. At first glance, this suggests that no "banking" was going on, but the pattern is probably attributable to expanded earned income disregards and similar policies that made it easier for program group members to continue receiving benefits after going to work. It is possible that the time limits encouraged some people to leave welfare sooner while the work incentives encouraged people to stay on welfare longer, with the overall result being a wash.

A series of econometric "caseload" studies used data on state policies, caseloads, and economic conditions to try to isolate the effects of welfare reform. A few of the studies sought to tease out the effects of individual reform components, including time limits. Most of these studies concluded that both welfare reform and the strong economy contributed to the decline in welfare caseloads. Although some studies did not find evidence that time limits per se affected the caseload, one study using individual-level national survey data estimated that time limits may have been responsible for a substantial proportion of the welfare caseload decline, with the strongest effects being seen for families with very young children. These declines must have been anticipatory effects, because few families had reached a time limit when the analysis was conducted.

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

Two of the random assignment studies followed program and control group members for four years — well beyond the point when families began reaching the states' time limits. (The studies examined Connecticut's statewide Jobs First program, with a 21-month time limit, and a Florida pilot program, the Family Transition Program [FTP], with 24- and 36-month time limits.) In neither case did the program's effects on employment grow substantially when people began reaching the time limit and having their benefits canceled, suggesting that few people were induced to work by benefit termination. In Connecticut, most of the people whose cases were closed at the time limit were already working, but that was not the case in Florida's FTP.

This pattern of effects appears to be consistent with the results of a series of follow-up studies, discussed below, which found that employment rates among people whose benefits were canceled at time limits did not change much over time.

- **Two welfare reform initiatives with time limits have been rigorously tested, and neither produced consistent effects on family income or material hardship in the period after families began reaching the limits; but it is difficult to isolate the effects on families whose benefits were terminated.**

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

In both programs, only a fraction of program group members actually reached the time limits (most left welfare before reaching the limits), but it is difficult to determine the direct effects on these families because there is no way to know which members of the control group should serve as the appropriate benchmark.

The Circumstances of Families After Time Limits

Some of the key questions about time limits concern how families fare after their benefits are terminated. Are they working? Are they receiving other forms of public assistance? Do they experience severe hardships such as homelessness or hunger?

Although it is too early to offer definitive answers, eight state and federally funded post-time-limit studies provide a wealth of data. The studies have the same limitation as other studies of welfare leavers, however: Data on the post-welfare circumstances of families do not necessarily provide evidence about the effects of welfare reform. In addition, none of the post-time-limit studies provide direct evidence on the federal 60-month limit; they were all conducted in states with limits of fewer than 60 months. Finally, all of the studies were conducted during periods of low unemployment. Keeping these limitations in mind, key findings include:

- **Most studies found that individuals who lost benefits because of time limits were more likely to have large families and to live in public or subsidized housing, compared with people who left welfare for reasons other than time limits.**

Several studies also found that time-limit leavers were more likely to lack a high school diploma and to be African-American. These characteristics overlap, however, and it is not clear which are independently associated with reaching a time limit or with having one's benefits canceled.

- **The post-exit employment rates of time-limit leavers vary widely across states, ranging from less than 50 percent to more than 80 percent.**

Most of the variation in employment rates after leaving welfare is attributable to state policies that shape who reaches the time limit or who is eligible for a time-limit extension. For example, some states impose large numbers of full-family sanctions, so that most of the people who reach the time limit are either employed or complying with program rules. Similarly, in states with relatively high welfare grant levels and generous earnings disregards, many people are mixing work and welfare when they reach the time limit. Some states grant extensions to most recipients who are not employed when they reach the time limit, while other states are quite likely to close such cases.

As a consequence of these disparities, employment rates in some states are lower for time-limit leavers than for other leavers, and rates in other states are higher for time-limit leavers. For the most part, however, post-exit employment rates are similar to pre-exit employment rates. In other words, although the overall rates can hide dynamic employment patterns, there is little evidence that large numbers of people responded to the termination of their benefits by going to work.

- **Large proportions of time-limit leavers continue to receive Food Stamps, Medicaid, and other assistance after exit.**

There is wide variation in Food Stamp receipt across states, largely tracking the differences in employment rates (that is, the rates of Food Stamp receipt are lowest in states where most time-limit leavers are working and thus less likely to be eligible). However, time-limit leavers are generally more likely than other welfare leavers to receive Food Stamps, even in states where their post-exit employment rate is higher.

- **In most states where studies were conducted, time-limit leavers reported lower income and more material hardships after leaving welfare than before, but time-limit leavers did not consistently report fewer or more hardships than people who left welfare for other reasons.**

In all states, some time-limit leavers reported that their post-welfare income or standard of living was higher than when they received welfare, whereas others reported being worse off. Although the percentages vary, a greater proportion of respondents in most states said that they were worse off than better off. In general, employed respondents reported higher household income than nonworking respondents.

Homelessness has been rare among time-limit leavers, but levels of food insecurity and other hardships (such as utility shutoffs) have been high. Again, however, there is not a clear association between levels of hardship and employment status, and there are few clear patterns of hardships across states or categories of leavers.

Conclusions and Implications

Given the exceptional diversity in both policies and implementation practices affecting time limits, the practical meaning of "time limit" differs from state to state — and from welfare office to welfare office within some states. Also, because time limits interact in complex ways with earned income disregards, sanctions, and other state policies, it is critical to consider the full set of policies before characterizing a state's overall approach to welfare reform or assessing data on key outcomes, such as the employment rate of individuals who left welfare because of time limits.

Moreover, the story of time limits is still unfolding. Very few families have reached the federal 60-month time limit, and it is too early to draw any broad conclusions about how states will respond as more families reach the limits, about how families will fare without benefits over the long term, and about whether the 20 percent hardship exemption in federal law will be adequate over time. There will be many opportunities to obtain additional data over the next two or three years, as a larger number of families reach time limits under varying economic conditions.