

GAO

Report to the Chairman, Subcommittee  
on Human Resources, Committee on  
Ways and Means, House of  
Representatives

July 2002

# WELFARE REFORM

With TANF Flexibility,  
States Vary in How  
They Implement Work  
Requirements and  
Time Limits



G A O

Accountability \* Integrity \* Reliability

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### Abbreviations

PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act
TANF	Temporary Assistance for Needy Families
MOE	maintenance-of-effort
AFDC	Aid to Families with Dependent Children
HHS	Department of Health and Human Services
SSI	Supplemental Security Income



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United States General Accounting Office  
Washington, DC 20548

July 5, 2002

The Honorable Wally Herger  
Chairman, Subcommittee on Human Resources  
Committee on Ways and Means  
House of Representatives

Dear Mr. Chairman:

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) significantly changed federal welfare policy for low-income families with children, building upon and expanding state-level reforms. As part of PRWORA the Congress created the Temporary Assistance for Needy Families (TANF) block grant to replace the previous welfare program and help welfare recipients transition into employment. To this end, states are required to enforce work requirements, and states face financial penalties if a minimum percentage of adults receiving cash assistance do not participate in work or work activities each year. This federal participation rate requirement increased each year, reaching 50 percent for all families in fiscal year 2002. When PRWORA established these federally required participation rates, it also allowed them to be adjusted downward, through a "caseload reduction credit," if a state's caseload declined. This provision reduces the participation requirement for those states where the welfare caseload declines. In addition to work requirements, TANF places a 60 month lifetime limit on the amount of time families with adults can receive cash assistance. To receive its TANF block grant, each state must also spend at least a specified amount of its own funds, referred to as state maintenance-of-effort (MOE) funds.

The law allows states considerable flexibility to exclude families from work requirements and time limits. Work requirements and time limits apply only to families with an adult receiving aid, not to cases where only children receive cash assistance (child-only cases). In addition, states may provide cash assistance to families and exempt them from work requirements and time limits by using state MOE in specified ways, such as through a state program other than their TANF program, referred to as separate state programs. In addition, states can extend federal time limits for up to 20 percent of their families receiving assistance.

As the Congress considers reauthorization of TANF, you asked us to determine and assess the states' implementation of these work

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requirements and time limits. More specifically, you asked us to determine (1) the number of families, including child-only cases, receiving cash assistance funded by federal TANF and state MOE; (2) how states made use of work requirement flexibility; and (3) the number of families states have excluded from time limits. The information we gathered came from site visits in 4 states, telephone interviews with TANF officials in 8 other states, and a survey administered to TANF officials in all 50 states and the District of Columbia.<sup>1</sup> We conducted our work from August 2001 through June 2002, in accordance with generally accepted government auditing standards.

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## Results in Brief

States provided cash assistance funded by federal TANF or state MOE dollars to 2.1 million families in the fall of 2001.<sup>2</sup> For over 736,000 of these families, or one-third of the cash assistance caseload, only the children in the family received assistance. When only children receive benefits, it is typically because they are being cared for by someone who is not their parent (e.g., grandparents or other relatives) or their parents are noncitizens ineligible for cash assistance. Because no adult in these cases receives TANF or MOE, work requirements and time limits do not apply.

With the flexibility allowed states, the percentage of adults in work or work-related activities varied greatly among the states. Because of the dramatic declines in welfare caseloads that have occurred since 1996, states have generally faced greatly reduced participation rate requirements for their TANF programs. For example, in fiscal year 2000, caseload reduction credits reduced required rates from 40 percent (the required rate) to 0 in 31 states. As a result, states have increased flexibility to determine the numbers of adults required to be involved in work or work activities. Almost all states met or exceeded their adjusted required rate in fiscal year 2000. However, the fiscal year 2000 federal participation rates varied tremendously among the states, ranging from about 6 percent to more than 70 percent.

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

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

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States excluded about 154,000 families from federal or state time limits. This number represents 11 percent of the 1.4 million families with an adult receiving cash assistance. By using the 20 percent time limit extension or their MOE funds, states generally targeted time limit exclusions to families they considered hard to employ, families who were working but not earning enough to move off of TANF, and families that were cooperating with program requirements but had not yet found employment. The number of families excluded from time limits may increase in the future because most families have not yet reached their federal or state-imposed cash assistance time limit. Only about one-third of the states have begun using the federal 20 percent time limit extension for families who reached the 60 month federal time limit. In addition to the 20 percent extension, state officials we spoke with said that they will rely more heavily on state MOE to extend families' time on assistance in the future.

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## Background

PRWORA made sweeping changes to national welfare policy, creating TANF and ending the federal entitlement to assistance for eligible needy families with children under Aid to Families with Dependent Children (AFDC). The Department of Health and Human Services (HHS) administers the TANF block grant program, which provides states with up to \$16.5 billion each year through fiscal year 2002. TANF was designed to help needy families reduce their dependence on welfare and move toward economic independence. The law also greatly increased the discretion states have in the design and operation of their welfare programs, allowing states to determine forms of aid and the categories of families eligible for aid. TANF establishes time limits and work requirements for adults receiving aid and requires states to sustain 75 to 80 percent of their historic level of welfare spending through a MOE requirement. In addition, TANF gives states funding flexibility, which allows states to exclude some families from federal time limits and work requirements.

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

TANF establishes a 60 month time limit for families receiving aid. States have the option of establishing shorter time limits for families in their state. A state that does not comply with the TANF time limit can be penalized by a 5 percent reduction in its block grant. While the intent of TANF is to provide temporary, time-limited aid, federal time limits do not apply to all forms of aid or to all families receiving aid. First, states are only to count toward the 60 month time limit any month in which an individual receives a service or benefit considered "assistance," which is defined in the TANF regulations as cash or other forms of benefits

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designed to meet a family's ongoing basic needs.<sup>3</sup> Second, time limits do not apply to the following types of cases:

1. Child-only cases in which the adult in the household does not receive cash assistance.<sup>4</sup>
2. Families who received assistance while living in Indian country or a Native Alaskan village where 50 percent of the adults are not employed.

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

TANF also establishes work requirements for adults receiving aid. After 2 years of assistance, or sooner if the state determines the recipient is ready, TANF adults are generally required to be engaged in work as defined by the state.<sup>6</sup> In addition, TANF establishes required work participation rates—a steadily rising specified minimum percentage of adult recipients

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

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

<sup>5</sup>States can elect the Family Violence Option allowing states to waive any TANF requirement, under certain conditions, for victims of domestic violence. If a state elects the Family Violence Option and waives the time limits for such recipients and later faces a penalty for extensions that exceed the 20 percent cap, the state may qualify for a reasonable cause penalty exception.

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

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who must participate in federally specified work or work-related activities<sup>7</sup> each year for at least a minimum number of hours.<sup>8</sup>

States were required in federal fiscal year 2002 to meet a work participation rate of 50 percent for all TANF families with adult members—referred to as the rate for all families. States were also required to meet a much higher rate—90 percent—for two-parent families.<sup>9</sup> States must meet these work participation rates to avoid financial penalties. While states have generally met the work participation rate for all families, many states have faced financial penalties due to failure to meet the two-parent required rate in recent years. HHS issued penalty notices to 19 states in fiscal year 1997, 14 in fiscal year 1998, 9 in fiscal year 1999, and 7 states in fiscal year 2000.

In addition to establishing federal participation rate requirements, PRWORA specified that the required rates are to be reduced if a state's TANF caseload declines. States are allowed caseload reduction credits, which reduce each state's work participation requirement by 1 percentage point for each percentage point by which its average monthly caseload falls short of its fiscal year 1995 level (for reasons other than eligibility changes).

While states are to meet federal participation requirements, they also have the flexibility to encourage and require TANF recipients to participate in any activity a state chooses or at any level of activity, although that activity

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<sup>7</sup>States may choose to exempt parents with children under age 1 from calculation in the work participation rate. Work activities that count for federal participation rate purposes include employment, work experience programs, on-the-job training, community service, providing child care for other TANF recipients, job search, and (under certain circumstances) education and training.

<sup>8</sup>An individual counts as engaged in work each month if he or she participates in work activities during the month for an average of at least 30 hours per week. A parent with a child under age 6 will count as engaged in work if he or she participates for at least an average of 20 hours per week.

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

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or the hours of activity may not count toward the federal participation rates.

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

The Personal Responsibility, Work, and Family Promotion Act of 2002 passed by the House of Representatives (H.R. 4737) on May 16, 2002, reauthorizes the TANF block grant keeping in place key elements of TANF, such as time limits and work requirements. It also changes some aspects of TANF, including the participation rate requirements. It increases the federally mandated rate by 5 percent a year to 70 percent by 2007, revises the number of hours of participation and types of activities required, and made some alterations to the caseload reduction credit, among other changes. In addition, the act specifies that two-parent families would no longer be subject to a separate and higher work participation rate. The Senate is in the process of reauthorizing TANF as of June 2002.

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

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

A state may use its state MOE funds in three different ways to provide cash assistance for needy families.

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

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

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

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

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

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

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

In addition, while not required by federal law, states may choose to apply work requirements or time limits on their state-funded assistance.<sup>10</sup>

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

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## Of 2.1 Million Families Receiving Federal or State MOE-Funded Cash Assistance, One Third Are Child-Only Cases

States reported that in the fall of 2001, 2.1 million families received cash assistance funded with federal TANF or state MOE dollars. This includes about 110,000 families, or 5 percent, who were provided cash assistance through separate state programs funded by state MOE dollars. These families are not counted in the TANF caseload data reported by HHS. Twenty-six states used separate state programs to provide cash assistance, typically to legal immigrants and two-parent families. In most of these states, the separate state program caseload represented 5 percent or less of the total caseload. However, in four of these states, families served through separate state programs represented from 10 to 30 percent of the total cash assistance caseload. (For more information on the separate state program caseload by state and the populations served in the states' programs, see app. II.)

It is noteworthy that the separate state program caseload represents a more significant share in two of the nation's most populous states—California and New York. More specifically, the number of families receiving cash assistance through separate state programs in California alone—nearly 50,000—is greater than the total cash assistance caseload in most states. HHS began requiring states in fiscal year 2000 to provide information on families provided assistance through separate state programs and reported on the separate state program caseload in their recently issued Fourth Annual Report to Congress.<sup>11</sup> However, this caseload is not included in the TANF caseload data.

Child-only cases, while not generally in separate state programs, account for an even more significant proportion of the cash assistance caseload. Of the 2.1 million families receiving aid, 736,045, or one-third, were composed of children only. Generally, child-only cases are not subject to work requirements or time limits.<sup>12</sup> The percentage of child-only cash assistance cases varied greatly among the states, ranging from 13 percent

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<sup>11</sup>HHS required state information on separate state programs if a state wanted to qualify for the caseload reduction credit or the high performance bonus. PRWORA included a high performance bonus provision to reward states that are the most successful in achieving the goals and purposes of the TANF program. A total of \$1 billion is available in fiscal years 1999 through 2003. For more information on what states reported to HHS on separate state programs, see HHS's 2001 *Fourth Annual Report to Congress* (Washington D.C.: April 2002).

<sup>12</sup>Connecticut has a small number of state-funded child-only cases that are subject to a state-imposed time limit on state-funded assistance. The time limit exclusion rules in Connecticut's separate state program are the same for both recipient and non-recipient parents.

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in Hawaii to 73 percent in Wyoming. In addition, as shown in figure 1, the types of child-only cases vary and can include families in which the

- caregiver is a nonparent, such as grandparent or other relative;
- parent is receiving Social Security or Supplemental Security Income (SSI) and not eligible for TANF;
- parent is a noncitizen ineligible for federally funded TANF;<sup>13</sup> and
- parent has not complied with TANF program requirements and so has been denied benefits, called a sanction.<sup>14</sup>

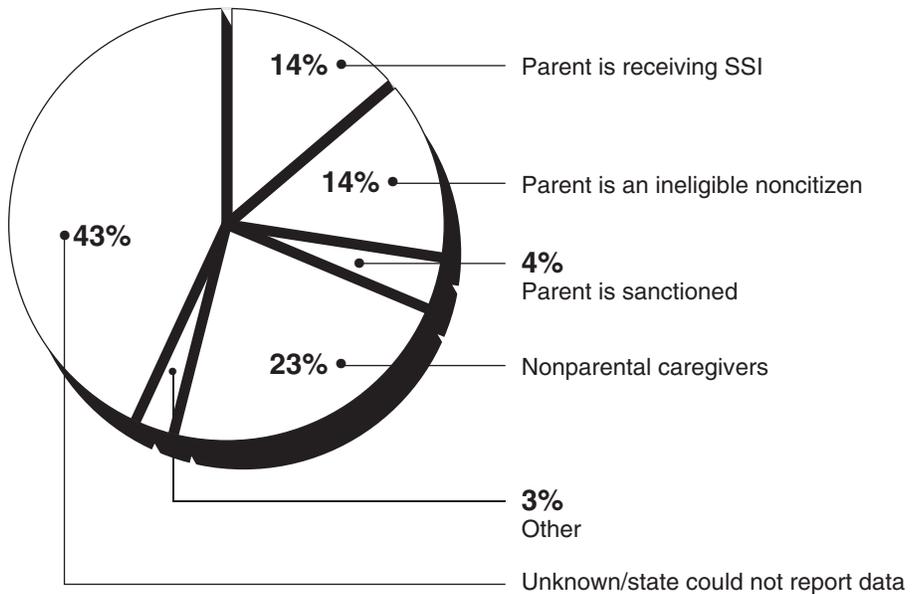
(For more information on each state's total cash assistance and child-only caseloads, see app. III.)

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<sup>13</sup>Some households may include parents who are illegal immigrants or legal immigrants ineligible for cash assistance in addition to children who are citizens and eligible for cash assistance.

<sup>14</sup>States can sanction individuals not complying with TANF program requirements by taking away part or all their TANF cash benefits and possibly other public benefits as well.

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



Note: We included state-funded child only cases in Florida and Illinois because they do not have federally funded child-only cases. We did not include the small numbers of state-funded child-only cases in several other states, as it does not significantly change these results.

Source: GAO survey.

## With PRWORA Flexibility, the Percentage of Welfare Recipients Participating in Work Activities Varied Greatly among States

Reduced federal participation rate requirements and states' use of their MOE funds give states considerable flexibility in implementing work requirements. Almost all the states had more adults participating in work and work-related activities than they were required to, but the percentage of adults participating varied greatly among the states. Almost all of the families who received cash assistance through separate state programs were subject to state work requirements, even though federal work requirements did not apply.

**Federal Work Participation Rates in Fiscal Year 2000 Varied Greatly among States**

States faced greatly reduced federal participation rate requirements for fiscal year 2000, as caseload reduction credits were triggered by recent caseload declines. Welfare caseloads have declined dramatically, from 4.4 million in August 1996 to 2.1 million as of September 2001, marking a 52 percent decline in the number of families receiving cash welfare. As a result, the fiscal year 2000 participation rate requirement was adjusted downward from 40 percent to 0 in 31 states. (See table 2.)

**Table 2: Federal Participation Rate Requirement for All Families Adjusted for Caseload Reduction Credit and Actual Participation Rate by State for Fiscal Year 2000 (stated rate was 40 percent)**

State	Adjusted required rate	Actual federal participation rates for all families (without waiver) <sup>a</sup>	Actual federal participation rate for all families (with waiver) <sup>a</sup>
Alabama	0	37.7	-
Alaska	11	42.1	-
Arizona	0	39.7	-
Arkansas	6	20.8	-
California	8	27.5	-
Colorado	0	36.6	-
Connecticut	28	33.2	43.0
Delaware	0	16.8	27.6
District of Columbia	11	24.4	-
Florida	0	33.0	-
Georgia	0	12.2	-
Hawaii	25	24.5	29.7
Idaho	0	47.7	-
Illinois	0	59.2	-
Indiana	0	40.8	72.3
Iowa	1	41.8	-
Kansas	17	49.0	77.4
Kentucky	0	25.6	-
Louisiana	0	33.5	-
Maine	9	40.0	-
Maryland	1	6.3	-
Massachusetts	0	7.1	69.2
Michigan	0	36.4	-
Minnesota	9	29.3	34.7
Mississippi	0	17.8	-
Missouri	0	30.4	34.0
Montana	0	36.2	68.2
Nebraska	14	15.8	22.6
Nevada	0	37.4	-

State	Adjusted required rate	Actual federal participation rates for all families (without waiver) <sup>a</sup>	Actual federal participation rate for all families (with waiver) <sup>a</sup>
New Hampshire	0	30.0	53.1
New Jersey	1	37.8	-
New Mexico	17	36.9	-
New York	5	33.2	-
North Carolina	0	19.2	-
North Dakota	0	35.7	-
Ohio	0	52.8	52.9
Oklahoma	0	33.9	-
Oregon	0	10.6	64.0
Pennsylvania	0	11.2	-
Rhode Island	24	25.0	-
South Carolina	0	25.0	54.0
South Dakota	3	46.5	-
Tennessee	0	24.9	35.4
Texas	0	7.8	25.6
Utah	6	27.9	31.1
Vermont <sup>b</sup>	40	11.6	-
Virginia	0	24.6	44.9
Washington	2	52.8	-
West Virginia	0	17.1	-
Wisconsin	0	73.4	-
Wyoming	0	59.0	-
<b>U.S. average<sup>c</sup></b>		<b>29.7</b>	<b>34.0</b>

<sup>a</sup>For 18 states, HHS has reported participation rates with and without taking into account a state's waiver that allowed for different rules with regard to work requirements.

<sup>b</sup>Vermont claims that its waivers eliminate any participation rate requirements while the waivers are in effect. It did not apply for a caseload reduction credit for fiscal year 2000.

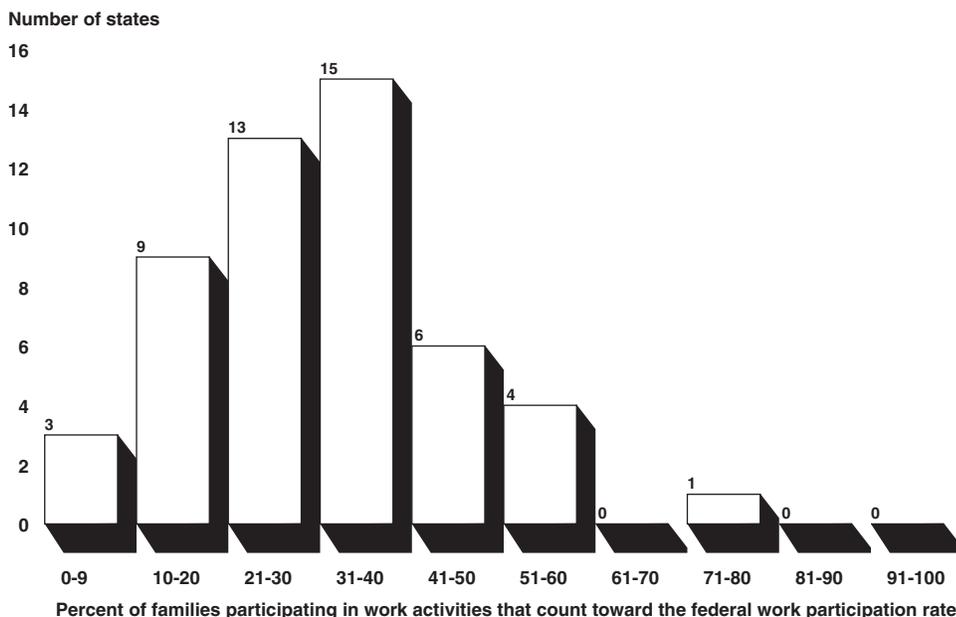
<sup>c</sup>U.S. average includes the U.S. territories.

Source: The Administration for Children and Families, HHS.

Even though most states faced relatively low or no participation rate requirements, about 30 percent of TANF adults were counted as meeting federal participation requirements nationwide. However, the federal participation rates varied greatly among the states, as shown in figure 2. Officials in one state told us that because the participation rate requirements are so low, states have more flexibility in choosing whether to enroll TANF recipients in work or in other types of activities or services, such as substance abuse treatment or mental health services, which do not count for purposes of the federal participation rate. State officials believe they can make such choices without fear of not meeting their federal work participation rates. In other cases, the lower

participation rates give states more flexibility in exempting TANF recipients considered hard to employ from meeting work requirements.<sup>15</sup>

**Figure 2: Range of Federal Work Participation Rates for All Families in Fiscal Year 2000, as Reported by HHS<sup>a</sup>**



<sup>a</sup>Based on participation rates calculated without taking into account waivers.

Note: Data for fiscal year 2000 are the most recent available.

Source: HHS.

## State-Defined Work Rates Also Varied Greatly among States

Data also showed that participation rates varied greatly among states when using an expanded measure of work participation defined by the state. This measure included each state's own definition of what qualified as involvement in an activity; this includes federally approved activities and levels of participation in addition to other types of activities and levels

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

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of participation if allowed by a state.<sup>16</sup> For example, in some states, this measure would include participation in mental health treatment activities. In addition, in one state we talked with, an adult working only 1 hour a week would be considered as participating in state-defined activities. In contrast, a minimum of 30 hours of work would generally be required to count as meeting the federal participation requirement.

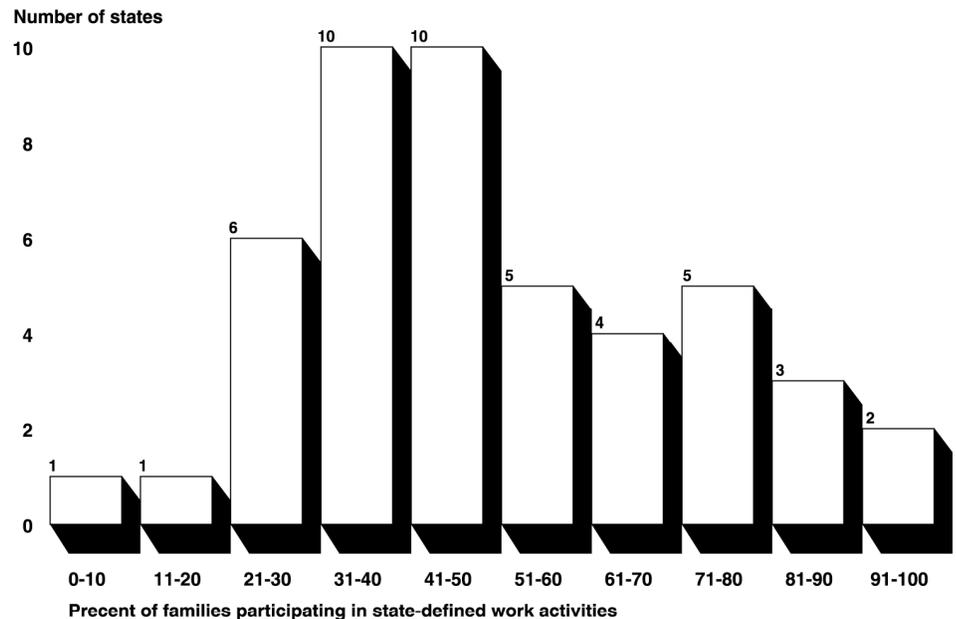
Using this state-defined rate, nationwide, about 56 percent of TANF adults were involved in work or work-related activities, based on the 47 states that provided data for fall 2001.<sup>17</sup> The percentage of the adult caseload involved in work or work-related activities (as defined by the state) ranged from 6 percent to 93 percent. As shown in figure 3, the percentage of adults participating was 30 percent or less in 8 states, 31-50 percent in 20 states, and more than 50 percent in 19 states, according to state survey responses. (See app. IV for more specific data by state.)

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<sup>16</sup>Our survey asked, “What percentage of your (adult) TANF caseload was involved in work or work-related activities (as defined by your state)?”

<sup>17</sup>If data for the federal participation rate and the state-defined rate were available for similar time periods, comparisons could be made to determine the extent to which each state included in the state-defined rate TANF recipients who were not included in the federal participation rate. However, the data available are for different time periods. In addition, while federal law determines who is to be counted in the numerator and the denominator when calculating the federal participation rates, states may have used different definitions of “TANF caseload” when responding to our question.

**Figure 3: Range of State-Defined Work Rates, Fall 2001**



Source: GAO survey.

### While Federal Work Requirements Do Not Apply in Separate State Programs, States Typically Impose Their Own Requirements

Providing cash assistance through separate state programs has offered states additional flexibility, as federal work requirements do not apply to families served through these programs. The 26 states with separate state programs, 16 states used these programs to provide cash assistance to two-parent families. Several state officials told us they provide aid in this way to avoid the risk of financial penalties for failing to meet the federal two-parent participation rate requirement. State officials told us that two-parent families often have as many or more challenges as single parents, making the higher participation rate for two-parent families difficult to meet.<sup>18</sup> However, states that provided cash assistance through separate state programs typically imposed their own work requirements on families receiving aid. We found that approximately nine-tenths of the families receiving cash assistance in separate state programs are still subject to a state work requirement. While states generally imposed work

<sup>18</sup>The caseload reduction credit would also decrease the 90 percent work participation requirement for two-parent families; however, some states told us that they still moved two-parent families into separate state programs because they did not want to rely on caseload reductions to avoid a financial penalty.

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requirements, about half of them also have policies in place to exclude families facing significant barriers to work from work requirements. For example, 13 states exclude families with an adult who is disabled and 13 states exclude families who care for someone with a disability.

It is possible that states may rely more on separate state programs in the future to provide cash assistance free from federal work requirements as they take steps to meet state and local goals. H.R. 4737—the reauthorization bill passed by the House—eliminates the higher federal participation requirement for two-parent families that was often cited by states as a reason for using separate state programs. However, it also includes higher overall federal participation requirements for all families. States would still have the option to serve other families who they deem may have difficulty meeting higher federal requirements through separate state programs. With higher participation requirements for all families, the number of families that states may consider unable to meet higher federal work requirements could increase.

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

Through the 20 percent federal extension and the use of state funds, states generally excluded the following types of families from federal and state time limits: families they considered “hard to employ,” families that were working but not earning enough to move off TANF, and families that were cooperating with program requirements but had not yet found employment. During fall 2001,<sup>19</sup> states excluded from federal or state time limits 11 percent of the 1.4 million cash assistance families with adults. The number of families excluded from time limits may increase in the future because most families have not yet reached their federal or state-imposed cash assistance time limit.

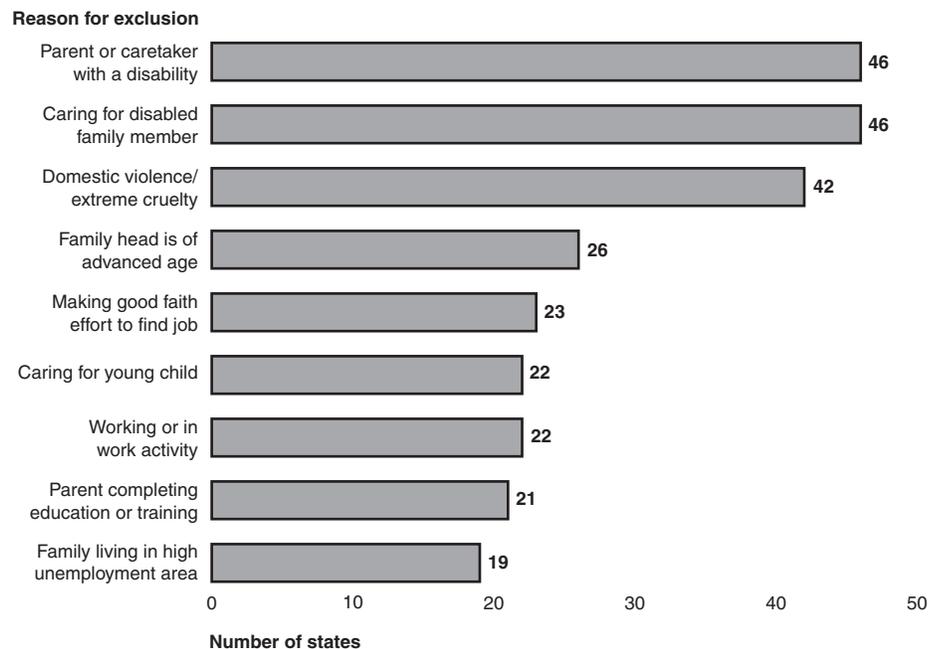
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<sup>19</sup>In our survey, we asked states to provide us with information for the most recent month for which they had complete data. Most states reported numbers from a month in the first quarter of federal fiscal year 2002.

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

States targeted time limit exclusions to families they considered hard to employ, families who were working but not earning enough to move off TANF, and families who were cooperating with program requirements. The majority of states excluded hard-to-employ families in which the parent had a disability or was caring for a child with a disability, families dealing with domestic violence, and families with a head of household of advanced age. (See fig. 4.) Some of these exclusions are granted on a temporary basis (such as for disabled recipients pending transfer to the Supplemental Security Income program), while others are granted for longer periods of time (such as for family heads of advanced age).

**Figure 4: Number of States with Exclusions to Federal or State Time Limits by Recipient Characteristic**



Source: GAO survey.

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

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

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

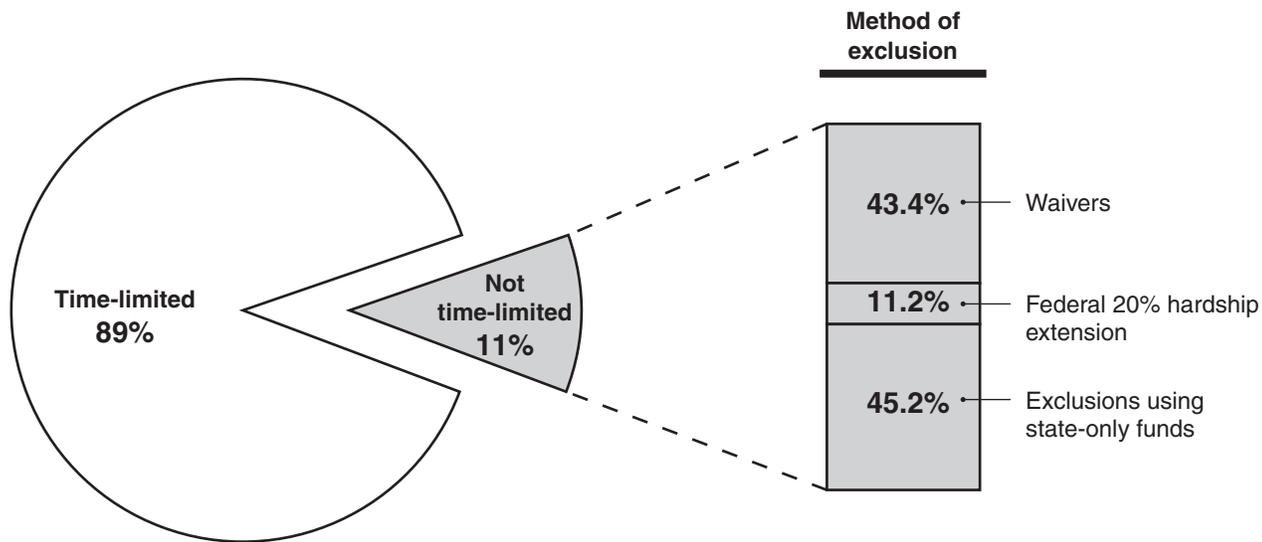
States have excluded from time limits 11 percent (about 154,000) of the approximately 1.4 million families with adults receiving federal- or state-funded cash assistance.<sup>20</sup> (See app. V for the percent of exclusions by state.) As shown in figure 5, 45 percent of these families—mostly in Illinois, Massachusetts, and New York—were excluded through states use of state-only funds. An additional 43 percent of the families were excluded from time limits under federal waivers granted to states before welfare reform to conduct demonstration programs. Many of these waivers remain in effect.<sup>21</sup>

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<sup>20</sup>If the 736,045 child-only cases, which are not subject to time limits, are included in the caseload, the overall percentage of TANF families that is excluded from a time limit is 42 percent.

<sup>21</sup>Eight states exclude federally funded families from time limits because of pre-existing waivers to their welfare programs that allow them to exempt federally funded families from the federal time limit. These states are Arizona, Hawaii, Indiana, Nebraska, Oregon, South Carolina, Tennessee, and Virginia. In addition, Connecticut was operating under a waiver through September 2001. As a result, the federal clock did not start on federally funded families who were exempt from Connecticut’s state time limit until October 2001. Therefore, Connecticut can extend cash assistance to some of its federally funded families well beyond 60 months without using the federal 20 percent extension.

**Figure 5: Percentage of Families with Adults Excluded from Time Limits and Method of Exclusion**



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

Source: GAO survey.

While states sometimes use state funds to exclude families from federal time limits, states are still applying a state time limit to a significant portion of state-funded families. Overall, 64 percent of families who receive cash assistance through separate state programs or segregated state funds are still subject to a state time limit. Twenty-six of the 33 states with state-funded families apply a state time limit to some or all of their state-funded families. (See app. VI for additional information on state choices regarding funding and time limits.)

The percentage of the caseload that is excluded from time limits may increase because most families have not reached their time limit. In 22 states TANF had not been in effect long enough for families to reach either the federal or the state time limit by the time we conducted our survey.<sup>22</sup> Even in those states where it was possible to have received 60 months of cash assistance, many families had not reached their time limit because they have cycled on and off welfare, slowing their accrual of time on

<sup>22</sup>States responded to our survey using their most recent month of data available—generally a month in the first quarter of fiscal year 2002 (October through December of 2001).

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assistance. State officials generally thought the 20 percent federal time-limit extension was adequate now, but were less sure about the future, given that many families have not yet reached the 60 month time limit.

State officials we spoke with told us that they planned to rely more heavily on state MOE funds to continue assistance to significant numbers of families reaching the 60 month time limit. For example, California told us it estimated that over 100,000 families with adults would reach the federal time limit in the next year. California plans to use state-only funds to continue aid beyond 60 months to children by removing the adult from the case. California also plans to continue aid to families who are making a good faith effort to find employment and to families who are hard to employ because the adult is aged, disabled, caring for a disabled family member, or experiencing domestic violence. In addition, New York plans to continue assistance to families who reach the 60 month time limit through its separate state program. In December 2001, New York State had 44,027 families reach the 60 month federal time limit. Of these families, 28,781 (65 percent) were transitioned to the state's separate state program funded with state MOE, 9,873 (22 percent) received the 20 percent extension, and the remaining 5,393 (12 percent) were transitioned off assistance. These families were among the first to reach time limits with more families to follow.

At the time of our survey, we found that only 15 states had begun to use the federal 20 percent hardship extension; overall, these states were applying it to less than 1 percent of their adult caseload. While it is difficult to estimate the extent to which states may use the 20 percent extension as more families reach the 60 month time limit, it is important to note that states' child-only caseloads can result in significantly more than 20 percent of the adult TANF caseload receiving the extension.<sup>23</sup> As discussed earlier, TANF allows each state to extend the 60 month time limit for up to 20 percent of the average monthly number of families receiving TANF assistance funded in whole or part with federal TANF funds. In each state, the maximum number of families who may receive extensions is equal to

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<sup>23</sup>The maximum time-limit extension can also be affected by how states choose to structure their funding and by their recent experience with caseload decline. First, families funded with segregated state funds are taken into account when determining the maximum number of families who may receive extensions but are not themselves in need of an extension because they are not subject to federal time limits. Second, states may choose to use the prior year's caseload numbers to calculate their 20 percent extension rather than the current year.

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20 percent of the total number of TANF families, including child-only cases. This results in a higher number of adults who can receive the extension than if the calculation were based on 20 percent of TANF families with adults. We estimated that the maximum percentage of adults who may receive the federal extension ranges from 77 percent in Wyoming to 24 percent in Vermont and New Mexico, based on our analysis of survey data for fall 2001. (For more on this analysis, see app. VII).

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## Concluding Observations

Although states have had TANF programs in place for 5 years now, their experiences with key elements of TANF are still evolving. The dramatic caseload decline that greatly reduced the federally required participation rates gave states great flexibility in implementing work requirements. With this flexibility, the extent of involvement of TANF adults in federally or state-required activities varied greatly among the states. On the one hand, this means states have adapted their programs to meet state and local goals and needs. On the other hand, it means states with relatively low participation rates have more limited experience than other states in involving welfare recipients in work activities. This may affect their ability to meet federal participation rate requirements in the future. In addition, many states have used the flexibility allowed them in using state MOE to exclude families from or to extend federal time limits. In this way, states could ensure a safety net for families that state TANF program officials had determined needed more time to become self-sufficient or were unable to support themselves. Because so many families have not yet reached their time limits, much remains unknown about choices states will make in enforcing time limits and whether an appropriate balance will be struck between ensuring a safety net for families in need and creating a transitional aid system that promotes work and personal responsibility.

Two issues that warrant attention in the future include wider implementation of the 20 percent federal time limit extension and states' use of separate state programs to provide cash assistance. First, as we reported, the 20 percent time limit extension, when applied to adults, represents a larger and varying share of adults among the states than when applied to all families, including child-only cases. As this extension policy is more widely used in the years ahead, it will be important to understand whether the 20 percent extension as currently calculated affords all states the access needed to support families experiencing hardship as well as supporting the federal goal of reducing welfare dependence. Second, with the use of state MOE through separate state programs, a not insignificant number of families—and potentially more in the years to come—receive cash assistance although they are not counted in welfare caseload data

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routinely reported by HHS. With continuing attention focused on the number of families receiving cash assistance and whether PRWORA has successfully reduced dependence on welfare, it is important that program administrators and policymakers have information on the size of the separate state program caseload. These data should be more regularly available to consider along with TANF caseload data as HHS has recently begun to collect and report information on states' separate state programs.

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## Agency Comments

In commenting on a draft of this report, HHS said that it agreed with the findings. HHS' s written comments are included in appendix VIII.

We are sending copies of this report to the secretary of Health and Human Services and other interested parties. We will also make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you have any questions about this report, please contact me at (202) 512-7215 or Gale Harris at (202) 512-7235. Other contacts and acknowledgments are listed in appendix IX.

Sincerely yours,

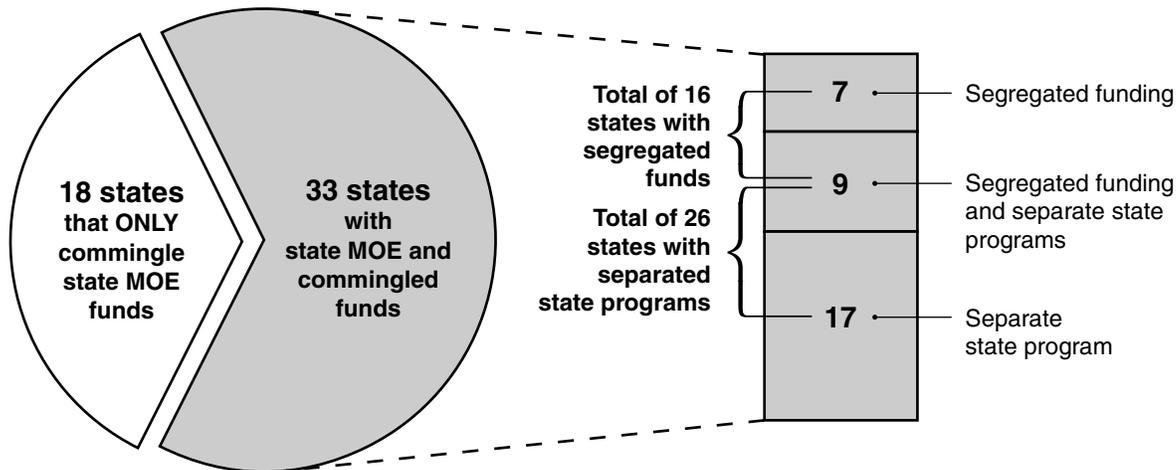


Cynthia M. Fagnoni  
Managing Director, Education, Workforce,  
and Income Security

# Appendix I: State Funding Choices

Most states use some form of state maintenance-of-effort (MOE) funding to provide cash assistance to families. Eighteen states relied solely on federal or commingled federal and state funds in their Temporary Assistance for Needy Families (TANF) programs to provide cash assistance, as shown in figure 6. The other 33 states used at least one of the state MOE funding options in addition to commingled funds: 7 had segregated state funds; 17 had separate state programs; and 9 had both segregated funds and separate state programs.

**Figure 6: Number of States That Use Different Funding Mechanisms to Expend State Funds on Cash Assistance**



Source: GAO survey, fall 2001.

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

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

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

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

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

Source: GAO survey, fall 2001.

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

# Appendix II: States' Separate State Program Caseloads and Characteristics

**Table 4: Total Number of Families Receiving Cash Assistance and Number Receiving Cash Assistance through a Separate State Program**

States with separate state programs	Total number of families receiving cash assistance <sup>a</sup>	Number of families receiving cash assistance in a separate state program	Families receiving cash assistance through a separate state program as a percent of all families
Hawaii	17,717	5,316	30.0
Maine	10,525	1,563	14.9
New York	199,481	28,781	14.4
California	497,818	49,929	10.0
Rhode Island	16,943	1,210	7.1
Missouri	46,486	2,837	6.1
Connecticut	24,276	1,375	5.7
Vermont	5,475	310	5.7
Nevada	10,386	573	5.5
Maryland	29,537	1,608	5.4
Texas	132,788	6,351	4.8
Indiana	47,073	1,935	4.1
New Jersey	40,908	1,454	3.6
Florida	62,877	2,175	3.5
Virginia	29,846	792	2.7
Wisconsin	19,160	486	2.5
New Mexico	19,745	445	2.3
District of Columbia	16,747	251	1.5
Wyoming	465	7	1.5
Illinois	54,723	767	1.4
Tennessee	63,427	911	1.4
Alabama	19,281	206	1.1
Georgia	54,168	490	0.9
Utah	8,245	73	0.9
Montana	5,263	38	0.7
Delaware	NA	NA	NA
<b>United States<sup>b</sup></b>	<b>2,132,284</b>	<b>109,883</b>	<b>5.2</b>

<sup>a</sup>Includes families receiving cash assistance funded with federal TANF or state MOE.

<sup>b</sup>U.S. total also includes families receiving cash assistance in states without separate state programs.

Source: GAO survey, fall 2001.

States most often used separate state programs to serve two populations—legal aliens and two-parent families—and applied their own state work requirements on these two populations. (See table 4.) Other examples of populations served by some states in their separate state programs include

**Appendix II: States' Separate State Program Caseloads and Characteristics**

parents completing education or training (four states), parents or caretakers with a physical impairment (four states), families caring for a young child (three states).

**Table 5: Number of States with Separate State Programs that Target Legal Immigrants and Two-Parent Families**

<b>Number of states with separate state programs</b>	<b>Target legal immigrants for separate state programs</b>	<b>Target two-parent families for separate state programs</b>
Alabama		X
California		X
Connecticut		X
Delaware		
District of Columbia		
Florida		X
Georgia	X	X
Hawaii	X	X
Illinois	X <sup>a</sup>	X
Indiana		X
Maine	X	
Maryland	X	X
Missouri	X	
Montana		
Nevada		X
New Jersey	X	X
New Mexico		
New York	X	
Rhode Island	X	X
Tennessee	X	X
Texas		X
Utah	X	X
Vermont	X	
Virginia		X
Wisconsin	X	
Wyoming		
<b>Total 26</b>	<b>13<sup>b</sup></b>	<b>16</b>

<sup>a</sup>Illinois provides cash assistance to refugees under separate state programs.

<sup>b</sup>Six additional states do provide cash assistance to legal immigrant families ineligible for federal TANF using segregated state TANF funds: California, Connecticut, Massachusetts, Minnesota, Oregon, and Washington. Georgia provides cash assistance to legal immigrants through their segregated funds and their separate state program.

Source: GAO survey, fall 2001.

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

State	Total cash assistance caseload	Federally funded child-only cash assistance caseload <sup>a</sup>	Percent of total caseload that is child-only	Percentage of federally funded child-only cases by reason						Unknown /states could not report data
				Parent receiving SSI	Parent is ineligible non-citizen	Parent received sanction	Nonparental caregivers	Other reasons		
Alabama	19,281	8,636	45	--	--	--	--	--	100	
Alaska	5,709	1,080	19	39	6	0	55	0	0	
Arizona	37,408	16,133	43	0	32	0	61	4	3	
Arkansas	12,163	5,163	42	--	--	--	--	--	100	
California	497,818	169,756	34	14	39	16	23	8	0	
Colorado	12,711	4,785	38	25	0	0	51	16	7	
Connecticut	24,276	8,128	33	40	5	1	54	0	0	
Delaware	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>	--	--	--	--	--	100	
District of Columbia	16,747	3,216	19	--	--	--	--	--	100	
Florida	62,877	35,950	57	--	--	--	--	--	100	
Georgia	54,168	24,717	46	0	0	0	100	0	0	
Hawaii	17,717	2,285	13	--	--	0	--	--	100	
Idaho	2,257	945	42	0	0	0	100	0	0	
Illinois	54,723	21,977	40	57	10	0	27	4	2	
Indiana	47,073	9,342	20	--	--	--	--	--	100	
Iowa	20,328	4,986	25	--	0	0	--	--	100	
Kansas	13,534	4,454	33	35	4	5	56	0	0	
Kentucky	35,703	15,716	44			0	15		85	
Louisiana	25,878	11,560	45	45	0	0	55	0	0	
Maine	10,525	2,504	24	--	--	--	0	--	100	
Maryland	29,537	9,525	32	18	1	1	76	5	0	
Massachusetts	45,347	16,648	37	--	--	--	--	--	100	
Michigan	72,905	23,204	32	54	3	3	40	0	0	
Minnesota	39,893	8,321	21	--	--	--	--	--	100	
Mississippi	17,251	7,730	45	--	0	0	--	--	100	
Missouri	46,486	11,584	25	50	1	0	49	0	0	
Montana	5,263	1,135	22	37	7	0	56	0	0	
Nebraska	10,887	3,325	31	64	0	0	36	0	0	
Nevada	10,386	3,236	31	9	12	0	76	3	0	
New Hampshire	5,794	1,685	29	30	0	0	51	19	0	
New Jersey	40,908	13,895	34	--	--	0	--	--	100	
New Mexico	19,745	2,961	15	--	--	--	--	--	100	
New York	199,481	63,143	32	--	--	--	--	--	100	
North Carolina	44,997	22,586	50	--	--	--	--	--	100	
North Dakota	3,036	744	25	18	0	32	50	0	0	
Ohio	84,104	37,877	45	--	--	--	--	--	100	

**Appendix III: States' Child-Only Caseloads  
and Reasons for Child-Only Cases**

State	Total cash assistance caseload	Federally funded child-only cash assistance caseload <sup>a</sup>	Percent of total caseload that is child-only	Percentage of federally funded child-only cases by reason					Unknown /states could not report data
				Parent receiving SSI	Parent is ineligible non-citizen	Parent received sanction	Nonparental caregivers	Other reasons	
Oklahoma	14,501	6,452	44	34	6	0	60	0	0
Oregon	17,099	6,041	35	28	25	3	37	7	0
Pennsylvania	88,090	24,386	28	--	--	--	--	--	100
Rhode Island	16,943	3,022	18	52	32	0	16	0	0
South Carolina	18,384	8,224	45	41	1	0	58	0	0
South Dakota	2,715	1,556	57	22	0	0	78	0	0
Tennessee	63,427	17,506	28	41	0	0	58	0	0
Texas	132,788	45,210	34	--	38	0	--	11	51
Utah	8,245	2,403	29	30	0	0	70	0	0
Vermont	5,475	897	16	56	0	0	44	0	0
Virginia	29,846	7,930	27	--	--	0	--	--	100
Washington	53,705	17,099	32	28	21	0	48	3	0
West Virginia	14,525	4,440	31	--	--	--	--	--	100
Wisconsin	19,160	11,608	61	51	0	0	49	0	0
Wyoming	465	339	73	--	--	--	--	--	100
<b>US. total/ average</b>	<b>2,132,284</b>	<b>736,045</b>	<b>35</b>	<b>14</b>	<b>14</b>	<b>4</b>	<b>23</b>	<b>3</b>	<b>43</b>

<sup>a</sup>Florida and Illinois do not have federally funded child-only cases. Therefore, calculations for these states are based on state-funded child-only cases. Six other states have small numbers of state-funded child-only cases such that the percentage of the cash assistance caseload that is child-only would only increase by less than 1 percentage point if the state-funded child-only cases were included.

<sup>b</sup>Not available.

Source: GAO survey, fall 2001.

# Appendix IV: State-Defined Work Rate for Fall 2001, by State

<b>State</b>	<b>Percentage of TANF adults involved in work (as defined by state)</b>
Alabama	44
Alaska	45
Arizona	38
Arkansas	32
California	81
Colorado	47
Connecticut	23
Delaware	<sup>a</sup>
District of Columbia	38
Florida	31
Georgia	6
Hawaii	57
Idaho	44
Illinois	60
Indiana	65
Iowa	<sup>a</sup>
Kansas	73
Kentucky	86
Louisiana	48
Maine	<sup>a</sup>
Maryland	66
Massachusetts	75
Michigan	32
Minnesota	57
Mississippi	18
Missouri	36
Montana	89
Nebraska	74
Nevada	69
New Hampshire	25
New Jersey	44
New Mexico	36
New York	34
North Carolina	51
North Dakota	30
Ohio	78
Oklahoma	31
Oregon	50
Pennsylvania	32
Rhode Island	46
South Carolina	49
South Dakota	42

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**Appendix IV: State-Defined Work Rate for  
Fall 2001, by State**

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<b>State</b>	<b>Percentage of TANF adults involved in work (as defined by state)</b>
Tennessee	52
Texas	62
Utah	26
Vermont	22
Virginia	30
Washington	93
West Virginia	<sup>a</sup>
Wisconsin	91
Wyoming	76
<b>U.S. average</b>	<b>56</b>

<sup>a</sup>Not available. Four states were unable to provide us with information on the percent of adults participating in a state-defined work-activity.

Source: GAO survey, fall 2001.

# Appendix V: State Percentages of TANF or MOE-Funded Families with Adult Recipients Not Subject to Federal or State Time Limits

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

Note: States with higher percentages may be due to existing state waivers that allow more flexibility with federal time limits.

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

Source: GAO survey, fall 2001.

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

States	Have state MOE funds in segregated and separate state programs	Apply state time limit to some/all families served through state MOE funds	Exclude from time limits families who are working or participating in work activity	Have not reached federal and/or state time limit at time of survey	Were using 20 percent extension at time of survey
Alabama	X	X			X
Alaska					X
Arizona	X				
Arkansas					
California	X	X		X	
Colorado					X
Connecticut	X	X			X
Delaware	X	X	X		<sup>d</sup>
District of Columbia	X			X	
Florida	X	X	X		
Georgia	X	X	X		
Hawaii	X	X		X	
Idaho					
Illinois	X	X	X	X	
Indiana	X	X	X		
Iowa				X	
Kansas			X		X
Kentucky				X	
Louisiana				X	
Maine	X				X
Maryland	X	X	X	X	
Massachusetts	X	X			
Michigan			X <sup>a</sup>		X
Minnesota	X	X	X		X
Mississippi			X		X
Missouri	X	X		X	
Montana	X	X		X	
Nebraska	X	X			
Nevada	X	X		X	
New Hampshire			X		X
New Jersey	X	X	X	X	
New Mexico	X	X		X	
New York	X			X	X
North Carolina			X		
North Dakota				X	
Ohio					X
Oklahoma			X		X
Oregon	X	X	X <sup>b</sup>		
Pennsylvania	X		X	X	
Rhode Island	X	X	X	X	

**Appendix VI: State-by-State Information on  
State Funding, Application of Time Limits,  
and Use of 20 Percent Extension**

<b>States</b>	<b>Have state MOE funds in segregated and separate state programs</b>	<b>Apply state time limit to some/all families served through state MOE funds</b>	<b>Exclude from time limits families who are working or participating in work activity</b>	<b>Have not reached federal and/or state time limit at time of survey</b>	<b>Were using 20 percent extension at time of survey</b>
South Carolina			X		
South Dakota				X	
Tennessee	X	X			
Texas	X	X		X	
Utah	X	X	X		X
Vermont	X		X <sup>c</sup>	X	
Virginia	X	X	X		
Washington	X	X	X	X	
West Virginia				X	X
Wisconsin	X	X			
Wyoming	X				
<b>Total</b>	<b>33</b>	<b>26</b>	<b>22</b>	<b>22</b>	<b>15</b>

<sup>a</sup>Michigan uses the 20 percent hardship extension to all families that reach a time limit and are cooperating with program requirements.

<sup>b</sup>Oregon currently operates under a waiver and exempts from time limits all families that are participating in self-sufficiency activities.

<sup>c</sup>Vermont will extend assistance to all families that reach the 60 month time limit.

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

Source: GAO survey, fall 2001.

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# Appendix VII: Maximum Percent of Adults Who Can Receive Time-Limit Extension

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The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) specifies that up to 20 percent of families receiving TANF assistance in each state can receive an extension to the 60 month federal time limit. Based on our analysis of survey data, we estimated that the maximum percentage of adults who could receive extensions ranged from 24 to 77 percent among the states, depending on the size of each state's child-only caseload. For example, Wyoming may extend time limits for up to 92 families, which represents 20 percent of the 458 TANF families in Wyoming. However, because almost three-fourths of its TANF families are child-only, only 119 families with adults would have time limits in place. This means that the state could provide extensions to 92 of the 119 TANF families with adults; this represents 77 percent rather than 20 percent of TANF families with adults. In contrast, in New Mexico, with its much smaller percentage of child-only families (15 percent), the maximum percentage of time-limit extensions that may be provided to families with adults is 24 percent rather than 20 percent.

**Appendix VII: Maximum Percent of Adults  
Who Can Receive Time-Limit Extension**

**Table 6: Actual Maximum Percentage of TANF Families with Adults Who May Receive Time-Limit Extensions, After Adjusting for Child-Only Cases (fall 2001)**

<b>State</b>	<b>Total number of TANF families<sup>a</sup></b>	<b>Maximum number of families who may receive time limit extension (20% of TANF families)</b>	<b>Number of TANF families who are child-only</b>	<b>Percent of child-only cases among TANF families</b>	<b>TANF families with an adult</b>	<b>Maximum percent of families with adult who may receive time-limit extension</b>
Wyoming	458	92	339	74	119	<b>77</b>
Wisconsin	18,674	3,735	11,608	62	7,066	<b>53</b>
Florida	60,702	12,140	35,950	59	24,752	<b>49</b>
South Dakota	2,715	543	1,556	57	1,159	<b>47</b>
North Carolina	44,997	8,999	22,586	50	22,411	<b>40</b>
Georgia	53,678	10,736	24,717	46	28,961	<b>37</b>
Alabama	19,075	3,815	8,636	45	10,439	<b>37</b>
Ohio	84,104	16,821	37,877	45	46,227	<b>36</b>
Mississippi	17,251	3,450	7,730	45	9,521	<b>36</b>
South Carolina	18,384	3,677	8,224	45	10,160	<b>36</b>
Louisiana	25,878	5,176	11,560	45	14,318	<b>36</b>
Oklahoma	14,501	2,900	6,452	44	8,049	<b>36</b>
Arizona	37,408	7,482	16,479	44	20,929	<b>36</b>
Kentucky	35,703	7,141	15,716	44	19,987	<b>36</b>
Arkansas	12,163	2,433	5,163	42	7,000	<b>35</b>
Idaho	2,257	451	945	42	1,312	<b>34</b>
Illinois	53,956	10,791	21,977	41	31,979	<b>34</b>
California	447,889	89,578	169,756	38	278,133	<b>32</b>
Colorado	12,711	2,542	4,785	38	7,926	<b>32</b>
New York	170,700	34,140	63,143	37	107,557	<b>32</b>
Massachusetts	45,347	9,069	16,648	37	28,699	<b>32</b>
Connecticut	22,901	4,580	8,272	36	14,629	<b>31</b>
Texas	126,437	25,287	45,210	36	81,227	<b>31</b>
Oregon	17,099	3,420	6,041	35	11,058	<b>31</b>
New Jersey	39,454	7,891	13,895	35	25,559	<b>31</b>
Maryland	27,929	5,586	9,611	34	18,318	<b>30</b>
Nevada	9,813	1,963	3,236	33	6,577	<b>30</b>
Kansas	13,534	2,707	4,454	33	9,080	<b>30</b>
Washington	53,705	10,741	17,136	32	36,569	<b>29</b>
Michigan	72,905	14,581	23,204	32	49,701	<b>29</b>
West Virginia	14,525	2,905	4,440	31	10,085	<b>29</b>
Nebraska	10,887	2,177	3,325	31	7,562	<b>29</b>
Utah	8,172	1,634	2,403	29	5,769	<b>28</b>
New Hampshire	5,794	1,159	1,685	29	4,109	<b>28</b>
Tennessee	62,516	12,503	17,506	28	45,010	<b>28</b>
Maine	8,962	1,792	2,509	28	6,453	<b>28</b>

**Appendix VII: Maximum Percent of Adults  
Who Can Receive Time-Limit Extension**

<b>State</b>	<b>Total number of TANF families<sup>a</sup></b>	<b>Maximum number of families who may receive time limit extension (20% of TANF families)</b>	<b>Number of TANF families who are child-only</b>	<b>Percent of child-only cases among TANF families</b>	<b>TANF families with an adult</b>	<b>Maximum percent of families with adult who may receive time-limit extension</b>
Pennsylvania	88,090	17,618	24,386	28	63,704	<b>28</b>
Virginia	29,054	5,811	7,930	27	21,124	<b>28</b>
Missouri	43,649	8,730	11,584	27	32,065	<b>27</b>
Iowa	20,328	4,066	4,986	25	15,342	<b>26</b>
North Dakota	3,036	607	744	25	2,292	<b>26</b>
Montana	5,225	1,045	1,135	22	4,090	<b>26</b>
Minnesota	39,893	7,979	8,366	21	31,527	<b>25</b>
Indiana	45,138	9,028	9,342	21	35,796	<b>25</b>
District of Columbia	16,496	3,299	3,216	19	13,280	<b>25</b>
Rhode Island	15,733	3,147	3,022	19	12,711	<b>25</b>
Alaska	5,709	1,142	1,080	19	4,629	<b>25</b>
Hawaii	12,401	2,480	2,285	18	10,116	<b>25</b>
Vermont	5,165	1,033	897	17	4,268	<b>24</b>
New Mexico	19,300	3,860	2,961	15	16,339	<b>24</b>
Delaware	<sup>b</sup>					
<b>Weighted average</b>						<b>31</b>

<sup>a</sup>Includes child-only cases and excludes families provided assistance through separate state programs.

<sup>b</sup>Data not available.

Source: GAO survey, fall 2001.

# Appendix VIII: Comments from the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

JUN 26 2002

Ms. Cynthia M. Fagnoni  
Managing Director, Education, Workforce,  
and Income Security Issues  
United States General  
Accounting Office  
Washington, D.C. 20548

Dear Ms. Fagnoni:

Enclosed are the Department's comments on your draft report entitled, "Welfare Reform: With TANF Flexibility, States Vary in How They Implement Work Requirements and Time Limits." The comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

The Department appreciates the opportunity to comment on this draft report before its publication.

Sincerely,

Janet Rehnquist  
Inspector General

Enclosure

The Office of Inspector General (OIG) is transmitting the Department's response to this draft report in our capacity as the Department's designated focal point and coordinator for General Accounting Office reports. The OIG has not conducted an independent assessment of these comments and therefore expresses no opinion on them.

**COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES ON THE GENERAL ACCOUNTING OFFICE'S DRAFT REPORT "WELFARE REFORM: WITH TANF FLEXIBILITY, STATES VARY IN HOW THEY IMPLEMENT WORK REQUIREMENTS AND TIME LIMITS" (GAO-02-770)**

General Comments

The Department of Health and Human Services (HHS) appreciates the opportunity to comment on this proposed final report, which addresses critical provisions in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) on time limits and work requirements. The Temporary Assistance for Needy Families (TANF) program was designed to help needy families reduce their dependence on welfare and move toward economic independence. Under TANF, States are required to engage an increasing percentage of adults in work or work activities each year, and families with adults can only receive Federal assistance for 60 months. The report contains no recommendations, but concludes with observations.

GAO Concluding Observations

Although States have had TANF programs in place for 5 years now, their experiences with key elements of TANF are still evolving. The dramatic caseload decline that greatly reduced the Federally-required participation rates gave States greater flexibility in implementing work requirements. With this flexibility, the extent of involvement of TANF adults in Federally- or State-required activities varied greatly among the States. On the one hand, this means States have adapted their programs to meet State and local goals and needs. On the other hand, it means States with relatively low participation rates have more limited experience than other States in involving welfare recipients in work activities. This may affect their ability to meet Federal participation rate requirements in the future. In addition, many States have used the flexibility allowed them in using State maintenance of effort funds (MOE) to exclude families from or to extend Federal time limits. In this way, States could ensure a safety net for families that State program officials had determined needed more time to become self-sufficient or were unable to support themselves. Because so many families have not yet reached their time limits, much remains unknown about choices States will make in enforcing time limits and whether an appropriate balance will be struck between ensuring a safety net for families in need and creating a transitional aid system that promotes work and personal responsibility.

Two issues that warrant attention in the future include wider implementation of the 20 percent Federal time limit extension and States' use of separate State programs to provide cash assistance. First, as we reported, the 20 percent time limit extension, when applied to adults, represents a larger and varying share of adults among the States than when applied to all families, including child-only cases. As this extension policy is more widely used in the years ahead, it will be important to understand whether the 20 percent extension, as currently calculated, affords all States the access needed to support families experiencing hardship while still supporting the Federal goal of reducing welfare dependence. Second, with the use of State MOE through separate State programs, a not insignificant number of families—and potentially more in the years to come—receive cash assistance although they are not counted in welfare

caseload data routinely reported by HHS. With continuing attention focused on the number of families receiving cash assistance and whether PRWORA has successfully reduced dependence on welfare, it is important that program administrators and policymakers have information on the size of the separate State program caseload. These data should be more regularly available to consider, along with TANF caseload data, as HHS has recently begun to collect and report information on States' separate programs.

Department Comments

The Department generally agrees with the background and findings of the report:

- Of the 2.1 million families receiving TANF assistance in the fall of 2001, 736,000 cases or one-third were child-only cases, not subject to time limits or work requirements. Twenty-six States provided assistance to 110,000 families, or about five percent, through separate State programs, which are also not subject to TANF requirements.
- The caseload reduction credit States derive from declines in caseloads has dramatically reduced or eliminated participation rate requirements for States; thus, States have increased flexibility to determine the number of adults required to participate in work activities; and the percentage engaged in such activities varies greatly among the States, ranging from six percent to more than 70 percent.
- States excluded about 154,000 hardship or hard to employ families from time limits or about 11 percent of the 1.4 million families with an adult receiving cash assistance.

As the report highlights, TANF gives States funding flexibility, which allows States to exempt some families from Federal time limits. The TANF establishes a 60-month time limit, but this Federal limit does not apply to all forms of aid or to all families:

1. The time limit only applies to families receiving "assistance" designed to meet a family's ongoing basic needs and does not apply to non-assistance services.
2. Time limits do not apply to "child-only" cases in which an adult is not receiving assistance or in Indian country where 50 percent of adults are not employed.
3. Assistance that is provided using State MOE funds is not subject to the Federal time limit.
4. A State may use Federal funds to extend assistance beyond 60 months for hardship for up to 20 percent of the entire caseload.

In fiscal year 2000, States were required to meet a work participation rate of 40 percent for all TANF families and a much higher 90 percent rate for two-parent families. However caseload declines that reduce these participation rate requirements and the use of MOE funds also give States considerable flexibility in implementing work requirements. Consider the following:

- With a national caseload decline of 52 percent, the overall participation rate for 31 States was adjusted downward from 40 percent to 0 percent.
- Even with low or no participation requirements, about 30 percent of TANF adults were meeting participation requirements nationwide; however, the rates varied greatly among States.
- While Federal work requirements do not apply in separate State programs, States typically impose their own work requirements on these families.

The Administration for Children and Families has also provided guidance and technical assistance to help States recognize and use the flexibility outlined by GAO in this report to design temporary and effective work programs and supports for low-income working families. States are increasingly using this broad flexibility to develop strategies that will help recipients enter work, improve wages and sustain careers, as Congress considers the reauthorization of the TANF program.

The heart of welfare reform is encouraging and supporting work. While States have done a tremendous job of moving families into the workforce over the last 5 years, the GAO findings noted above also clearly demonstrate that more needs to be done to engage the nearly one million adults who are not engaged in activities leading to work. To address this need, the President's proposal for reauthorization, "Working Toward Independence," strengthened work rules to ensure that all families are fully engaged in work and activities that lead to self-sufficiency. The proposal:

- maintains the current level of funding and increases State flexibility,
- creates a new universal engagement requirement,
- increases the minimum participation rate requirements for all families to 70 percent over time, and eliminates the separate participation requirement for two-parent families,
- requires families to participate 40 hours a week, 24 of which must be in direct work activities,
- phases out the caseload reduction credit while allowing States to count families that leave welfare due to work in the participation rate for 3 months, and
- retains the 5-year lifetime limit and 20 percent hardship exemption.

Reflecting agreement with the President's emphasis on work and modeled on the Administration's proposal, the House-passed reauthorization bill, H.R. 4737, incorporates these provisions, with a modified caseload reduction credit.

The Department appreciates the sensitivity of these issues, and as we move into the next phase of welfare reform under reauthorization, we will monitor and pay close attention to these and other issues.

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# Appendix IX: GAO Contacts and Staff Acknowledgments

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## GAO Contacts

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## Staff Acknowledgments

In addition to those named above, the following individuals made important contributions to this report: Elisabeth Anderson, Kara Kramer, and Kim Reniero. Patrick DiBattista and Beverly Ross also provided key technical assistance.

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# Related GAO Products

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*Welfare Reform: States Provide TANF-Funded Work Support Services to Many Low-Income Families Who Do Not Receive Cash Assistance.* [GAO-02-615T](#). Washington, D.C.: April 10, 2002.

*Welfare Reform: States Provide TANF-Funded Services to Many Low-Income Families Who Do Not Receive Cash Assistance.* [GAO-02-564](#). Washington, D.C.: April 5, 2002.

*Welfare Reform: States Are Using TANF Flexibility to Adapt Work Requirements and Time Limits to Meet State and Local Needs.* [GAO-02-501T](#). Washington, D.C.: March 7, 2002.

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

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

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

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

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

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

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

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

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

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