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PARTIAL SANCTIONS HAVE NOT LED TO SMALLER CASELOAD DECLINES

Current federal law requires states to penalize families whose members do not comply with Temporary Assistance for Needy Families (TANF) requirements. However, states have the flexibility to choose partial sanctions (benefit reductions), full sanctions (elimination of the families' entire public assistance payments), or a combination of the two. California, New York, and 13 other states have chosen to use the partial sanction option; California and New York stop payment of benefits to noncompliant adults, but continue to provide a subsistence grant to children.

Proponents of full-family sanctions claim that California and New York's cash assistance caseloads would have dropped more quickly if they penalized noncompliant adults by eliminating families' welfare benefits, rather than only reducing them.[1] However, California and New York, the two largest states with partial sanction policies, have not experienced substantially smaller declines in their welfare caseloads than the nation as a whole. Moreover, economic and policy factors unrelated to sanctions play an important role in explaining this small difference.

Economic And Policy Factors Partly Explain Differing Caseload Declines

California and New York have experienced slightly slower TANF caseload declines than the nation as a whole. The number of families in California and New York that receive federally funded cash assistance has declined by half since 1994, as compared to the national caseload decline of 58 percent.[2] This difference is partly attributable to differing economic contexts, as well as California and New York's policy to support working welfare recipients with earnings supplements.

California And New York Experienced Different Economic Trends

In addition to welfare reform and other federal policy changes, analysts point to the strong US economy of the mid to late 1990s as an important factor in reducing welfare caseloads. However, California and New York emerged from the recession of the early 1990s later than the rest of the nation, and their TANF caseloads peaked about a year later than the country as a whole. Comparing caseload trends for a period of six years following their peaks, which helps account for differing economic trends, demonstrates that California and New York's caseload declines are similar to the national decline. Between 1995 and 2001, California and New York's caseloads declined 48 and 50 percent, respectively. This is only slightly lower than the national decline of 55 percent during the comparable six-year period, from 1994 to 2000.

California And New York Use Earnings Supplements To "Make Work Pay"

California and New York have more generous "earnings disregard" policies than most states. These policies supplement recipients' earnings because they do not reduce their cash grants dollar-for-dollar as earnings increase. Studies by the Manpower Demonstration Research Corporation (MDRC) indicate that these earnings supplements increase family income and represent the only welfare policy that has been demonstrated to increase child well-being.[3] Earnings disregards allow families to work a significant number of hours and continue to receive a small cash grant. In the absence of these supplements, families would leave the welfare caseload more quickly. Since California and New York support these families, their caseloads have experienced slower declines.

Purpose Of Sanctions Is To Increase Compliance With Program Requirements, Not Reduce Caseloads

Most observers view sanctions primarily as a tool to encourage recipients to meet program requirements rather than to reduce state welfare caseloads. In fact, many argue that caseload reduction itself is an imperfect criterion by which to evaluate the success of welfare reform. Not only is caseload reduction dependent on the economy and other factors, it does not take into account important welfare outcomes, such as how former recipients fare in the workforce. For example, despite having a smaller caseload decline than the rest of the nation, California has received performance awards in the last two years from the US Department of Health and Human Services for the relatively high levels at which former recipients retain employment and increase their earnings.[4]

Research suggests that penalties above a certain level do not increase participation in required activities, indicating that full-family sanctions may not be more effective than partial sanctions in this regard. MDRC evaluated welfare-to-work programs in several states and found that programs that used strict enforcement measures, including sanctions, did not have higher participation rates than "medium-enforcement" programs.[5] Analysis of California county data by the California Budget Project indicates that sanction rates above a certain level do not increase participation in CalWORKs, its TANF program, suggesting that harsher sanction policies, including full-family sanctions, may not result in increased participation by CalWORKs participants.[6] Addressing full-family sanctions directly, the Brookings Institution concludes, "There is not enough solid evidence to draw firm conclusions about the relative effectiveness of full-family and partial sanctions."[7]

Partial Sanction Policy Supports Children

Current federal law allows states to choose a sanction policy that balances the effect of encouraging program compliance against the possible harm to children caused by reduced family income. One study finds that even partial sanctions are associated with increased risk of hospitalization and food security for children under the age of three.[8] California and New York, which have legal mandates to meet the basic needs of poor residents, have chosen a partial sanction policy in order to maintain a subsistence grant to children.[9] A partial sanction policy also helps caseworkers remain in contact with families and identify any barriers that may prevent adults from complying with program requirements. Research indicates that adults who are sanctioned often face multiple barriers, such as low education levels, lack of work experience, domestic violence, depression, and substance abuse.[10]

Conclusion

Partial sanctions have not led to substantially smaller caseload declines in California and New York. Delayed emergence from the recession of the early 1990s and relatively generous earnings disregard policies partly explain why California and New York lag behind other states in terms of caseload declines. Moreover, full-family sanctions do not necessarily lead to higher program participation. California, New York, and other states have chosen partial sanctions in order to maintain a basic subsistence allowance to support children. Federal law should continue to let states make that choice.

ENDNOTES

[1] See, for example, Jason Turner, *Don't Let California and New York Undermine Welfare Reform's Work Requirements* (The Heritage Foundation Executive Memorandum No. 819: June 13, 2002).

[2] Since national caseload data only include families supported with federal funds, the data in this section do not include families that receive cash assistance funded with state-only funds. California and several other states have separate state programs that support a portion of their welfare caseload.

[3] Gordon L. Berlin, *What Works in Welfare Reform: Evidence and Lessons to Guide TANF Reauthorization* (Manpower Demonstration Research Corporation: June 2002).

[4] US Department of Health and Human Services, High Performance Bonus Awards, downloaded from http://www.acf.dhhs.gov/programs/opre/hpb/ on July 15, 2002.

[5] Because the programs that MDRC evaluated pre-dated the 1996 welfare reform law, they included, at most, partial sanctions. The 1996 law allowed states to begin to implement full-family sanctions. Gayle Hamilton, et al., *National Evaluation of Welfare-to-Work Strategies: How Effective Are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs* (Manpower Demonstration Research Corporation: November 2001).

[6] California Budget Project, *Mandatory TANF Sanction Policy Reduces Flexibility In California* (May 3, 2002).

[7] Dan Bloom and Don Winstead, *Sanctions and Welfare Reform*, "Welfare Reform & Beyond" Policy Brief No. 12, (Brookings Institution: January 2002).

[8] Children's Sentinel Nutrition Assessment Program, *The Impact of Welfare Sanctions on the Health of Infants and Toddlers* (July 2002), downloaded from http://dcc2.bumc.bu.edu/csnappublic/Welfaresanctions.htm on July 15, 2002.

[9] New York has a constitutional requirement to serve needy residents (New York State Constitution, Article XVII, Section 1). California state law requires counties to assist poor residents (California Welfare and Institutions Code, Section 17000).

[10] See, for example, US General Accounting Office, *State Sanction Policies and Number of Families Affected* (March 2000) and David C. Mancuso and Vanessa L. Lindler, *Examining the Circumstances of Welfare Leavers and Sanctioned Families in Sonoma County* (Sphere Institute: June 29, 2001).

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The CBP was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. Publication of this paper was supported by grants from the David and Lucile Packard, William and Flora Hewlett, and Streisand Foundations. General operating support for the California Budget Project is provided by foundation grants, individual donations, and subscriptions. Please visit the CBP's web site at www.cbp.org.

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