

# Impact of Welfare Reform in Connecticut 1996 - 2002

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## Introduction

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In August of 1996, President Clinton signed legislation making fundamental changes in the federal family welfare system for the first time since its adoption in the 1930's. Connecticut had already implemented major changes to its family welfare system as a result of its Jobs First waiver to the AFDC program. These new systems impose time limits and work requirements on many families with children who are receiving cash assistance through the family welfare program.

### Connecticut's family welfare system, Jobs First, has three major components:

**1 Temporary Family Assistance (TFA)** is the financial resource available to families. Currently, the maximum amount of cash assistance available to a family of three, usually a mother and two children, is \$543 per month in most of the state, whether or not the adults in the family are able to work. Some families are exempt from the work requirement but, if not exempt, adults must seek employment and families are limited to 21 months of cash assistance, plus limited 6-month extensions.

**2 The Jobs First Employment Services program (JFES)** provides support to families moving from welfare to work. The programs are run by the Department of Labor (DOL) in conjunction with the Department of Social Services (DSS).

**3 The Safety Net program** provides special services, but no cash assistance, to families at risk of losing benefits or which have lost benefits as a result of non-compliance with program rules.

The past five years have seen major changes in how families in need receive assistance in Connecticut and in the circumstances of families receiving assistance under the Jobs First program. Too often, the policies of the welfare program have not reflected families' experiences in the past five years or the new situations that we confront now.

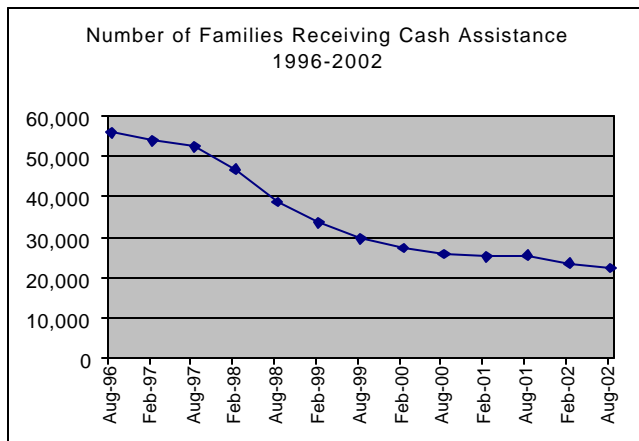
This report provides data on what has happened since the adoption of Jobs First in Connecticut.

### In summary:

- The number of families receiving cash assistance has dropped dramatically.
- Families receiving cash assistance are more likely to be exempt from work requirements because of conditions which make it difficult for them to work. Those not exempt from work requirements are less likely to have paid employment, face many barriers to employment and earn very little money when working.
- Families leaving cash assistance because of time limits or sanctions are often not working and face many barriers to employment.
- Families leaving cash assistance with employment are often not earning enough to support their families.
- Connecticut spends no federal TANF funds on employment services for TFA recipients and directs little of its required state spending to employment services.
- Funding for cash assistance has dropped by about \$150 million annually but little of that \$150 million has been used for new services for families with children.

# 1. The number of families receiving assistance has dropped significantly.

Since the adoption of Jobs First, the number of families receiving cash assistance has dropped dramatically from 59,194 in August, 1996 to 22,397 in August, 2002.



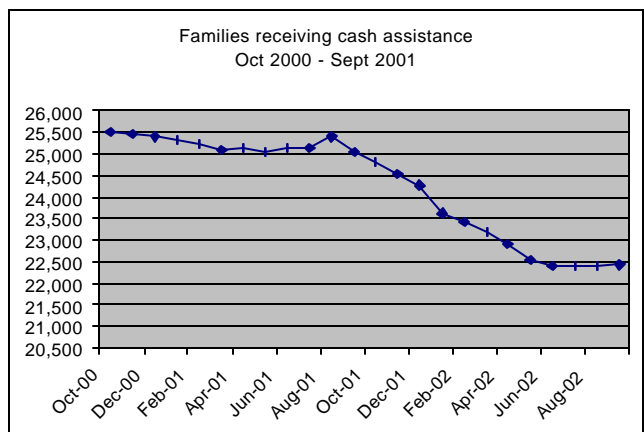
**Strict new time limits in the TFA program, adopted in 2001, are causing many families to lose cash assistance.** Prior to October 2001, there was no limit on the number of extensions a family could receive and no limit on the amount of time that a family could receive benefits. As a result of the changes adopted in 2001:

- Only families with two or more serious barriers to employment, or families experiencing domestic violence, are eligible for more than three extensions.
- After a family has received cash assistance for 21 months, most families can only receive three six-month extensions of cash assistance. (Note: Under the deficit reduction plan adopted in February of this year, as of July 1, families will be limited to **two** six-month extensions unless there is a showing of barriers to employment.)

- Families are limited to 60 months of cash assistance unless domestic violence is a barrier to employment. This exception has been interpreted very narrowly so that almost all families are, in reality, limited to 60 months of cash assistance.

As a result of these changes, over 1,500 families with children, have lost benefits since October, 2001. According to DSS, between October 1 and June 1, 2002, 517 families with a total of 1,392 children, have lost benefits as a result of the 60-month assistance limit, while 1,027 families have lost benefits as a result of the 3-extension limit.

- In October 2001, before the implementation of the new legislation, 1,551 families, 36.6% of the 4,240 families in extensions, were in their fourth or higher extension. Extensions were only available to families in compliance with program rules and earning less than the amount that they received in cash assistance. In most of the state, a family of three receives a maximum of \$543 a month (\$6,516 a year) in cash assistance.
- As of July 2002, only 156 families, or 5.8% of all families in extensions, were in their fourth extension or higher. Fourth, or subsequent, extensions were no longer available when a family had complied with program rules and was still very poor unless the family could prove two or more serious barriers to employment.



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## **2. Families forced to leave cash assistance are often in trouble.**

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### **■ Families leaving as a result of the new time limits are usually not working.**

Of the 517 families who lost benefits as a result of the 60 month limit, only 232 (44.8%) were employed, full or part-time, when they lost benefits, despite having worked as required with the Jobs First Employment Services program.

As a result of the three extension limit on assistance, 1,027 families lost benefits between November 1 and June 1, 2002. Prior to March, 2002, the state Department of Social Services did not keep detailed statistics on the circumstance of the families losing assistance as a result of the three extension limit. But, according to DSS statistics, from March through June 2002, 564 families with a total of 1,344 children, lost benefits. Of those families, only 152 (27%) were employed full or part-time.

### **■ Families in the Safety Net program face many barriers to employment.**

Families cut off from cash assistance and other benefits due to sanctions are eligible for Safety Net services. The Safety Net program provides intensive case management and short term, vouchered assistance with basic needs. This program, originally intended to protect families who had violated program rules from destitution, is not available to families losing cash assistance solely because they reach a time limit.

Statistics from the Safety Net program provide evidence of the barriers to employment faced by families losing cash assistance. A key element of the Safety Net program is the availability of intensive case management for families disqualified from cash assistance.

Safety Net case managers have been significantly more successful in identifying serious barriers to employment than DSS workers. In 2000, 24% of the families leaving the Safety Net program were reinstated to TFA cash assistance or were found eligible for federal disability benefits after careful review of the family's circumstances by a caseworker. Sixteen percent were found to qualify for an exemption from time limits because of an incapacity and another 8% were granted federal SSI benefits because they were found to be incapable of work.

According to the annual report of the agency administering the Safety Net program, in 2000, Safety Net clients and their caseworkers identified the following barriers to employment:

- childcare ..... 65%
- mental health issues .... 59%
- education ..... 52%
- domestic violence ..... 50%
- transportation..... 47%

### **■ Families leaving TFA with employment are not earning enough to support their families.**

Recent data on the income of families moving from welfare to work is not available but there is data available from a study by the Manpower Demonstration Research Corporation (MDRC) which was completed in 2002. The state of Connecticut contracted with MDRC to study the circumstances of families under the time-limited TFA program as contrasted with a control group of families receiving assistance under the old AFDC rules. The results of this comparison study, *Jobs First: Final Report on Connecticut's Welfare Reform Initiative*, were published in February of 2002.

In general, the report found that TFA recipients were somewhat more likely to be employed than AFDC recipients and that, initially, TFA recipients were likely to have higher total incomes than AFDC recipients because the high earned income disregard in the TFA program allowed families to continue to receive cash assistance while earning money from working.

However, as TFA recipients reached the time limits and lost cash assistance, their income gains over AFDC recipients virtually disappeared. At the end of the study, average tax adjusted income, including earnings, cash assistance, federal earned income tax credit and the value of Food Stamps, for Jobs First recipients was \$10,978 and for AFDC recipients was \$10,828.

The report also found that “levels of [material] hardship remained high for families in both groups. According to responses to a survey administered three years after sample members’ entry into the study, Jobs First produced no impacts on a wide range of measures of material hardship...” (*Jobs First: Final Report on Connecticut’s Welfare Reform Initiative*, ES-3).

### **3. Families receiving cash assistance under the time limited program are often in trouble.**

#### **■ Families face many barriers.**

The Department of Labor (DOL) identifies barriers faced by employment services clients as it works with these clients. The barriers reported by DOL differ significantly from those reported by the Safety Net program. Some differences may result from the different populations served by these programs. But the intensive work done with families in the Safety Net probably provides a better picture of the challenges faced by the families who cannot make the transition from welfare to work easily.

Even without the intensive case management available in the Safety Net program, DOL workers identify multiple and significant barriers

<b>BARRIERS</b>	<b>Reported by Department of Labor</b>	<b>Reported by Safety Net Program</b>
Transportation	63%	47%
Childcare	51%	65%
Mental Health	1%*	59%
Education	50%*	52%
Domestic Violence	3%	50%
Physical Health	12%	26%

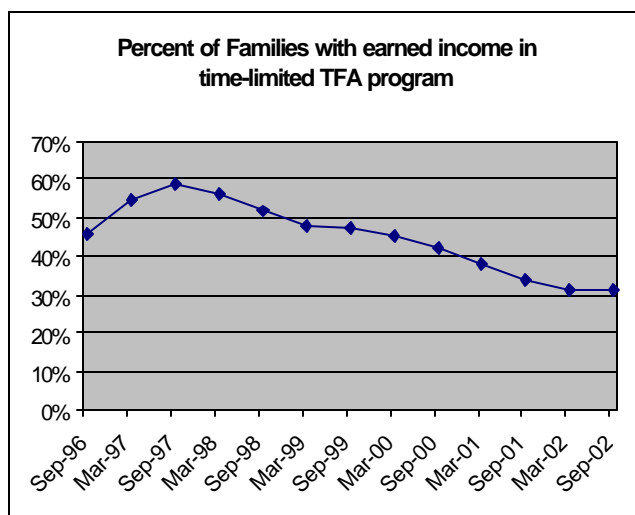
\*According to DOL, 28% of families receiving Jobs First employment services were found to have depressive symptoms; a rate of 6-8% is typical among the general population. Less than 50% have a high school education; 43% possess only an 8th grade math/reading level.

#### **■ Families are not working or are making very little money.**

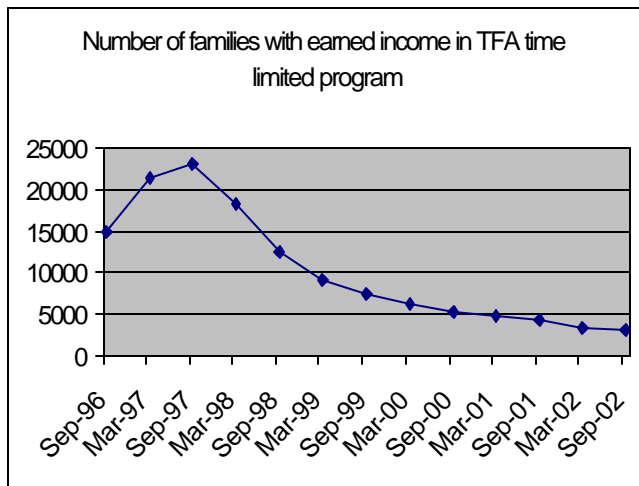
Although moving families into employment has been a centerpiece of Connecticut's family welfare program since 1996, increasingly, families with children receiving cash assistance are not working.

- In August of 1996, the beginning of welfare reform, 42% of the 29,465 families receiving cash assistance under the time limited program were earning income.
- The number of employed time limited families peaked in October of 1997 at 23,043 or 59.7% of the time-limited caseload.
- The percentage of employed time limited recipients has steadily declined since then and as of July 2002 only 30.9%, or 3,009, of the 9,724 families on the time limited program were employed.

Those who are working make very little money. The majority of families with earnings do not make enough money to support a family. In July of 2002, the average earnings of adults in families receiving cash assistance were \$7.32 an hour and \$738 a month.



As a consequence of falling caseloads and the decreasing percent of adults in the time-limited program who are employed, in September of 2002, only about 3,000 families in the time-limited program had earned income.



#### 4. Increasingly, families receiving cash assistance are exempt from work requirements.

In September of 1998, only 11,747 (31.4%) of families were exempt from work requirements. By August, 2002, 12,689 (56.6%) of the 22,397 families receiving cash assistance were “exempt” from the time limits and work requirements.

#### Exemptions are granted to families when:

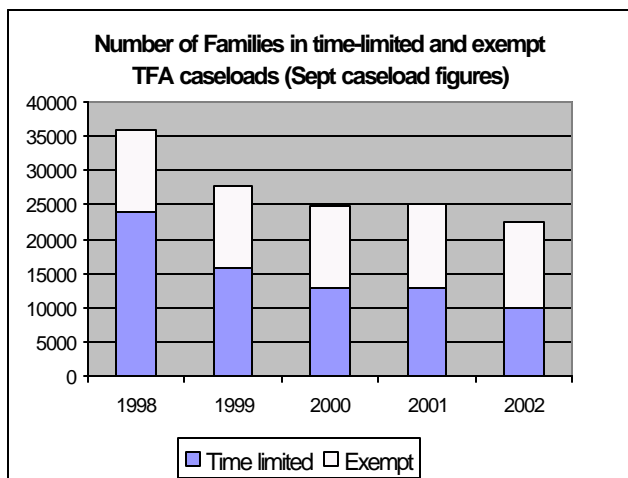
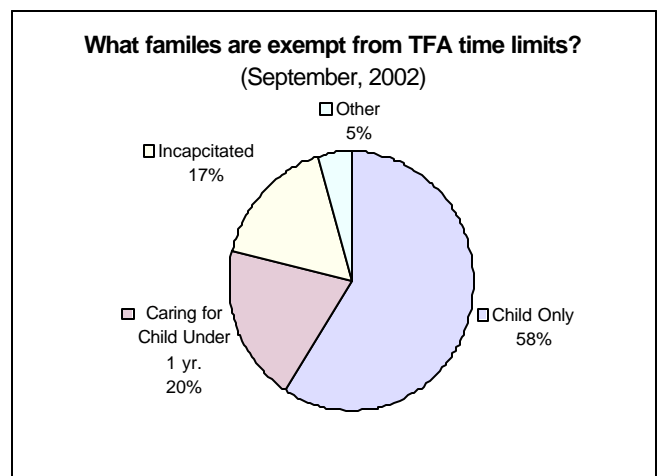
- only the children in the family are receiving cash assistance. These are called “child only” cases. In “child only” cases, the adult in the family is not the child’s parent and is not counted when calculating how much assistance the family will receive.
- the adult family member is caring for a child under the age of one (if the child was not conceived while the parent was receiving cash assistance).
- the adult family member is incapacitated.
- the adult family member is age 60 or over.
- the family is headed by a pregnant or post-partum woman who has a doctor’s certificate indicating that she is unable to work.
- the adult family member is unemployable.
- the adult family member is a minor parent.

- Nearly 60% (7,500) of the exempt cases are “child only”. This means that there are no adults receiving cash assistance in the Temporary Family Assistance household. Most of these cases involve children who are living with a relative who is not their parent.

Child only cases also include children who are residing with:

- a parent receiving Supplemental Security Income (SSI) for a disability (2,349) or
- a parent who is an ineligible alien (493).

- Other families in the exempt category are
  - caring for a child under the age of one (2,481) and
  - incapacitated (2,141).



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## **5. Connecticut has not used federal TANF funds to expand programs for families moving from welfare to work.**

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### **■ Federal TANF Funds:**

Connecticut receives \$267 million a year in federal TANF funds. Federal TANF funds may be used for activities that are reasonably calculated to accomplish one of four TANF purposes:

- A.** to provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- B.** to end the dependence of needy parents on government benefits by promoting job preparation, work and marriage;
- C.** to prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
- D.** to encourage the formation and maintenance of two-parent families.

(**Note:** Spending to achieve purposes (a) and (b) must be targeted to needy families, as defined in the state TANF plan, while spending to achieve purposes (c) and (d) is not limited to needy families.)

TANF funds may also be transferred to the Social Security Block Grant (SSBG) and to the Child Care Development Fund (CCDF). A state may transfer up to 30 percent of its TANF block grant to the Child Care Development Fund (CCDF) and the Social Services Block Grant (SSBG), although no more than 10 percent may be transferred to the SSBG.

Finally, TANF funds may be used for programs that the state was authorized to fund through IV-A or IV-F funds (Emergency Assistance funds) under the law as it existed in 1995.

### **■ State Maintenance of Effort Funds:**

The federal legislation requires that states maintain their own spending on cash assistance-related programs at levels equal to at least 75 percent of what they were spending in FY 1994 to receive their AFDC matching funds. This component is commonly referred to as the state Maintenance of Effort (MOE). Connecticut's required MOE spending is \$184 million a year.

State spending counted toward the MOE requirement may cover a wide variety of services, benefits and supports that help families become self-sufficient. However, MOE spending must be reasonably calculated to accomplish one of the four TANF purposes and, unlike federal TANF funds, all MOE spending must be for needy families and children.

Connecticut is one of the few states in the country which has consistently spent virtually all of its federal TANF block grant in the year in which it was first made available. Connecticut has also consistently met its MOE requirement.

In the first two years of the TANF block grant, Connecticut spent almost all its combined TANF and MOE funds on cash assistance, child care and administration. Connecticut also took advantage of the provision which allowed transfer of up to 10% of the TANF block grant to SSBG. Connecticut has not transferred TANF funds to CCDF.

As caseloads fell and fewer families were receiving cash assistance, the state increased its TANF/MOE spending on child care and began to look for programs previously funded with state funds which could be funded with federal TANF funds. In the past two years, about \$100 million a year of the \$267 million in federal TANF funds has been used to fund previously state-funded programs, mostly in the Department of Education, the Department of Children and Families and the Office of Policy and Management.

<b>COMBINED TANF AND MOE SPENDING - FFY 1997 - 2002 (in millions of dollars)</b>						
	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
Transfer to SSBG	5.9	23.8	24.1	24.4	26.7	26.7
<b>Cash Assistance</b>	<b>325.6</b>	<b>278.7</b>	<b>202.0</b>	<b>166.1</b>	<b>158.4</b>	<b>130.4</b>
<b>Child Care</b>	<b>70.5</b>	<b>98.1</b>	<b>115.0</b>	<b>119.0</b>	<b>96.1</b>	<b>56.8</b>
<b>Employment Services</b>	<b>12.1</b>	<b>8.8</b>	<b>16.0</b>	<b>18.6</b>	<b>16.5</b>	<b>17.8</b>
Safety Net	0	2.7	0	1.1	2.5	4.4
Transportation	0	0	0	2.8	2.6	3.2
Diversions	0	0	0	.1		
Rental Assistance	0	1.5	0	0		3.7
Energy	0	2.0	0	0		
Medicaid for Non-Citizen	0	0	0	3.3	5.0	8.7
Teen Pregnancy Prevent.	0	.8	0	1.2	see below	
Pregnancy Prevention					21.4	28.0
2-Parent Family Form						16.6
Prior Law	0	0	0	12.4	19.4	17.9
Administration	37.3	36.6	37.0	36.8	37.0	28.0
Information Technology	2.5	5.4	1.0	2.0	1.7	1.2
<b>Other*</b>	<b>0</b>	<b>0</b>	<b>55.0</b>	<b>72.3</b>	<b>65.4</b>	<b>130.4</b>
Unliq. Obligations**						.2
<b>TOTAL</b>	<b>453.9</b>	<b>458.4</b>	<b>450.1</b>	<b>460.1</b>	<b>452.7</b>	<b>474.0</b>

\* for detail, see chart on the next page

\*\* unclear whether this \$5.5 million is "unclaimed", under contract or unspent

<b>*OTHER includes:</b>				
	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
Teen Pregnancy Prevention	.7	Now in different line		
Family Violence Prevention				0.3
Outreach Services				5.6
SDE School Readiness				34.1
SDE Family Resource Centers	0	2.4	1.6	
SDE Adult Education	0	1.1	0.7	0.4
SDE Priority School District	0	16.3	Now in different line	
DCF Case Management Services	28.8	35.3	32.2	44.8
DCF Substance Abuse Screening	0.6	1.0	0.3	0.6
DCF Child Abuse Prev/Treatment	3.9	3.4	3.4	4.3
DCF Family Preservation Services	3.4	2.7	3.2	3.4
DCF Substance Abuse Services	1.0	1.5	0.7	0.8
DCF Local Systems of Care			0.3	0.6
DCF Community Emergency Services			0.1	0.1
DCF Family Violence Services			0.3	0.3
DCF Early Childhood Development			1.8	2.5
DCF Support/Recovering Families				0.6
DMHAS Substance Abuse Grants				0.3
DMHAS Mental Health Grants				0.9
DMHAS Managed Service Syst.				0.3
DCF Investigations				24.5
CHEFA Loans to Day Care Centers	0	1.4	2.0	2.3
Certif. Eligibility Development				6.8
CCMIS (Max. Contract for CCCP)	0	7.3	7.6	
Unspecified MOE (Other)	18.0	0		
<b>TOTAL***</b>	<b>56.4</b>	<b>72.4</b>	<b>54.2</b>	<b>133.5</b>

\*\*\* 2001 figure does not match numbers in report because information in "Other" was not updated when a revised federal form ACF-196 was filed.

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## **Conclusion**

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Since 1996, the family welfare program in Connecticut has changed enormously. As a result of these policies and the good economic conditions that the state enjoyed until recently, the number of families receiving cash assistance has dropped dramatically.

The state's welfare reform program is often described as successful because of this drop in the number of families receiving assistance. But before the program is declared a success and the policies adopted in 1996 are embraced, the circumstances of families in the program and those no longer receiving assistance should be examined.

The available evidence shows a changed program but not necessarily a program that has improved the circumstance of poor families with children.

- Families leaving cash assistance with employment often do not earn enough to provide for the basic needs of their families
- Families leaving cash assistance because of time limits or sanctions are often not working and face many barriers to employment.
- Families receiving cash assistance are more likely to be exempt from work requirements because of conditions which make it difficult for them to work.
- Families receiving cash assistance and subject to work requirements are less likely to have paid employment, face many barriers to employment and earn very little money when working.

Despite these results, the state of Connecticut continues to tighten time limits and to divert federal TANF funds away from training and education programs for low-wage families and families receiving TFA cash assistance. The federal government is debating whether to impose tighter work requirements on the states, which would result in increased work requirements for families receiving cash assistance. These policy proposals fly in the face of what we have learned from the past six years of welfare reform.

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