



# Running Out Of Time: The Impact Of Federal Welfare Reform

H. Carl McCall  
New York State Comptroller

Report 4-2002- HRA

July 2001

In 1996, Congress passed the Personal Responsibility, Work Opportunity and Reconciliation Act that created the Temporary Assistance to Needy Families program (TANF). The TANF program provides financial assistance to single adults and their children, and replaced the Aid to Families with Dependent Children (AFDC) program. Previously, families received federal welfare benefits as long as they met the eligibility criteria. Under TANF, however, the federal government has imposed a 60-month lifetime limit on the receipt of federal welfare benefits.

### NYC Families Subject to Federal Time Limits

<b>March 2001 Caseload</b>	<b>162,359</b>
Exempt Cases	40,590
<b>Cases Subject to the Time Limit</b>	<b>121,769</b>

Source: NYC Human Resources Administration; OSD analysis

In New York City, 431,085 adults and children (162,359 families) were receiving TANF benefits as of March 2001. The number of cases subject to the limit will be less because certain cases, such as child-only cases, are exempt from the time limit. After taking into account such exemptions, we estimate that as many as 121,769 families, or 75 percent of the total caseload, could be subject to the 60-month time limit (see table above).

### Number of Families Reaching the Time Limit

In New York State, the first group of welfare recipients will reach the time limit in December 2001. In fact, 42,010 families in New York City have already received TANF benefits for 52 cumulative months and it seems unlikely that they will find permanent employment before their benefits expire in December 2001.

City data indicate that of these families, about 13,000 adults receive some wages, but too little to leave welfare and become self-sufficient. Similarly another 10,500 adults have been participating in New York City's public works program in exchange for their benefits, but have not found paid employment. Another 10,000 adults have been sanctioned by New York City, meaning their grants have either been reduced or

temporarily terminated for failing to meet the requirements of continued program eligibility. Also, about 5,200 adults have health-related exemptions from work activities, and the employability of 4,300 adults is currently being assessed.

Between January 2002 and September 2002, the month that the federal law governing the TANF program is set to expire, another 26,232 families could exhaust their federal benefits. These families have already used from 43 to 51 months of their federal benefits.

Thus, in total, 68,242 families, or slightly more than half the families subject to the time limit, could lose federal benefits (see table below). These estimates are based on March 2001 data and could be less if the caseload continues to decline.<sup>1</sup>

### NYC Families Exhausting Federal Benefits

	<b>Dec 2001</b>	<b>Feb 2002</b>	<b>Sep 2002</b>
<b>Citywide</b>	<b>42,010</b>	<b>55,527</b>	<b>68,242</b>
Brooklyn	14,987	19,809	24,345
Bronx	14,427	19,069	23,436
Manhattan	6,449	8,524	10,476
Queens	5,152	6,809	8,368
Staten Island	995	1,316	1,617

Source: NYC Human Resources Administration; OSD analysis

Some families that do reach the 60-month time limit could be granted extensions, since federal law permits states to extend TANF benefits for up to 20 percent of the current or prior year average annual statewide caseload. New York State officials estimate that 4.4 percent of the statewide TANF caseload is eligible for an extension.

### New York State Safety Net Assistance Program

Families that exhaust their federal TANF benefits would then become eligible for the New York State Safety Net Assistance program. New York State, unlike some other states, has a constitutional requirement to provide for the needy. Those who do transfer to Safety Net Assistance will receive the same level of benefits as

<sup>1</sup> As of May 6, 2001, City data indicate that 4,000 fewer families would lose federal benefits in December 2001.

under the TANF program. Benefits for basic expenses, such as rent and utilities, would be paid directly by the State and City. Under a program that has been indefinitely delayed, up to 20 percent of monthly benefits would be credited to recipients on an electronic debit card that could be used to meet personal needs at participating businesses.

With five months remaining before the first group of TANF recipients reaches the 60-month time limit, a network of participating businesses has yet to be developed, and it remains to be seen whether the level of services is adequate. The City's Commissioner of Social Services has announced that the City does not intend to automatically enroll those exhausting federal benefits into the Safety Net program. Such an action could disrupt the receipt of benefits, with serious consequences for many parents and their children who are still in need.

### **Potential Budgetary Impact**

Safety Net Assistance is funded exclusively by New York State and its localities, such as New York City. Since there is no federal participation, the cost of this program to the State and its localities is twice as much as TANF. We estimate that the cost to New York City alone for operating the Safety Net program could increase by as much as \$48 million in FY 2002 and by about \$101 million in FY 2003, if all 68,000 families reaching the limit transfer to Safety Net Assistance.

The budgetary impact, however, could be offset, since families that lose TANF eligibility would free up federal dollars that could then be used to supplant State and City funding for TANF. The freed up State and City resources would, in turn, be used to fund basic assistance for families that transferred to the Safety Net Assistance program. We estimate that as many as 70,000 families in New York City could transfer from TANF to the Safety Net Assistance program without the City incurring additional costs.

Thus, we concur with the City that it does not face an immediate liability as a result of the federal welfare time limit. Over the next few years, however, a budget risk could develop if there were a significant increase in the public assistance caseload due to a downturn in the economy, or changes in City, State or federal policies.

A core issue that Congress will debate concerns the formula used to determine the amount of TANF funding to the states. Before TANF was enacted, the states received federal funding based on the size of the caseload, but this was changed to a fixed amount (*i.e.*, block grant) based on the size of the public

assistance caseload during Federal Fiscal Year 1995. Since caseloads were at a peak level at that time and have since been cut in half, New York State and other states have realized an annual TANF surplus. Congress will evaluate how states have used their surplus TANF block grants; whether states should be permitted to maintain rainy-day reserve funds with surplus TANF funds; and whether states have provided a sufficient level of supportive services to help families leave welfare and become self-sufficient.

New York State receives an annual TANF block grant of \$2.4 billion, but less than half is spent on direct family assistance since the caseload has been reduced so dramatically. Between March 1995, when the caseload peaked in New York City, and March 2001, the caseload has declined by 432,406 persons, or 50 percent.<sup>2</sup> Most of the balance of the block grant is used to fund childcare and child welfare services. The block grant is also used to fund reserves, employment and training programs, and the State's earned income tax credit for low-income wage earners. The Mayor has recently proposed that a portion of the TANF surplus be used to fund outpatient services for up to 100,000 uninsured patients who utilize facilities of the Health and Hospitals Corporation.

A significant reduction in the size of the federal block grant could force New York State and its localities to either reduce funding for these ancillary programs or to increase their own level of spending. A cut in the TANF block grant could be mitigated by new federal regulations that could give states more flexibility on the uses of the TANF block grant, or with regulations that maintain or increase federal welfare funding to states in the advent of an economic downturn.

In recent hearings, Congress has also expressed interest in studies that assess the impact of welfare reform on families that have left welfare, and on those families that remain on welfare. Research findings have raised concerns about the well being of families that have left welfare. In New York City, for example, the number of homeless families has grown by more than 30 percent since June 1998. The State Comptroller has repeatedly urged the Governor and the State Office of Temporary and Disability Assistance to assess the impact of welfare reform and to better prepare welfare recipients for the job market, but their efforts to date have been inadequate.

---

<sup>2</sup> The reduction in the caseload has produced recurring budget savings in excess of \$500 million for both the City and State.