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WELFARE REFORM

More Research Needed on TANF Family Caps and Other Policies for Reducing Out-of- Wedlock Births



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Abbreviations

AFDC	Aid to Families With Dependent Children
HHS	Department of Health and Human Services
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act of 1996
TANF	Temporary Assistance for Needy Families



G A O

Accountability * Integrity * Reliability

United States General Accounting Office
Washington, DC 20548

September 11, 2001

The Honorable Donald M. Payne
The Honorable Charles B. Rangel
The Honorable Christopher H. Smith
House of Representatives

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) made sweeping changes to national welfare policy, repealing the Aid to Families with Dependent Children (AFDC) program and creating the block grant Temporary Assistance for Needy Families (TANF) program. Under TANF, states receive up to \$16.5 billion in federal funds each year through fiscal year 2002. States have increased flexibility to design and implement programs to achieve the TANF goals, including reducing the dependence of needy families on government aid, and preventing and reducing the incidence of out-of-wedlock pregnancies. During discussions on welfare reform, the proportion of births that were out-of-wedlock in the United States began to decline after rising for over half a century. The potential negative consequences of out-of-wedlock births are numerous, including increasing the probability of dependence on welfare and also increasing the amount of time on assistance once enrolled.

In an effort to reduce the incidence of out-of-wedlock pregnancies among welfare recipients, some states have imposed family caps on welfare benefits. One factor that determines the amount of cash benefits a family receives is the family's size—larger families receive more benefits. In states with a family cap policy, however, no additional cash benefits are provided when the birth of a child increases the size of the family. To provide you with information on family cap policies and their effects, you requested that we (1) identify the states that have family caps as a part of their TANF programs and describe how the caps are implemented; (2) determine the number of families whose benefits have been affected by the family cap and estimate the amount by which the family cap has altered a family's cash benefits; and (3) using existing studies, determine what is known about the effect of the family cap on out-of-wedlock births, abortions, and poverty. In conducting this work, we also reviewed HHS' research agenda to assess whether it supported the TANF goal of preventing and reducing out-of-wedlock pregnancies.

To identify states with family caps on TANF benefits, we obtained a list of such states from the Regional Directors of the Department of Health and Human Services (HHS), which oversees TANF at the federal level, and

then conducted a phone survey with these states to discern how they implemented the family cap. To determine the impact of the family cap on benefits, we gathered data from TANF data specialists in these states. To assess the impact of the family cap on out-of-wedlock births, we identified and reviewed studies that examined family caps. In our review, we assessed the extent to which each study provided evidence for an effect of the family cap on out-of-wedlock births and other outcomes. In addition, we spoke with and collected information from HHS officials on the Department's TANF-related research efforts. We conducted our work from July 2000 through September 2001, in accordance with generally accepted government auditing standards. (See app. I for a more detailed discussion of our scope and methodology.)

Results in Brief

Twenty-three states, representing approximately one-half of the nation's TANF caseload, have implemented some variation of a family cap, breaking the traditional link between a family's size and the amount of its monthly welfare check.¹ Generally, these states implemented family cap policies as part of their welfare reforms designed to reduce out-of-wedlock births and to encourage self-sufficiency. Key features of family cap policies differ from state to state. For example, 19 states provide no cash benefit increase—called a full family cap—when a mother on welfare gives birth and two states allow a partial increase in benefits, called a partial family cap. In addition, two states have a flat grant benefit structure that acts as an implicit family cap because cash benefit amounts are not adjusted due to family size or the birth of an additional child. In implementing the family cap, the states have fairly similar policies for exempting some families from caps on benefit amounts. For example, most family cap states make exemptions to the cap in the case of children born as the result of sexual assault, rape, or incest. In addition, 4 of the 23 states have adopted income support policies designed specifically for capped-benefit families, such as vouchers for the purchase of goods for the newborn child.

During an average month in 2000, 20 of the 23 family cap states reported that about 108,000 families received less in cash benefits than they would have in the absence of state-imposed family cap policies. Overall, in an average month, about 9 percent of TANF families in these states had their benefits affected by the family cap. The actual differences between a family's TANF benefits before and after having its benefits subject to the

¹ We gathered information about the 50 states and the District of Columbia.

cap are affected by several factors, including earnings and receipt of child support. Therefore, states were not able to report the precise effect of the family cap on TANF benefits. However, we estimated that these TANF families were generally receiving about 20 percent less in cash assistance each month because of the family cap – ranging from \$20 less in Wyoming to \$121 less in California.² In addition, on average, states reported that 12 percent of capped-benefit families had additional children *after* their TANF benefits were affected by the family cap. Therefore, in the case of these particular families, the cash assistance not received is likely to be greater than the estimated 20 percent.

Due to limitations of the existing research, we cannot conclude that family cap policies reduce the incidence of out-of-wedlock births, affect the number of abortions, or change the size of the TANF caseload. While we identified five studies that assessed the effectiveness of the family cap in reducing the incidence of out-of-wedlock births, these studies generally were not able to overcome the inherent difficulties involved in evaluating the family cap policy, and thus do not provide clear and convincing evidence of the family cap’s effectiveness. One of these difficulties is that several major policy and program changes took place simultaneously under state and federal welfare reforms, making it difficult to determine the extent to which any one specific policy or program change—the family cap, in this instance—made a difference. Another major difficulty involves controlling adequately for broader social and cultural changes that may also affect women’s childbearing decisions. Methodological limitations in the studies we reviewed on the effect of the family cap on abortion rates and caseload size also do not allow us to draw conclusions. We did not identify any studies that evaluated the impact of the family cap on poverty.

While HHS’ research efforts cover a broad range of issues, most of these efforts have focused on TANF’s goal of reducing welfare dependence through employment with much less emphasis on the goal of reducing out-of-wedlock pregnancies. As a result, while HHS has recently taken steps to improve information and research related to this key TANF goal, we are recommending that the Secretary of HHS review its research agenda and take steps to identify, encourage, and support additional studies, where deemed appropriate, that would increase the availability of information on how best to prevent and reduce out-of-wedlock pregnancies. We are also

² Many states have policies related to the treatment of earnings or child support payments or alternative forms of assistance that could offset to some extent the financial impact of the family cap. However, these policies would not affect most families whose benefits were subject to the family cap.

recommending that the Secretary submit HHS' research agenda, with estimated resource needs, to the Congress to provide it with useful information as it considers the reauthorization of the TANF legislation, which expires at the end of fiscal year 2002.

Background

In ending the AFDC program and establishing TANF block grants to states, PRWORA built upon and expanded state-level reforms and significantly changed welfare policy for low-income families with children. The legislation ended the legal entitlement to cash assistance for eligible needy families with children and focused on helping needy families move toward economic independence. As specified in PRWORA, the goals of TANF are

- providing assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- ending the dependence of needy parents on government benefits by promoting job preparation, work and marriage;
- preventing and reducing the incidence of out-of-wedlock pregnancies; and
- encouraging the formation and maintenance of two-parent families.

PRWORA places a 5-year time limit (or less at state option) on federal cash assistance for most families—and requires states to impose federally established work and other program requirements on most adults receiving aid. Otherwise, the Act gives states broad flexibility to establish their own eligibility rules and the types of services provided. In fiscal year 2000, total TANF expenditures equaled almost \$23.6 billion, more than half in federal dollars.³ About 5.8 million recipients received TANF cash assistance in September of that year.

PRWORA Emphasizes Reducing the Incidence of Out-of-Wedlock Childbearing

In addition to establishing a key TANF goal related to reducing out-of-wedlock pregnancies, the Congress, through PRWORA, established a “Bonus to Reward Decrease in Illegitimacy Ratio” so that HHS could reward states that showed the greatest reduction in out-of-wedlock births while decreasing their abortion rates. States win this bonus based on these reductions for the general population, not just the welfare population. In each of fiscal years 1999 through 2002, up to \$100 million is available to

³ PRWORA includes a “maintenance of effort” provision that requires states to maintain a significant portion of their own historic financial commitment to their welfare programs as a condition of receiving their full TANF grant. States may use their own funds to provide cash assistance to families who reach the 5-year federal time limit.

the five states that achieve the largest reductions.⁴ HHS also requires states to set goals to reduce out-of-wedlock pregnancies. Each state has to submit a TANF plan that includes the state's strategy for preventing and reducing the incidence of out-of-wedlock pregnancies. This plan must also include an explanation of how the state intends to establish numerical goals for reducing out-of-wedlock births.⁵ PRWORA also authorized the National Strategy to Prevent Teen Pregnancy and the Abstinence Education Grant Program to help meet the TANF goal of reducing out-of-wedlock births. PRWORA authorized federal expenditures of \$50 million annually, beginning in fiscal year 1998, to support state efforts promoting abstinence education.⁶

PRWORA's emphasis on reducing out-of-wedlock childbearing, among other goals, results from congressional concerns about the negative consequences of out-of-wedlock births on the mother, the child, and the family. The percentage of out-of-wedlock births among the total population⁷ has increased dramatically, from 3.8 percent in 1940 to 32.6 percent in 1994, although from 1994 to 1999 it remained around 33 percent. While there are still questions about the extent of the consequences of out-of-wedlock childbearing, research shows that children born out of wedlock are much more likely to be poor and receive welfare than children born to married parents. More specifically, among children living with single mothers, children born outside of wedlock are 1.7 times more likely to be poor than are those born to married parents.⁸ In addition, research shows that women aged 17 and under who give birth outside of

⁴ The first round of bonuses was awarded in 1999 to Alabama, California, the District of Columbia, Massachusetts and Michigan. The second year's bonuses were awarded to Alabama, Arizona, the District of Columbia, Illinois and Michigan. Among recipients in 2000, decreases in births to unmarried mothers ranged from 4.13 percent in the District of Columbia to 0.022 percent in Illinois.

⁵ HHS does not have the authority to approve or disapprove a state's TANF plan. HHS only determines whether the plan is complete and then the state may receive TANF funds. The statute does not set forth criteria for determining the completeness of a plan nor steps HHS should take if it determines a state's plan is incomplete nor how HHS should respond to an incomplete plan.

⁶ The Abstinence Education Grant Program is funded under Section 510 of Title V of the Social Security Act.

⁷ Data on the percent of out-of-wedlock births among welfare recipients are not available over time.

⁸ Ariel Halpern, *Poverty among Children Born Outside of Marriage: Preliminary Findings from the National Survey of America's Families* (Washington, D.C.: Urban Institute, 1999).

marriage are more likely to go on public assistance and spend more years on assistance once enrolled. For example, over three-quarters of all unmarried teenage mothers began receiving cash benefits from the AFDC program within five years of the birth of their first child.⁹

The potential link between welfare receipt and non-marital childbearing has been of interest to policymakers and researchers for several years, particularly as the number of never-married mothers receiving welfare has increased, both in absolute numbers and as a percentage of all families on welfare. Studies have been conducted to understand what role, if any, the amount of welfare benefits plays in a woman's decision to have a child. The results of studies examining the effects of various welfare benefit amounts on fertility and marriage have been mixed. A recent summary of this research found that a slight majority of studies have concluded that receiving welfare has led to a decrease in marriage and an increase in childbearing.¹⁰

In the early to mid-1990s, before federal welfare reform, some states responded to concerns about links between welfare and childbearing by seeking waivers from federal AFDC rules to implement their own policies to eliminate increased cash welfare grants for families who have additional children while on welfare. This "capping" of cash grants became known as the family cap.¹¹ During the 2 years of debate over how to reform welfare and address the issue of rising rates of out-of-wedlock births, one version of the welfare legislation contained a family cap. PRWORA, the final welfare reform legislation passed in 1996, emphasized decreasing out-of-wedlock birth rates but remained silent on the family cap, leaving implementation decisions regarding family cap policy to the states.

⁹ G. Adams and R.C. Williams, *Sources of Support for Adolescent Mothers* (Washington, D.C.: Congressional Budget Office, 1990). See Richard Wertheimer and Kristin Moore, *Childbearing by Teens: Links to Welfare Reform* (Washington, D.C.: Urban Institute, n.d.).

¹⁰ *Welfare Reform Research: What Have We Learned Since the Family Support Act of 1988* (Washington D.C.: Congressional Research Service, 2000). See Robert Moffitt, "The Effect of Welfare on Marriage and Fertility," *Welfare, the Family, and Reproductive Behavior: Research Perspectives* (Washington, D.C.: National Academy Press, 1998).

¹¹ While the family cap can apply to single-parent and two-parent families' cash benefits and covers births to married parents, it typically relates to an out-of-wedlock birth because a majority of the families on welfare are single mother families.

PRWORA Specifies a Research Role for HHS in the New Devolved Welfare System

Although PRWORA devolved considerable authority to the states to design and implement their own welfare programs, HHS retains some program oversight and research responsibilities. Generally, the law narrowed HHS' regulatory authority, as compared to its authority under AFDC. For example, PRWORA specifically limits HHS from regulating the conduct of states, except as expressly provided in the law. HHS is responsible for administering statutory penalties for states' noncompliance with the law, and for developing and administering the high performance bonuses and Bonus to Reward Decrease in Illegitimacy Ratio established in PRWORA to reward states that achieve certain goals of the law. In addition, HHS is responsible and receives funding for conducting research on the benefits, effects, and costs of state TANF programs and for disseminating information among states and localities. This research role differs from the one HHS played in the past, when a state wishing to experiment with any departure from federal AFDC rules had to request a waiver from HHS, and HHS had to ensure that the waiver request included plans for a rigorous evaluation of the state's experiment. In fact, some of the effectiveness studies of the family cap that we reviewed in this report were conducted as required evaluations of policies implemented under waiver of AFDC rules. Because of the increased flexibility states have under TANF, states no longer need to apply for waivers from federal rules.

Many States Have Policies That Cap Cash Benefits, but Some Provide Other Supports to Capped-Benefit Families

Twenty-three states, representing about half of the nation's TANF caseload, have implemented a family cap policy, with most of these states providing no cash increase when a mother on welfare gives birth. States implement the family cap in one of three ways: a full family cap on benefits, a partial family cap on benefits, or a flat grant that applies to all TANF families. States implemented the family cap policy to reduce out-of-wedlock births and encourage self-sufficiency, with 15 states implementing the family cap policy under a waiver to the AFDC program and eight states implementing the policy after welfare reform. Most states with a family cap policy exempt families from the cap if special circumstances exist. For example, children born as the result of sexual assault, rape, or incest are exempt from the family cap in 18 states. Several states have additional support policies designed specifically for capped-benefit families, such as vouchers for food and diapers in lieu of the cash benefit increase they would have received without the family cap policy.

Almost Half of the States Have Some Type of Family Cap Policy; Goals of the Family Cap Policy Include Reducing Out-of-Wedlock Births and Increasing Self-Sufficiency

Twenty-three states, covering approximately 52 percent of the TANF caseload nationwide, have adopted the family cap policy in some form. As Figure 1 shows, 19 states employ a full family cap. In these states a family's cash grant is not increased by any amount with the birth of an additional child.¹² For example, in Arizona, if a family of two receiving a monthly maximum grant of \$275 per month had an additional child, their cash benefit would be capped at this amount.¹³ The family would not receive the \$72 increase in benefits, which would have otherwise raised their grant amount to \$347—the maximum grant for three person families. Two states have a family cap that is implemented as a partial increase in cash benefits with the birth of an additional child.¹⁴ For example, one state with the partial family cap increases by 50 percent the cash benefits the family would have received without the family cap for only the first child born to a family after they enrolled in assistance; the benefit cap becomes a full family cap for any subsequent children born into the family. Two other states use a flat grant to provide cash benefits to families. This policy creates an implicit benefit cap because cash benefits are the same for all families on assistance regardless of family size or the birth of an additional child. For example, in Wisconsin families receive either \$628 or \$673 per month. Their benefit amount depends on the work program component to which they have been assigned, rather than on family size.¹⁵

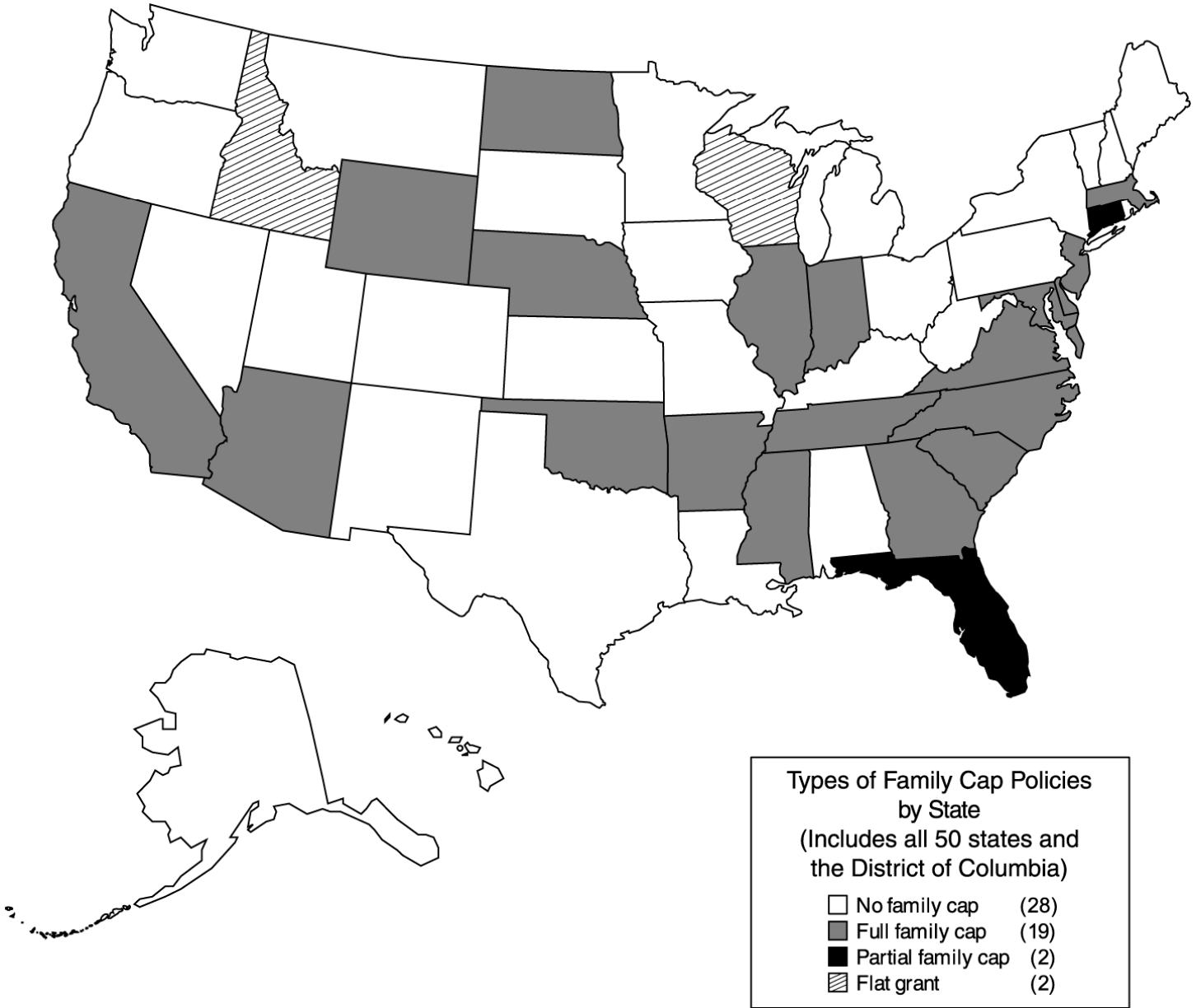
¹² Wyoming has a tiered benefit schedule for all TANF recipients. The tiered schedule consists of identical maximum grants for three- and four-person families, and five- and six-person families. Therefore, families whose benefits are subject to the family cap will not receive an increase in cash benefits if they are a three-person or five-person family who has an additional child.

¹³ The amounts represented here are based on the fiscal year 2000 maximum allowable benefit, which assumes no counted income. The actual benefit amount granted to families is dependent on factors such as earnings and child support, among other things.

¹⁴ Florida imposes a partial family cap on benefits after the birth of the first child while on assistance. The partial benefit increase is equal to 50 percent of what the family would have received had the family cap not been implemented. Any subsequent children trigger a full family cap. Connecticut has a partial family cap that increases a family's benefit by \$50 for each additional child, which is less than the increase the family would have received with the birth of an additional child if their benefits were not subject to the family cap policy.

¹⁵ Wisconsin assesses a TANF recipient's capacity to perform work and assigns each recipient to one of four different work components of the Wisconsin Works "employment ladder": W-2 Transition, Community Service Jobs, Trial Jobs, Unsubsidized Employment. Families enrolled in the W-2 Transition component receive a benefit of \$628 per month. Families enrolled in the Community Service Jobs component receive a benefit of \$673 per month. Families enrolled in the remaining two components do not receive cash assistance.

Figure 1: Types of Family Cap Policies by State, 2000



Source: GAO's Survey and HHS data.

States implemented the family cap policies before and after federal welfare reform, often with the goals of decreasing out-of-wedlock births and encouraging self-sufficiency. For example, one state implemented the family cap based on the goal of encouraging parents to plan for security and assume responsibility for their children. The family cap policy developed out of state-based initiatives, starting with New Jersey in 1992. Fifteen states implemented the family cap as a waiver to the AFDC program. Eight states implemented the family cap policy following the passage of PRWORA as a part of their TANF state plans.

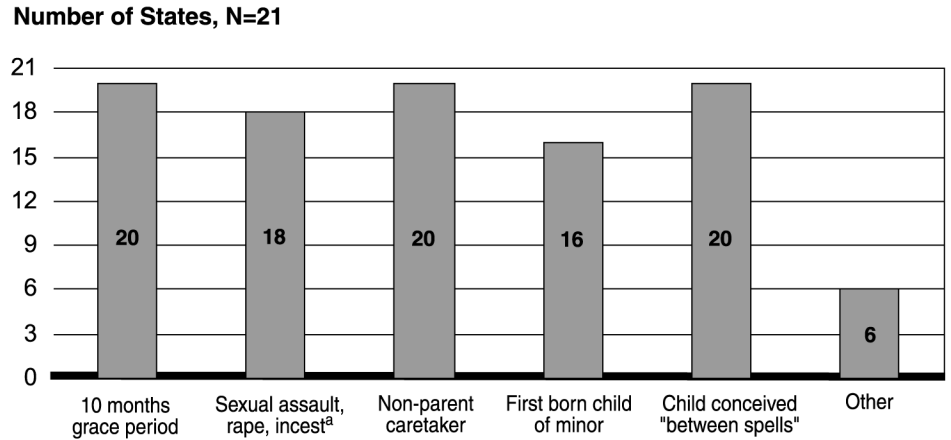
Most States' Policies Include Exemptions to the Family Cap

In their policies, all states with a full or partial family cap include exemptions to the family cap for families in specific circumstances.¹⁶ Most states have the same exemptions, as shown in figure 2. For example, to account for a pregnancy that occurred before the family started receiving assistance, 20 states exempt families with children born less than 10 months after the family's initial receipt of benefits. In addition, states commonly exempt children not living with their biological parents. This exemption typically occurs when the custody of the child is legally transferred or the parent is deceased, incarcerated or incapacitated. Most states exempt families who leave assistance for a specified period of time, give birth to a child, and return to the rolls, that is, they become pregnant "between spells." Some state officials we spoke with expressed concern about this exemption because of the potential that families are circumventing the family cap on benefits by leaving assistance and reapplying once a new child is born.

Six states have other exemptions to the family cap. For example, one state exempts children conceived as a result of the failure of certain contraceptive methods. Another state exempts children born with substantial physical or mental disabilities.

¹⁶ States with a flat grant system do not offer exemptions since there is no alternative benefit structure from which a family can be exempt.

Figure 2: Exemptions to the Family Cap, 2000



Note: Wisconsin and Idaho are not included in this figure because TANF benefits in flat grant states are not affected by family size and therefore would not be able to be subject to these types of exemptions.

^aFourteen states require verification of sexual assault, rape, or incest from a professional (i.e. doctor or police officer) or from a relative or friend.

Source: GAO Survey.

Children From Capped-Benefit Families Still Eligible for Other Assistance Programs

All 23 states with the family cap policy have procedures in place to enroll eligible children in the Medicaid and food stamps programs even when their families' benefits have been capped. Many states' documents—including policy manuals, codes of regulations, personal responsibility agreements that clients must sign, and TANF program brochures—explain to families and caseworkers the availability of these services to newborn children. In addition to written notification, one state told us they have an outreach worker who is responsible for checking the Medicaid eligibility of all children whose families are receiving TANF. All states told us that when the birth of a child is reported to the TANF caseworker, there are procedures in place to enroll the child in Medicaid and food stamps. One state official expressed concern, however, that families whose benefits might be affected by the family cap may not report a birth to a TANF caseworker, making it less likely that the family would enroll the child in other support services.

Some states have tailored other welfare-related policies for families with capped benefits. Almost all states in the nation have policies that ignore a portion of a family's earned income when determining the family's eligibility for benefits and the amount of benefits they will receive. These policies increase the amount of cash income for the households with a working adult. Three of the states with a family cap policy ignore an even larger portion of a family's income after the family's benefits are capped. In addition, some states make exceptions to their child support policies for capped-benefit families. Typically, states keep any child support collected on behalf of TANF families in order to reimburse the government for its welfare costs.¹⁷ Four states provide a portion, or the entire amount, of any child support collected for a capped-benefit family to the family instead of retaining it as they do for non-capped families.¹⁸

Additional Resources Are Available to Capped-Benefit Families in Some States

Four states with a family cap on benefits give families vouchers equal to the traditional cash benefit increase they would have received in the absence of a cap. These vouchers can be used to purchase basic goods and services for the newborn child, such as diapers and formula, from participating vendors, although data on the extent to which families used these vouchers were not readily available. Conditions under which states provide the vouchers vary. For example, one state placed a time limit of three years on the voucher, while another state provides a voucher only if the family requests one each month. Another state provides alternative resources by offering a cash payment to a third party in the amount of the incremental increase that would have been paid on behalf of the child to purchase goods or services for the newborn child. The third party can be a non-profit organization offering such goods and services, a family member not included in the assistance unit, or a caseworker not directly connected to the family receiving the benefit.

¹⁷ PRWORA requires that families receiving TANF assign their right to any child support collected on their behalf to the government to reimburse it for its welfare costs. These retained child support payments are shared with the federal government. PRWORA does not prohibit states from using their own state maintenance of effort funds to provide an amount equal to the child support received directly to the families while still paying the federal government its required share. Nationwide, 19 states pass on some child support to its TANF families.

¹⁸ A U.S. District Court in Indiana ruled unconstitutional Indiana's requirement that children subject to the cap assign their child support payments to the state. Also, North Dakota recently passed legislation to begin implementing the child support pass-through for capped-benefit families.

In an Average Month in 2000, About 108,000 Families Received an Estimated 20 Percent Less in Cash Assistance Due to the Cap

During an average month in 2000, about 108,000 families received less in cash assistance than they would have if their benefits had not been capped.¹⁹ Capped-benefit families represented about 9 percent of the average monthly TANF caseload in the 20 states that provided us data. The proportion of the monthly caseload of families whose benefits were affected by the cap varied from 1 to 20 percent across these states. The actual effect of the family cap on cash benefits is difficult to determine because cash benefit levels are influenced by other factors, including family earnings and child support. We estimated, however, that in an average month, families whose benefits were affected by the cap due to the birth of an additional child received about 20 percent less than they would have received in the absence of a cap; we based this estimation on two person families that had an additional child while on welfare.²⁰ Additional data show that 12 percent of families had more children after their TANF benefits were already affected by the family cap. The percentage increase in benefits not received by these particular families is likely to be greater than our estimate of 20 percent. Finally, families with capped benefits receive more in food stamps than families of a comparable size whose benefits are not capped.

About 108,000 Families Had Their Cash Benefits Capped in an Average Month

Based on responses of 20 states with family cap policies, about 108,000 families receiving TANF had their benefits affected by the family cap, in an average month during 2000. This number represented about 9 percent of the total number of TANF families in these 20 states, and is a minimum number of families who may have been affected during 2000.²¹ Table 1 shows the number of families whose benefits were affected by the family cap in an average month by state and the percentage of all TANF families whose benefits were affected by the family cap in each state. The

¹⁹ Twenty of the 23 family cap states provided these data. Wisconsin and Idaho, the two states with a flat grant policy, and Wyoming, which has a tiered-benefit policy, were not able to provide the data needed to determine the numbers of families who experienced a birth but did not receive an increase in TANF benefit amount.

²⁰ This is a weighted calculation across family cap states that could provide us with information on three-person capped-benefit families. Because not every family cap state could provide us with this information, the calculation is based on data from 16 states.

²¹ The total number of families receiving TANF who were affected by family cap policies during an entire year may be larger. Over the course of a year, some capped-benefit families may leave the TANF rolls while other TANF families may enter into capped-benefit status. While monthly data shows how many families were affected in an average month of fiscal year 2000, it does not provide a total of all the families who, when receiving TANF, had their benefits affected by a cap. We were not able to obtain this information from all of the states.

percentage affected by the family cap varies among the states, ranging from about 1 percent in South Carolina and Tennessee to 20 percent in Illinois. These variations could be caused by differences in state' various exemption policies and practices, or whether states have their own time-limits for cash assistance. Variations could also be due to differences in when states implemented the family cap. For example, because California only recently implemented a family cap policy, the number of TANF families with benefits affected by the cap is likely to increase, according to California state officials.²²

²² For information on the estimated impact of the family cap in California, see Michael Wiseman, *Welfare's Children*, Discussion Paper no. 1212-00 (Madison, Wis.: Institute for Research on Poverty, 2000).

Table 1: Average Monthly Number of Families Whose Benefits Were Capped as a Percentage of the State's TANF Population in 2000

Family cap states	Average monthly number of capped-benefit families	Capped-benefit families as a percentage of the state's total TANF families, in an average month
Based on 20 states	107,554	8.9
Arizona	662	1.9
Arkansas	451	4.0
California	53,417	9.5
Connecticut	1,741	6.4
Delaware	382	7.8
Florida	1,581	2.3
Georgia	3,949	7.5
Idaho	^a	^a
Illinois	17,137	19.6
Indiana	5,054	13.8
Maryland	848	3.2
Massachusetts	6,410	14.6
Mississippi	1,551	10.4
Nebraska	485	4.6
New Jersey	7,265	14.1
North Carolina	3,675	7.6
North Dakota	130	4.5
Oklahoma	373	2.4
South Carolina	164	1.0
Tennessee	317	.6
Virginia	1,962	6.0
Wisconsin	^a	^a
Wyoming	^a	^a

^a Not available.

Source: GAO 2001 Survey and GAO analysis.

In general, families that have had their benefits capped are larger than families whose benefits were not limited by the cap.²³ Three or four person families make up about two-thirds of families whose benefits are affected by a cap. Such families might consist, for example, of a parent with two or

²³ Using state reported data, we calculated that the weighted average size of families subject to the cap was 3.8 persons, compared with 2.9 persons for all TANF families in these states. These averages are based on responses from 16 states with respect to the family size of capped-benefit families and responses from 17 states with respect to the family size of all TANF families.

three children, one of whom does not receive TANF benefits because of the cap. Families with five members or more make up a little over one-quarter of families whose benefits are affected by a cap. Two person families and one person families (child-only cases) make up the remaining families whose benefits are affected by a cap. Table 2 below gives family size information for capped-benefit families by state.

Table 2: Number of Capped-Benefit Families by Family Size and State in an Average Month in 2000

Family cap states	Family size ^a				
	1-2-person	3-person	4-person	5-person	6- or more person
All family cap states	10,850	33,951	29,201	14,511	12,372
Arizona ^b	d	d	d	d	d
Arkansas	219	118	63	44	7
California	8,507	15,695	14,823	6,855	7,537
Connecticut ^b	d	d	d	d	d
Delaware	43	141	102	51	45
Florida	0	772	508	211	90
Georgia ^b	d	d	d	d	d
Idaho	d	d	d	d	d
Illinois	0	6,169	5,312	3,085	2,571
Indiana	65	1,916	1,646	1,427 ^c	d
Maryland	75	334	236	110	93
Massachusetts	943	2,657	1,950	494	366
Mississippi	258	527	415	207	144
Nebraska	151	143	101	41	49
New Jersey	111	3,002	2,154	1,114	884
North Carolina	435	1,570	1,023	413	234
North Dakota	6	53	36	18	17
Oklahoma	22	121	102	65	63
South Carolina	11	62	52	23	16
Tennessee ^b	d	d	d	d	d
Virginia	4	671	678	353	256
Wisconsin	d	d	d	d	d
Wyoming	d	d	d	d	d

^aFamily size includes only members of the TANF assistance unit.

^b Arizona, Connecticut, Georgia, and Tennessee did not have caseload information by family size.

^c Indiana officials did not report the number of six person or more families. Instead, they reported the number of families with five or more persons. This number is included under the five person column.

^d Not available.

Source: GAO 2001 Survey.

Capped-Benefit Families Received an Estimated 20 Percent Less in Cash Benefits

We estimated that in a given month, the amount of cash assistance received by families whose benefits had been capped was, on average, about 20 percent less than it would have been in the absence of a cap. We estimated the cap's effect on benefits because states were unable to report the actual amount by which families' benefits changed as a result of the cap. Several factors, including family earnings and other resources, such as receipt of child support, influence the amount of cash benefits a family receives. Our estimate represented an average dollar amount of approximately \$100 per month²⁴—representing a range from \$20 in Wyoming to \$121 in California. These estimates may somewhat overstate the amount by which families benefits are affected because the estimates are based upon the maximum cash benefit a TANF family is eligible to receive, which is generally greater than the average amount of cash assistance families actually receive. Overall, the average level of cash assistance for three person families whose benefits were affected by the family cap was \$394²⁵ per month in federal fiscal year 2000. Depending on the state and based on maximum benefit levels, we estimated that families received between six percent (in Wyoming) to 26 percent (in Illinois) less in cash assistance due to the family cap. Table 3 shows our calculations of the amount not received by three person capped-benefit families across family cap states. For more information, see table 5 in appendix I.

²⁴ These estimates are weighted averages based on data from the 16 family cap states that could provide us caseload information for three person families. The weighted average is greater than a non-weighted average because states with larger numbers of capped-benefit families, such as California and Illinois, have larger monthly TANF grant amounts than other states. See table 3 for estimates for each family cap state.

²⁵ This average is weighted by the family cap caseload across the 14 family cap states that provided average benefit level *and* caseload information for three-person capped-benefit families.

Table 3: Estimated Effect on TANF Cash Benefits for a Capped-Benefit Family in an Average Month, by State

Based on a 2-person family that has an additional child on welfare (federal fiscal year 2000)

States with family cap policies^a	Estimate of percentage of TANF cash benefit not received under the family cap when additional child born to parent
Weighted average/dollar difference across states^b	20 (\$100)^c
Arizona	21 (\$72)
Arkansas	21 (\$42)
California	19 (\$121)
Connecticut	11 ^c (\$73)
Delaware	20 (\$68)
Florida	10 ^d (\$31)
Georgia	16 (\$45)
Illinois	26 (\$99)
Indiana	20 (\$59)
Maryland	21 (\$89)
Massachusetts	16 (\$102)
Mississippi	14 (\$24)
Nebraska	20 (\$71)
New Jersey	24 (\$102)
North Carolina	13 (\$36)
North Dakota	21 (\$94)
Oklahoma	23 (\$67)
South Carolina	21 (\$42)
Tennessee	23 (\$43)
Virginia	17(\$66)
Wyoming	6 (\$20)

Note: Based on maximum monthly benefit information. These data are based on the differences in benefits provided for a three person family (most typically, a mother and two children) as compared with a two person family (a mother with one child), if each family were receiving the maximum allowable benefit. For data on maximum monthly benefits and the actual average monthly benefit for capped-benefit families, see table 5 in app. I.

^a Wisconsin and Idaho are not included in this table because cash benefits in these states are not affected by family size or the birth of additional children.

^b These figures are weighted by state family cap caseloads for three person families. Only 16 states could provide us with these caseload figures to compute the weighted average and dollar amount across states.

^c Connecticut offers a partial increase (\$50) in cash benefits to families that have an additional child while on assistance. Due to this partial increase, we compared the maximum benefit for a three person family with a partial benefit cap to the maximum benefit for a three person non-capped family.

^d Florida offers a partial increase (50 percent) in cash benefits to the first born child while a family is on assistance. Any subsequent children trigger a full family cap. Due to this partial increase, we compared the maximum benefit for a three person family with a partial benefit cap to the maximum benefit for a three person non-capped family.

Source: Craig W. Abbey, *Welfare Reform: Financial Eligibility Rules and Cash Assistance Amounts Under TANF* (Washington, D.C.: Congressional Research Service, 2000), and GAO analysis.

While we were able to estimate how the family cap affects the monthly cash benefit amount for a family, the family's income may be affected in other ways. Consequently, the cap's total effect on household income is difficult to determine. To some extent, the family cap's financial impact is offset by an increase in food stamp benefits. Because food stamp benefit calculations take into account unearned income (i.e., TANF cash assistance) and family size, capped-benefit families would receive more in monthly food stamp benefits than they would if they were not capped.²⁶ In addition, a capped-benefit family may receive more child support or retain more of its earnings than it would without the cap, due to the state level policies specific to capped-benefit families discussed previously. However, because the majority of TANF families do not engage in work activities or receive child support, the effect of the cap on their income is unlikely to be offset by the benefits these policies offer.

Twelve Percent of TANF Families Had Additional Children After Their Benefits Were Affected by the Cap

While the majority of families receiving TANF have not had additional children after their benefits were limited by the cap, about 12 percent of capped-benefit families did. These families had more than one child whose benefits were affected by the cap.²⁷ For these families, the estimated cash increase not received is likely to be greater than our average estimate of 20 percent. For example, because of the family cap, a TANF recipient who gives birth to two additional children while on TANF would receive from 21 percent in North Carolina to 38 percent in Oklahoma less in cash assistance.²⁸ As states have varying cash benefit amounts, the actual dollar amount that would not have been received ranges from \$48 a month in Mississippi to \$241 in California.

²⁶ For example, in Arkansas in fiscal year 2000, a capped-benefit family of a mother with two children would receive a smaller combined monthly amount in TANF and food stamps than a similar non-capped family (\$448 compared with \$478). This total includes less in TANF than the non-capped family (\$162 compared with \$204) but more in food stamps (\$286 compared with \$274). For more information, see Shirene Hansotia and Carmen Solomon-Fears, *Welfare Reform: Family Caps in the Temporary Assistance for Needy Families Program* (Washington, D.C.: Congressional Research Service, July 1998).

²⁷ Thirteen states provided us with information concerning the number of families who had additional children after their benefits were limited by the cap.

²⁸ As with our other estimations, this estimation is based on maximum benefit information for each state and excluded flat grant states, partial family cap states, and Wyoming, as Wyoming has a tiered benefit schedule. We estimated the difference in cash benefits for a two-person family that had two additional children while receiving public assistance.

Existing Studies Cannot Be Used to Cite Conclusive Evidence About the Impact of the Family Cap on Out-of-Wedlock Births

Due to limitations of the existing research, we cannot conclude that family cap policies reduce the incidence of out-of-wedlock births, affect the number of abortions, or change the size of the TANF caseload. There are several major difficulties in obtaining conclusive evidence on the family cap. These include appropriately measuring the number of out-of-wedlock births and separating the impact of the family cap from the impact of other major policy and program changes that took place simultaneously and from the impact of broader social, cultural, or economic changes. We identified five studies that examined the relationship between the family cap and the incidence of out-of-wedlock births. Due to their methodological limitations, none of these studies can be used to cite conclusive evidence about the effect of the family cap on out-of-wedlock births.²⁹ The studies we reviewed that examined the relationship between the family cap, abortions, and caseloads also had limitations that precluded conclusions about the effect of the family cap. (See a description of the studies and their limitations in app. II).

Multiple Difficulties in Assessing the Effect of the Family Cap

One of the major difficulties in studying the effect of the family cap is that major welfare policy changes at the state and federal levels have occurred over the past decade. These changes make it difficult to distinguish the effect of the family cap (or any other welfare policy) from the effect of other reforms, or from the impact of major changes in messages being sent to welfare recipients about self-sufficiency through welfare reform. For example, PRWORA placed more emphasis on work requirements to encourage recipients to be self-sufficient and also allowed states to have more flexibility in implementing policies such as family caps, which also encourage self-sufficiency through the goal of reducing out-of-wedlock births. In such cases, it would be difficult to separate the combined effects of the various policies into the individual effects of each on the number of out-of-wedlock births.

Another major difficulty with studying the effects of family caps on the number of out-of-wedlock births is separating the family caps' effect from societal changes occurring between 1991 and 1997. Specifically, the birth rate among teens declined and the birth rate for second children declined among women ages 15 to 24. The period in which these declining birth rates occurred overlapped with the period in which family caps were implemented. Since this overall decline began before any family caps were

²⁹ Three studies looked at the impact of the family cap on births in their welfare population, but since the majority of welfare recipients are single mothers, we discuss births under these family cap studies as out-of-wedlock births.

in effect, we can safely assume that this trend began independent of family cap implementation. Therefore, it is difficult to disentangle the true effect that the family cap policies may have had on declining birth rates from the effect of these national declines.³⁰

Another barrier to understanding the effects of the family cap is the limited availability of needed information from national data sets for studying specific welfare policies relating to out-of-wedlock births. HHS only recently began collecting data on out-of-wedlock births for welfare recipients. This data will be helpful for analyzing state-level effects of particular welfare policies, such as the family cap.

Studies Do Not Provide Conclusive Evidence on the Effect of the Family Cap

None of the five studies we reviewed was conducted in a way that would permit us to draw firm conclusions about the effect of the family cap on childbearing. Four of the studies we reviewed could not isolate the effect of the family cap from the effects of other welfare reform policies and had other shortcomings. For example, in one study, the participants did not understand whether their benefits were affected by the family cap. The fifth study was more successful at isolating the effects of the family caps, but had other limitations.³¹

While this fifth study was strongest in terms of the methods it used to examine the effects of the family cap, it was limited by the way it measured the occurrence of non-marital births. This study's strengths included controlling for the effects of other factors—broader social and economic changes, differences across states over time, and other welfare reforms implemented at, or around, the same time as the family cap. However, this study evaluated the effect of the family cap by using a ratio of non-marital births to all births (marital and non-marital). Using this ratio is problematic because even if the number of non-marital births remained constant, the ratio could still decrease or increase because of changes in the number of marital births. For example, the ratio would decrease if marital births increased and non-marital births remained

³⁰ While some of the studies in this review attempted to control for unmeasured, underlying phenomena such as this generally declining birthrate by entering variables for the effect of time, the control mechanisms used may not have been adequate due to the similarity of how time and the family cap itself were measured.

³¹ See Ann Horvath-Rose and H. Elizabeth Peters, *Welfare Wavers and Nonmarital Childbearing, For Better and For Worse: Welfare Reform and the Well-Being of Children and Families* (New York: Russell Sage, forthcoming 2001).

constant. Because of this limitation, the study cannot conclusively show the effect of the family cap on the number of non-marital births.³²

As was the case with studies examining non-marital births, other studies we reviewed were not conducted in a way that would permit us to draw firm conclusions about the effect of the family caps on abortions, family planning, or the TANF caseload. The studies we reviewed had various limitations. The most common were limitations involving the inadequate measurement of family caps and the inability to isolate the effect of the family cap from other concurrent welfare reforms. We did not identify any studies that evaluated the impact of the family cap on poverty.

HHS' Research Focuses on Employment Goal of TANF, With Limited Information Available on Goal of Reducing Out-Of-Wedlock Pregnancies

While HHS' research efforts cover a broad range of issues, including some related to reducing out-of-wedlock pregnancies, most of the studies have focused on TANF's employment-related goal. Since the enactment of PROWRA, HHS has used its research authority and resources to encourage and support evaluations of various welfare program approaches and features. As described in its Third Annual Report to the Congress on the TANF program, August 2000, HHS' research agenda has two main goals: (1) to increase the probability of success of welfare reform by providing timely, reliable data to inform policy and program design, especially at the state and local level where decision making has devolved; and (2) to inform the nation of policies chosen and their effects on children, families, communities and social well-being. Within this research agenda, as shown in table 4, in fiscal year 2000, HHS spent about \$26 million on research and technical assistance projects.³³ These projects include studies on the relative effectiveness of various approaches to moving welfare recipients into employment, the well-being of children of parents enrolled in welfare-to-work programs, and the effectiveness of job retention strategies for welfare recipients who become employed.

³² The authors stated that their results also show that time variables which capture unmeasured aspects, such as social and economic factors, play larger roles in out-of-wedlock childbearing than do welfare policies, such as the family cap.

³³ Included in this total is \$7 million in policy research funding earmarked to study the outcomes of welfare reform.

Table 4: HHS Research Funding for Fiscal Year 2000

Research Area	Description	Total Amount Funded
TANF- Welfare Reform (General)	Continuation of demonstrations states began under waivers, evaluation of child well-being and special populations under welfare reform, caseload dynamics and other topical issues. Includes grants to states and localities to enhance studies of welfare-related outcomes, household behavior and use of services.	\$9,236,081
TANF – Employment Interventions and Issues	National evaluations of sites testing interventions related to employment retention and advancement, employment interventions for rural TANF recipients and the hard-to-employ, and welfare to work strategies. Also includes evaluations of earnings reporting, research on low-skill/low-wage workers’ characteristics and employment patterns, and other employment issues for low-income families.	6,850,065
Strengthening Families	Projects related to strengthening family relations including research on effects of welfare reform on fragile families and family formation, low-income family well-being and coping mechanisms. Also includes projects on fathers, abstinence education and reducing domestic violence.	1,712,249
Child Care	National study of Low-Income Child Care, research on strategies for providing, and the economics of, high quality child care and other projects.	2,259,071
Synthesis Studies, Dissemination and Technical Assistance	Includes syntheses of evaluations of welfare reform impacts, welfare outcomes grants, state TANF policies, research on interventions being tested, and data on low-income families’ economic well-being. Also includes annual welfare reform evaluation conference, other dissemination activities and technical assistance to states.	3,482,261
Data Analysis	Includes analyses of existing data sets across a variety of topics.	559,662
Methodology Studies	Includes support for existing surveys and databases, feasibility studies, development of new questions and uses of data, and administration of specific questions of interest. Also includes funding for poverty centers.	1,515,254
Total FY 2000		\$25,614,643

Note: Includes research under the Office of Planning, Research and Evaluation in the Administration for Children and Families (ACF), which oversee TANF. The dollars include funding authorized under Section 1110 of the Social Security Act, as amended. Also includes research conducted by HHS’ Assistant Secretary for Planning and Evaluation (ASPE) with funds primarily from the Secretary’s Policy Research account.

Source: Department of Health and Human Services.

Although most of the studies and research focus on employment-related issues, HHS does support some research related to the TANF goal of reducing out-of-wedlock pregnancies. For example, some of the evaluations begun under waivers as well as a few studies of families who have left welfare have gathered some information relating to the family cap and out-of-wedlock pregnancies among welfare recipients. In addition, HHS has been involved with a significant initiative aimed at reducing teenage pregnancy³⁴, has funded research projects related to helping young

³⁴ For more information on research related to teen pregnancy, see Douglas Kirby, *Emerging Answers: Research Findings on Programs to Reduce Teen Pregnancy* (Washington, D.C.: The National Campaign to Prevent Teen Pregnancy, 2001).

adults avoid premature sexual activity and unintended pregnancies, and has just recently begun a project involving interventions for unwed parents at the time of their child's birth. HHS is also involved in a major on-going evaluation of abstinence education programs designed to strengthen the research base and public knowledge about promoting abstinence among youth and the benefits of various approaches. Moreover, in fiscal year 2000, HHS has taken steps to increase the availability of information related to out-of-wedlock childbearing activities by requiring states to include information on their strategies for reducing out-of-wedlock pregnancies in their TANF annual reports. HHS also requires states to report data on the incidence of out-of-wedlock births among the TANF caseload. This new information may help HHS, states, and researchers share information on promising approaches to reducing out-of-wedlock pregnancies and contribute to a state's ability to qualify for the Bonus to Reward Decrease in Illegitimacy Ratio.

Even with the research under way and the steps HHS has recently taken, additional efforts may prove useful in, for example, improving data availability, conducting implementation studies, and striving to improve effectiveness studies. In our recently completed comprehensive review of the data available to assess states' progress in meeting TANF's goals, we found limited information regarding the goal of reducing out-of-wedlock pregnancies, particularly in comparison to the more widely available information related to helping welfare parents reduce their dependence on welfare through job preparation and employment.³⁵ In some ways this is not surprising, given that states have focused their efforts on helping welfare recipients find employment and become economically independent. One expert said that states have focused their efforts on employment because much more is known about effective strategies for moving welfare recipients into work than is known about strategies for reducing births. Another expert believes that states have focused more on employment goals because more consensus exists about the role of government in helping welfare recipients become employed than about its role in influencing people's childbearing decisions. HHS could play an important role in encouraging and supporting additional research in this area to support states' efforts in meeting TANF goals.

Conclusion

In the new and evolving welfare environment created by PRWORA, states have tremendous flexibility to design and implement strategies to meet

³⁵ See *Welfare Reform: Data Available to Assess TANF's Progress* (GAO-01-298, Feb. 2001).

four key TANF goals: providing assistance to needy families; ending dependence on government aid through job preparation, employment, and marriage; preventing and reducing out-of-wedlock pregnancies; and promoting two-parent families. States have moved ahead with strategies designed to move welfare recipients into employment, an area where much research exists providing useful information about what works best and for whom. While states have been much less active in implementing strategies to reduce out-of-wedlock pregnancies, the use of family cap policies does show interest among states in meeting this congressionally-established goal. Yet, policymakers and program administrators have limited information available to help in understanding the effectiveness of the family cap or to aid in devising and implementing other strategies that may prove effective in reducing out-of-wedlock births. While overcoming the inherent difficulties in assessing the effectiveness of family cap policies and other approaches in the new welfare environment may be challenging, taking steps to improve data availability, conduct implementation studies, and improve effectiveness studies would be useful. State, local, and federal program administrators and policymakers would be well served by a stronger research base upon which to draw information on a range of effective strategies for reducing out-of-wedlock pregnancies.

Even though the new welfare system is highly decentralized, PRWORA explicitly charged HHS with conducting research on state TANF programs, and HHS has played an important role in identifying and disseminating information on effective strategies for meeting welfare reform goals, with a particular focus on TANF's employment-related goal. HHS also has supported some research that addresses effective strategies for accomplishing the goal of reducing out-of-wedlock pregnancies. In addition, HHS has taken steps to ensure that more data will be available from states on births to welfare recipients and on strategies that states have implemented to reduce out-of-wedlock pregnancies. Still, if HHS strengthened its efforts in this area and improved the research base, it could enhance states' efforts to address this TANF goal. Moreover, if HHS submits information on its research agenda and efforts with estimated resource needs to the Congress, the Congress will have useful information to use as it considers TANF reauthorization and related research needs.

Recommendations to the Secretary of Health and Human Services

We recommend that the Secretary of HHS review its research agenda and, if appropriate, take steps to identify, encourage, and support additional studies that would increase the availability of information on how best to prevent and reduce out-of-wedlock pregnancies and more fully support the goals of TANF. This additional work could include improving the availability of data to support studies, working with states to identify and

disseminate information on relevant promising practices, and supporting rigorous evaluation studies. Having additional research in this area would provide important information to administrators and policymakers and support the Congress' efforts to reward states for strategies that succeed in reducing out-of-wedlock births.

We also recommend that HHS provide its research agenda, with estimated resource needs, to the Congress for its use as it considers TANF reauthorization, including decisions about the role of HHS in conducting research and the resources HHS needs to fulfill that role. This will help to ensure that the key research and technical assistance needs of this \$16.5 billion federal program are met.

Agency Comments

We provided HHS with an opportunity to comment on the report. HHS agreed with our conclusion that available research does not address the effect of family cap policies and said that the report addressed an important topic. A copy of HHS' response is in appendix III. We also incorporated technical comments we received from HHS where appropriate.

Regarding our recommendation about the need for more research on effective strategies for reducing out-of-wedlock births, HHS agreed that more research is needed, but noted that additional detail in the report on the methodological limitations of existing research would be helpful for understanding the significance of the existing studies and for individuals thinking about additional research. We believe the level of discussion on limitations in the report, including the appendix, is sufficient to address the focus of this report—what conclusions can be drawn about the effectiveness of the family cap from existing research—and to point to ways to improve studies on the family cap. Regarding our second recommendation that HHS provide its research agenda to the Congress for its use as it considers TANF reauthorization, HHS noted that it already has in place several mechanisms for keeping the Congress informed about its welfare research activities. These include annual reports to the Congress on its study of the outcomes of welfare reform with brief descriptions of welfare outcomes projects planned for funding each year, a chapter describing its research agenda in the annual TANF report to the Congress, and briefings to interested congressional staff upon request. We are aware of these information sources and believe they provide important information to the Congress. However, we continue to believe that it would be useful for HHS to provide its research agenda to the key authorizing committees for the TANF program, with estimated resource

needs, in a form designed specifically to aid the Congress in TANF reauthorization would serve a useful purpose.

HHS also expressed concern that readers might get an unnecessarily narrow view of the strategies available to address the goal of reducing out-of-wedlock pregnancies because the report focuses solely on family cap policies and research. As HHS noted, the TANF goal of preventing and reducing out-of-wedlock pregnancies addresses the overall population, not just welfare families, and only a modest portion of out-of-wedlock births is attributable to the welfare population. Yet, family cap policies focus by definition on welfare families. We agree that this is an important point and that other strategies can address the goal of reducing out-of-wedlock pregnancies, such as the National Campaign to Prevent Teen Pregnancy, which we mentioned in the report. While a comprehensive review of the research related to strategies to reduce out-of-wedlock pregnancies was not the focus of this report, we did look beyond research on the family cap to assess whether HHS' welfare-related research agenda supported the broad goal of preventing and reducing out-of-wedlock pregnancies and concluded that more research on strategies for addressing this goal, including those beyond the family cap, could play an important role in encouraging states efforts in this area. As suggested by HHS, we added a reference to the recently completed review of evaluation research related to reducing teen pregnancy.

We also provided the draft report to two experts on welfare research, who agreed with our findings and overall conclusions. They also provided technical comments that we incorporated as appropriate.

As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its issue date. At that time, we will send copies of this report to the Honorable Max Baucus, Chairman, and the Honorable Charles Grassley, Ranking Minority Member, Senate Committee on Finance; the Honorable Bill Thomas, Chairman, House Committee on Ways and Means; the Honorable Wally Herger, Chairman, and Honorable Benjamin Cardin, Ranking Minority Member, Subcommittee on Human Resources, House Committee on Ways and Means; the Honorable Tommy Thompson, Secretary of Health and Human Services; appropriate congressional committees; and other interested parties. We will also make copies available upon request.

If you have any questions about this report, please contact me on (202) 512-7215. Other GAO contacts and staff acknowledgments are listed in appendix IV.



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

Appendix I: Scope and Methodology

This appendix provides more detail on how we (1) assessed the number of families whose benefits were affected by the family cap in an average month and the amount of cash benefits not received by capped-benefit families and (2) identified studies on the impact of the family cap and analyzed the content of those studies. We conducted our work between July 2000 and September 2001, in accordance with generally accepted government auditing standards.

Assessing the Number of Capped-Benefit Families in an Average Month and the Amount of Cash Benefits Not Received by Capped-Benefit Families

To determine the number of families whose benefits were affected by the family cap in an average month, we requested federal fiscal year 2000 data from TANF programs in all states with family cap policies. Twenty states provided us with the information that was used to determine the average monthly number of families in 2000 whose benefits were affected by the family cap in these states. Not all states were able to give us this information by family size. We requested the same caseload data for all TANF families in the family cap states.

In order to estimate the monthly amount of cash assistance capped-benefit families did not receive due to the family cap, we used information provided by the Congressional Research Service. We estimated how much less families would receive because of the family cap policy by calculating the difference between the maximum benefit for two and three person families. (See table 5.)

To determine the average monthly cash benefit for three person capped-benefit families, we asked states for the average monthly cash benefit level for families affected by the cap by family size. We then weighted this average number for three person families by the three person family cap caseload in each state. Not all states were able to provide benefit levels for families affected by the cap, nor were all states able to provide information by family size.

Table 5: Estimated Cash Benefit Not Received by a Capped-Benefit Family in an Average Month, by State

Based on a 2- person family that has an additional child on welfare (FY 2000)				
Family cap states ^a	Maximum monthly benefit for 2-person families	Maximum monthly benefit for 3-person families	Estimate of cash benefit not received with additional child	Average monthly cash benefit for 3-person capped-benefit families
Weighted figures ^b			20% ^b (\$100)	\$394 ^b
Arizona	275	347	21% (\$72)	^c
Arkansas	162	204	21% (\$42)	147
California	505	626	19% (\$121)	467
Connecticut	563	636	11% ^d (\$73)	425
Delaware	270	338	20% (\$68)	^c
Florida	272	303	10% ^e (\$31)	272
Georgia	235	280	16% (\$45)	^c
Illinois	278	377	26% (\$99)	^c
Indiana	229	288	20% (\$59)	156
Maryland	328	417	21% (\$89)	279
Massachusetts	535	637	16% (\$102)	488
Mississippi	146	170	14% (\$24)	138
Nebraska	293	364	20% (\$71)	283
New Jersey	322	424	24% (\$102)	329
North Carolina	236	272	13% (\$36)	228
North Dakota	363	457	21% (\$94)	332
Oklahoma	225	292	23% (\$67)	208
South Carolina	162	204	21% (\$42)	147
Tennessee	142	185	23% (\$43)	^c
Virginia	323	389	17% (\$66)	216
Wyoming	320	340	6% (\$20)	^c

Note: Based on maximum monthly benefit information. These numbers represent the change in benefits from two person to three person families—also the difference between a three person capped-family and a three person non-capped family—if a family were to receive an increase in the maximum allowable benefit. We include data on the actual average monthly benefit for reference, as most families do not receive the maximum benefit.

^a Wisconsin and Idaho are not included in this table because in these states cash benefits are not affected by family size or the birth of an additional child.

^b These figures are weighted by state family cap caseloads for three person families. Not all states could provide us with three person capped-benefit caseloads or average cash benefits for three person capped-benefit families. Therefore, the weighted average not received is based on data from 16 states and the weighted average benefit is based on data from 14 states.

^c Not available.

^d Connecticut offers a partial increase (\$50) in cash benefits to families that have an additional child while on assistance. Due to this partial increase, we listed the maximum benefit for a three person capped benefit family under the maximum two person family benefit column.

^e Florida offers a partial increase (50%) in cash benefits to the first child born while a family is on assistance. Any subsequent children trigger a full family cap. Due to this partial increase, we listed the maximum benefit for a three person capped benefit family under the maximum two person family benefit column.

Source: Craig W. Abbey, *Welfare Reform: Financial Eligibility Rules and Cash Assistance Amounts Under TANF* (Washington, D.C.: Congressional Research Service, 2000), GAO 2001 Survey, and GAO analysis.

Many states were able to give us estimates based on the twelve months of state TANF data from federal fiscal year 2000, however some were only able to give us data for state fiscal year 2000. Most states collected data on the universe or population to respond to our request, while a few states used a sampling methodology.

Identifying Family Cap Evaluations and Reviewing the Studies

We collected, reviewed, and analyzed information from available published and unpublished research on the effect of the family cap. To identify the literature, we followed three procedures:

1. interviewing experts to find out what studies were completed or in the process of being completed on the impact of the family cap;
2. conducting library and internet searches; and
3. reviewing bibliographies of studies that focused on family cap issues.

Our final list consisted of nine studies, as listed in the bibliography, which evaluated the impact of the family cap on the incidence of out of wedlock-births and abortions and the impact on TANF caseloads. We were unable to identify any studies evaluating the effect of the family cap on poverty.

For the studies in our review, we recorded the quantitative results, summarized the methodologies used, and summarized the authors' conclusions about the effect of the family cap. We used social science research principles to assess the methodological adequacy of these studies, and to assess the degree to which the study was able to isolate the effect of the family cap from other, concurrent welfare reform initiatives. At least two social scientists or statisticians with specialized training in evaluation research methodology reviewed each study. Conclusions in this report are based on our assessment of the evidence presented in these studies.

We sent the list of research articles and summaries of our reviews of the studies to several experts who have conducted, or been involved in summarizing, extensive research in the field of welfare reform to confirm the comprehensiveness of our list of articles and the thoroughness of our reviews. We also conducted a second search in June 2001 to ensure that no new research articles or reviews had been published since our original search. We identified one new article on the effect of the family cap and

other variables on child maltreatment.¹ We did not have adequate time to incorporate an analysis of this study into our final report.

¹ See Christina Paxson and Jane Waldfogel, "Welfare Reforms, Family Resources, and Child Maltreatment," *The Incentives of Government Programs and the Well-Being of Families*, eds. Bruce Meyer and Greg Duncan, prepared for the Joint Poverty Center Conference on Incentive Effects of Tax and Transfer Policies (Washington, D.C.: Dec. 7-8, 2000).

Appendix II: Studies on Family Cap Effect

Table 6: Studies on Family Cap Effect on Births, Abortions, and/or Family Planning Outcomes

Findings	Limitations	Does the study isolate the impact of the family cap?	Degree to which the study provides evidence for an effect of the family cap
<i>Camasso, Michael J. and others. A Final Report on the Impact of New Jersey's Family Development Program: Experimental-Control Group Analysis. October 1998.</i>			
<p>The experimental group that was exposed to the Family Development Program (FDP), including the family cap, had the following outcomes when compared to the control or comparison group:</p> <ul style="list-style-type: none"> • A 9-12 percent lower birth rate for ongoing and new cases <p><u>For ongoing cases:</u></p> <ul style="list-style-type: none"> • No differences for abortion rates • 10 percent higher use of family planning services • 28 percent more sterilizations <p><u>For new cases:</u></p> <ul style="list-style-type: none"> • A 14 percent higher abortion rate • 21 percent higher use of contraception drugs and devices • No statistically significant differences in family planning utilization or sterilization 	<ul style="list-style-type: none"> • Confusion among experimental and control group members as to whether or not their benefits were affected by the family cap (contamination). • Subject attrition. 	No	Weak evidence that caps decreased the number of births and increased the number of abortions.
<i>Camasso, Michael J. and others. A Final Report on the Impact of New Jersey's Family Development Program: Results from a Pre-Post Analysis of AFDC Case Heads from 1990-1996. July 1998.</i>			
<p>Exposure to the Family Development Program, including the family cap, resulted in a projection of 14,057 fewer births and 1,429 more abortions among AFDC recipients of childbearing age.</p>	<ul style="list-style-type: none"> • Statistical modeling choice not appropriate to the data. • Pre-post design with no control group. • Inadequate control variables. 	No	Weak evidence that caps increased the number of abortions. No evidence of an effect on the number of births.
<i>Turturro, Carolyn, Brent Benda, and Howard Turney. Arkansas Welfare Waiver Demonstration Project: Final Report, 1997.</i>			
<p>There were no statistically significant differences between families whose benefits were affected by the family cap policy and those that were not.</p>	<ul style="list-style-type: none"> • Confusion among experimental and control group members as to whether or not their benefits were affected by the cap (contamination). • Subject attrition. 	No ^a	No evidence of any effect on births.

Findings	Limitations	Does the study isolate the impact of the family cap?	Degree to which the study provides evidence for an effect of the family cap
<i>Horvath-Rose, Ann and H. Elizabeth Peters. "Welfare Waivers and Nonmarital Childbearing," For Better and For Worse: Welfare Reform and the Well-Being of Children and Families. Forthcoming 2001.</i>			
The family cap is associated with a 9 percent decrease in out-of-wedlock births for all teens and a 12 percent decrease for post-teens. They also found that changes in variables such as social stigma and unmeasured aspects of socio-economic factors used in the analysis play a larger role than changes in welfare policy.	<ul style="list-style-type: none"> The dependent variable is sensitive to changes in marital births, which may confound the measurement of effects on non-marital births. It is unclear how the model controls for the effect of time, yet the study found that time trends had the largest effect on non-marital births. 	Yes	Weak evidence that the caps decreased the number of births.
<i>Mach, Traci. Measuring the Impact of Family Caps on Childbearing Decisions. Cited Mar. 2001.</i>			
Having one's benefits affected by a family cap has reduced fertility among welfare recipients by 10 percent.	<ul style="list-style-type: none"> Possible selection bias because people were omitted from the sample who may be systematically different from those who remained (people who moved from one year to another are excluded from the analysis). Lack of adequate control variables. Use of Current Population Survey data may result in a small state samples of welfare recipients. Does not address "lead" ("advertising") effects.^b 	No	Weak evidence that caps decreased the number of births.

^aThe only intervention implemented besides the family cap was increased family planning.

^b"Lead" or "advertising" effects refer to the idea that welfare recipients may hear about, and react to, potential welfare policy changes that are advertised through popular media but have not yet actually taken effect.

Table 7: Studies on Family Cap Effect on TANF Caseloads

Findings	Limitations	Does the study isolate the impact of the family cap?	Degree to which the study provides evidence for an effect of the family cap
Blank, Rebecca M. What Causes Public Assistance Caseloads to Grow? Cited Oct. 2000.			
Significant negative (decrease in caseloads) effect for the family cap	<ul style="list-style-type: none"> Minor issues on the measurement of family cap. Much of the family cap effect occurs before the cap is actually approved or implemented. 	No ^a	Weak evidence that the cap decreased caseload size.
Council of Economic Advisers. The Effects of Welfare Policy and the Economic Expansion on Welfare Caseloads: An Update. 1999.			
Significant positive (increase in caseloads) effect for the family cap	<ul style="list-style-type: none"> “Lead” (“advertising”) effects discussed but conclusions not reported.^b Questions about measurement of waiver policies over appropriate time frames (were states under waivers long enough to measure effects?) 	No ^a	Weak evidence that the cap increased caseload size.
Moffitt, Robert A. The Effect of Pre-PRWORA Waivers on AFDC Caseloads and Female Earnings, Income and Labor Force Behavior. 1999.			
Significant negative effect for family cap	<ul style="list-style-type: none"> Models not robust (results from different analyses are sensitive to changes in variables included or years of data included in the data set. E.g., when 1996 data is included, there are no significant effects, but when 1996 is dropped, there is an effect). “Lead” (“advertising”) effects not controlled for.^b 	No ^a	Weak evidence that the cap decreased caseload size.
Stapleton, David, Gina Livermore and Adam Tucker. Determinants of AFDC Caseload Growth. 1997.			
Significant negative effect for family cap on single-parent caseloads, no significant effect on two-parent caseloads, significant increase of average monthly benefits	<ul style="list-style-type: none"> Study produces national estimates of the effect of the family cap, yet only three of the 50 states and the District of Columbia had implemented family caps during the study time frame. Authors felt their measurement of the family cap was confounded with measuring administrative changes toward decreasing caseloads in those 3 states. 	No ^a	Weak evidence that the cap decreased caseload size and increased average monthly benefits.

^aThe authors themselves suggest that separate effects of the various waivers were not correctly captured by the variables used to measure the family cap.

^b“Lead” or “advertising” effects refer to the idea that welfare recipients may hear about, and react to, potential welfare policy changes that are advertised through popular media but have not yet actually taken effect.

Appendix III: Comments from the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

AUG 29 2001

Ms. Cynthia 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, "Welfare Reform: More Research Needed on TANF Family Caps and Other Policies for Reducing Out-of-Wedlock Births." 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 also provided some technical comments directly to your staff.

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

Sincerely,

Michael Mangano

Michael F. Mangano
Principal Deputy
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
GAO DRAFT REPORT, "WELFARE REFORM: MORE RESEARCH NEEDED ON TANF
FAMILY CAPS AND OTHER POLICIES FOR REDUCING OUT-OF-WEDLOCK BIRTHS"
(GAO-01-924)

General Comments

The Department of Health and Human Services appreciates the opportunity to comment on the General Accounting Office's (GAO) draft report, which addresses an important topic.

We agree with the overall conclusion that available research does not address the effect of family cap policies. However, the discussions about the family cap research findings in the report are oblique. It would be more helpful for understanding the significance of the studies (and for those thinking about additional research) if the report spoke more directly about the methodological limitations. Without that discussion, it is not clear that the recommendation that the Department encourage and support additional studies will improve our understanding of strategies to prevent and reduce out-of-wedlock pregnancies.

The focus of GAO's report is on the effect of State family caps on out-of-wedlock pregnancies among welfare recipients. The report carries an implicit assumption that family caps were put in place to reduce out-of-wedlock childbearing. It should be noted, however, that some States adopted family cap policies in order to achieve greater equity between welfare and working poor families, who do not get raises in their wages when additional children are born. The broader intent of treating aided families like working families was to further the message that self-sufficiency requires families to assume responsibilities. Therefore, family caps were intended to impact not only out-of-wedlock births, but dependency as well. Determining the effects of family caps on dependency would also be difficult.

Another reason for believing that family caps were established not just for the purpose of reducing out-of-wedlock pregnancies is that the existing family cap provisions do not target single-parent families (that is, existing family cap provisions treat married-parent families and single-parent families comparably). Further, family caps only affect families that are currently on a caseload. Only a modest portion of out-of-wedlock births is attributable to this population. Thus, family caps do not seem to be the most appropriate tool for preventing and discouraging out-of-wedlock childbearing. By associating family caps with goal three of Temporary Assistance for Needy Families (TANF), which is 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 not explaining the relationship, one runs the risk of giving readers an unnecessarily narrow view of the strategies available to address this goal.

It should also be noted that the report does not recognize or analyze the rather extensive body of literature and research that addresses the broader topic of preventing and reducing out-of-wedlock births, particularly with respect to the prevention of teen pregnancy. As an example, the National Campaign to Prevent Teen Pregnancy recently funded a report entitled "Emerging Answers: Research Findings on Programs to Reduce Teen Pregnancy." This report is a relatively comprehensive review of evaluation research that offers the most recent information

on the effectiveness of a variety of programs. While we agree that additional research is needed in this area, GAO could have analyzed the available broader research and suggested specific research gaps.

GAO Recommendation

We recommend that the Secretary of HHS review its research agenda and, if appropriate, take steps to identify, encourage, and support additional studies that would increase the availability of information on how best to prevent and reduce out-of-wedlock pregnancies and more fully support the goals of TANF. This additional work could include improving the availability of data to support studies, working with states to identify and disseminate information on relevant promising practices, and supporting rigorous evaluation studies. Having additional research in this area would provide important information to administrators and policymakers and support the Congress' efforts to reward states for strategies that succeed in reducing out-of-wedlock births.

We also recommend that HHS provide its research agenda, with estimated resource needs, to the Congress for its use as it considers TANF reauthorization, including decisions about the role of HHS in conducting research and the resources HHS needs to fulfill that role. This will help to ensure that the key research and technical assistance needs of this \$16.5 billion federal program are met.

Department Comment

The Department is funding additional research on family formation issues during Fiscal Year 2001, including projects on State efforts to reduce out-of-wedlock pregnancies, State efforts to strengthen marriage, and studies of welfare policies and family structure.

The Department already has in place several mechanisms for keeping Congress informed about our welfare research activities, and we question the necessity of including a recommendation that the Secretary submit our welfare research agenda as a source of useful information as Congress considers the reauthorization of TANF. For the last 4 fiscal years the Department has, in response to appropriations conference report language, submitted annual reports to Congress on our study of the outcomes of welfare reform. These reports have highlighted our general strategies for understanding the outcomes of welfare reform; described the results and findings of Department-supported research projects, including findings from our grants to States and counties to study families who left the TANF program; and included brief project descriptions of welfare outcomes projects planned for funding each year. Similarly, the annual TANF reports to Congress include a chapter on TANF research that highlights the goals of the Department's welfare reform research agenda, the strategies for achieving those goals, the primary welfare reform topic areas, and key findings from funded projects.

In addition, the Department routinely provides briefings upon request to interested congressional staff on welfare research topics of their choosing. One recent topic of particular interest has been the Department's evaluation of abstinence education programs that are related to the third TANF goal of preventing and reducing the incidence of out-of-wedlock pregnancies.

Appendix IV: GAO Contacts and Staff Acknowledgments

GAO Contacts

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In addition to those named above, the following individuals made important contributions to this report: Sara Schibanoff, Mary Abdella, and Shannah Wallace. Wendy Ahmed, Doug Sloane, Rudy Chatlos, Laura Shumay, Jim Wright, and Patrick DiBattista also provided key technical assistance.

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Related GAO Products

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

Welfare Reform: Progress in Meeting Work-Focused TANF Goals ([GAO-01-522T](#), Mar. 15, 2001).

Welfare Reform: Data Available to Assess TANF's Progress ([GAO-01-298](#), Feb. 28, 2001).

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

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

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

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

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Welfare Reform: HHS' Progress in Implementing Its Responsibilities ([HEHS-98-44](#), Feb. 2, 1998).

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