6. State Welfare Implementation

States should

- implement family caps,
- enforce living requirements for minor parents,
- make work mean work (tighten the definition of ''work activities''),
- promote diversion programs as an alternative to welfare,
- impose time limits,
- strengthen sanctions for failure to obey welfare rules, and
- consider eliminating welfare altogether for new entrants.

States are the backbone of welfare reform. They are responsible for the innovative pilot programs after which federal legislation was modeled and for the successful administration of welfare reform. In 1996 states were granted tremendous flexibility to spend money and implement programs that would help recipients escape welfare's ''cycle of dependence.''

Some states have used that flexibility in a positive way. Following the spirit of welfare reform, they provide recipients with job experience for a better transition into the job market, rather than give them cash handouts for doing nothing. With job skills and an incentive to hurry off the rolls (time limits), families have been leaving welfare in record numbers.

Other states, however, have not used their flexibility in such a positive manner. They've undermined mandatory provisions, such as work requirements and the obligation of teen parents to live at home and finish school, through broad definitions and liberal exceptions. Some states have also failed to implement optional policies, such as family caps and diversion programs, which encourage self-sufficiency.

A recent Cato study graded the states on their policy decisions and results. Below are the states with the ten best and ten worst grades.

82978$$CH6 12-08-04 07:33:40

Best Grades

State	Grade
Idaho	A
Ohio	A
Wyoming	A
Wisconsin	A
Florida	B
Connecticut	B
Virginia	B
Illinois	B
New Jersey	B
Indiana	B

Worst Grades

State	Grade
Alaska	D
Nebraska	F
Rhode Island	F
Utah	F
New Hampshire	F
D.C.	F
Maine	F
North Dakota	F
Missouri	F
Vermont	F

Grades are based on whether a state implemented policies to encourage personal responsibility and self-sufficiency. Such policies are necessary to truly reform welfare and help recipients to escape a life of dependence. States should adopt the following policies.

Family Caps

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) authorized states to impose a family cap, which would deny increased Temporary Assistance for Needy Families benefits to women on welfare who have additional children. Twenty-three states have established such caps. Family caps show recipients that welfare is a temporary safety net, not a subsidy for a life of dependence. If a family is not making it on its own, creating another mouth to feed is not the path to self-sufficiency.

Since a family cap is an elective policy, states can decide whether or how best to implement it. Family cap policies vary: some states do not give any cash increase for an additional child; other states do not halt cash increments but reduce the level; still other states technically have a family cap policy but rather than reduce the incremented benefit issue payment in the form of a voucher or to a third-party payee.

Teens at Home

PRWORA requires unmarried mothers under the age of 18 to remain in school and live with an adult. That was a priority in welfare reform since, by the early 1990s, half of unwed teen mothers went on welfare within one year of the birth of their first child, and an additional 25 percent were on welfare within five years. Nearly 55 percent of welfare expenditures are attributable to families that began with a birth to a teenager.

High school dropouts are roughly three times more likely to end up in poverty than are those who complete at least a high school education. If dropouts do find jobs, their wages are likely to be low. Wages for high school dropouts have declined (in inflation-adjusted terms) by 23 percent over the past 30 years. And the economic impact is intergenerational. Children whose parents have not completed high school are far more likely to live in poverty than children whose parents are more educated. Simply put, more education equals less poverty.

TANF allows high school attendance to fulfill the work requirement for minor teen mothers, who are supposed to remain in a parent's home while finishing school. All states are required to implement this policy, but the specific guidelines are at the discretion of each state. Unfortunately, many states have created broad definitions and extensive exceptions that make the federal law ineffective. Examples include exempting a teen who has lived away from her family for a year or is ''successfully living on her own.'' Just how ''successful'' is a teenager living on her own if she has an out-of-wedlock pregnancy and needs welfare assistance?

Work Policy

PRWORA's addition of work requirements to TANF benefits was one of the most substantial changes to the welfare system. By 2002 half of each state's eligible caseload had to be engaged in ''work-related'' activities at least 30 hours per week. Ninety percent of two-parent families on TANF had to be working 35 hours per week.

The U.S. Department of Health and Human Services divides jobs that qualify for work participation credit into categories for reporting purposes. Of the allowable work activity categories under TANF, the categories in which the recipient is actually working are subsidized and unsubsidized employment (public and private), community service, on-the-job training, and work experience. Unfortunately, states credit too much participation under the remaining categories: job search, job skills training, adult basic education/English as a second language classes, education directly related to employment, and vocational training. Those should not be considered actual work activities because they are education based and do not provide actual work experience.

82978$$CH6 12-08-04 07:33:40

In addition, caseload reduction credits essentially released states from their work participation rate obligations. Without credits, only five states would have met their single-parent participation requirements and only two states would have met the two-parent standard. Through credits, 17 states were able to reduce their work requirement to zero, and 16 states have carried over AFDC waivers that reduce or override TANF work requirements. Absent waivers, exemptions, and credits, the national participation rate for recipients in actual work activities is less than 30 percent.

States have made it very hard on themselves by not striving to meet the work requirement guidelines, regardless of credits. With weakened economies and tighter budgets, states must scramble to figure out how to create jobs for welfare recipients to meet work requirements and how to fund the administrative oversight such regulations require.

Diversion

Since PRWORA eliminated the welfare entitlement, states have been free to put conditions on the receipt of benefits. Thirty-four states and the District of Columbia have used this authority to establish diversion programs that prevent potential welfare recipients, particularly those considered job-ready or who have another potential source of income, from ever entering the system.

Generally, diversion programs fall into one of three categories. Most common are diversion programs that provide lump-sum payments in lieu of welfare benefits. Those programs assist families facing an immediate financial crisis or short-term need. The family is given a single cash payment in the hope that the immediate problem can be taken care of without going on welfare. In fact, a family is usually precluded from going on welfare for a period of time after accepting a diversion payment.

Most states do not restrict how lump-sum payments may be used; they have been used to pay off back debts, as well as for childcare, car repairs, medical bills, rent, clothing, and utility bills. Recipients may also use lump-sum payments for work-related expenses, such as purchasing tools, uniforms, and business licenses. A few states restrict the use of lump-sum payments to job-related needs, although that term can be defined broadly. For example, even moving expenses for a new job may qualify.

Another common diversion approach is a ''mandatory applicant job search,'' used by 27 states. Under this approach, welfare applicants are required to seek employment before they become eligible for benefits. In most cases the state will assist with the job search by providing job contacts

82978$$CH6 12-08-04 07:33:40

and leads, access to a ‘‘resource room’’ where applicants can prepare résumés and conduct job searches, or classes in job search skills. They may also provide childcare and transportation assistance.

Finally, eight states have programs designed to encourage welfare applicants to use ‘‘alternative resources’’ before receiving TANF benefits. Those programs generally do not have specific guidelines but amount to caseworkers encouraging would-be applicants to seek help from family, private charity, or other government programs. Even in states with alternative resource referral programs, this approach is the least used, possibly because it is poorly understood by potential recipients and requires extensive caseworker involvement.

In Utah and Virginia, the states that have the most extensive diversion tracking information, between 81 and 85 percent of those initially diverted do not subsequently reapply for TANF.

Time Limits

Before welfare reform, pride and self-determination were the main forces driving recipients off welfare. Unfortunately, many recipients were comfortable with the lifestyle welfare benefits provided and saw no need to work their way out of the system. They had been told welfare benefits were an entitlement, and some dependents made welfare a way of life.

In an effort to deter such ‘‘career recipients,’’ PRWORA set limits to how long someone can receive welfare. The federal TANF program imposes a lifetime limit of 60 months (5 years). States can reduce that period or continue to support recipients after that time with their maintenance-of-effort money or other state funds. States can also exempt up to 20 percent of their cases from the limit, and ‘‘child-only’’ cases—in which only the children in the family qualify for benefits—are not subject to federal time limits.

Since caseloads include on-again, off-again recipients, many are just now reaching the overall five-year moratorium on aid. As recipients begin to hit the federal time limit, states must decide whether to kick families off the rolls or continue benefits out of scarce state funds. Eighteen states have been spared the dilemma because they were granted waivers before PRWORA that allow for the exclusion of all or part of their caseloads from time limits. Many states have implemented categorical exemptions for various recipients, choosing to continue funding with their own money. State policies need to change as more and more recipients begin to reach their time limits, especially if state budgets continue to be stretched.

82978$$CH6 12-08-04 07:33:40

Sanctions

Obviously, it is not enough for states to just promulgate new welfare policies—those policies must be enforced. If welfare recipients fail to meet work requirements or violate other parts of a state's welfare policy, penalties must be imposed. Modest sanctions tend to deduct only the adult portion of the TANF benefit, not punishing any children in the household and thereby only minimally reducing the benefit. States with the most stringent sanctions withhold the entire TANF benefit upon the first violation. Then there are sanction policies that fall along the spectrum, allowing multiple violations as benefits are gradually reduced or withheld.

Michael New, postdoctoral fellow at the Harvard-MIT data center, evaluated the effectiveness of sanctions in a Cato Institute Policy Analysis titled ''Welfare Reform That Works.'' New found that a state's sanction policy could affect caseload decline by as much as 20 percent, through both the indirect effect of encouraging recipients to get off the rolls and the direct effect of ending their eligibility. Not only is there a relationship between state sanction policy and caseload decline, New found, but that relationship is constant over several years.

Sanctions are not successful because they throw recipients off welfare; rather, they serve as a threat of actual consequences for failing to meet requirements or reaching time limits. Only about 6 percent of those leaving welfare have done so because of sanction enforcement. However, the percentage of the caseload affected by sanctions varies widely among the states. For example, in an average month in 1998, almost 30 percent of case closures in North Carolina were due to sanctions, while less than 1 percent of closures in California, Oklahoma, and Nebraska were sanction related.

The Future

The next step for states is to work on their own dependence problem and wean themselves from federal funding. Without the strings that come with federal dollars, states would have even greater flexibility to be innovative and efficient. By partnering with local nonprofits and community organizations, states could encourage a shift of the safety net back to civil society, where it belongs.

Charles Murray has called for at least one state, possibly one with a small caseload and a history of effective nongovernmental welfare, to cut off all benefits to women under the age of 21. But in the long run, we

82978$$CH6 12-08-04 07:33:40

should aim even higher. Our ultimate goal should be to eliminate the entire welfare system for individuals able to work. That means eliminating not just TANF but also food stamps, subsidized housing, and all the rest. Individuals unwilling to support themselves through the job market should have to fall back on the resources of family, church, community, or private charity. As both a practical matter and a question of fairness, no child currently on welfare should be thrown off. However, a date should be set, after which no one new would be allowed into the welfare system.

What would happen to the poor if welfare were eliminated? First, without the incentives of the welfare state, fewer people would be poor. There would probably be far fewer children born into poverty. We have seen that the availability of welfare leads to an increase in out-of-wedlock births and that giving birth out of wedlock leads to poverty. If welfare were eliminated, the number of out-of-wedlock births would almost certainly decline. Studies suggest that women do make rational decisions about whether to have children and that a reduction in income (such as a loss of welfare benefits) would reduce the likelihood of their becoming pregnant or having children out of wedlock.

States have been rightly called the laboratories of democracy. We have seen positive results from their experiments with welfare reform. We urge them to take those experiments to the next level.

Suggested Readings

Murray, Charles. *The Underclass Revisited.* Washington: American Enterprise Institute, 1999.

New, Michael. ''Welfare Reform That Works: Explaining the Welfare Caseload Decline, 1996–2000.'' Cato Institute Policy Analysis no. 435, May 7, 2002.

Tanner, Michael. *The Poverty of Welfare: Helping Others in Civil Society.* Washington: Cato Institute, 2003.

Zeigler, Jenifer. ''Implementing Welfare Reform: A State Report Card.'' Cato Institute Policy Analysis no. 529, October 19, 2004.

—Prepared by Jenifer Zeigler

82978$$CH6 12-08-04 07:33:40