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The Impact of States' Policy Response to the Deficit Reduction Act (DRA) on the TANF Work Participation Rate

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THE IMPACT OF STATES' POLICY RESPONSE TO THE DEFICIT REDUCTION ACT (DRA) ON THE TANF WORK PARTICIPATION RATE

By

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Dedicated to my father, mother, sister, and brother for their enormous love and support

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ABSTRACT

Since the welfare reform in 1996, Temporary Assistance to Needy Families (TANF) research has been centered on the debate with respect to whether states given more independence to make their own choices after 1996, have engaged in a competitive “race to the bottom” to reduce benefits for needy people. Despite the mixed empirical findings, the race to the bottom (RTB) debate in TANF is still a popular subject due to the states’ adoption of more severe sanctions, more stringent eligibility, and the overall decline in TANF caseloads. While discussing the race to the bottom in TANF, little attention was given to the impact of the Deficit Reduction Act (DRA) of 2005, which caused significant changes in policy related to implementing TANF. Studies have not been undertaken to determine how states responded to the DRA, not only to meet the tougher requirements but also to serve an increasing number of needy people who were the least likely to be assisted through TANF, were it not for states’ strategic plans (e.g., creating solely state funded programs and creating/extending worker supplement programs). This study seeks to test the impact of states’ policy responses to the DRA on the TANF work participation rates, an official performance indicator of TANF. In order to empirically test this, a multivariate model is introduced to reveal the differences in TANF performances between states that actively responded to the DRA by adopting programs for more lenient coverage (i.e., worker supplement programs and solely state funded programs) and implementing severe sanctions for noncompliance with work requirements, and those that did not. The dataset is a balanced panel, consisting of fifty states over a 7-year period (2007-2013). The test results show that states implementing worker supplement programs achieve higher TANF performance than states without them. Also, we find that sanction effects may be much larger than we have known given that states sanctioning entire families and/or imposing harsh disqualification on SNAP for failure

to comply with TANF work requirements are more likely to show higher performance in TANF work participation rates. Unlike our expectation, states' generous stance in welfare programs does not affect achieving higher TANF performance.

CHAPTER 1

INTRODUCTION

1.1 TANF Research Questions

As a society becomes more developed and matured, needs for a well-established welfare system increases accordingly because it reflects people's overall quality of living. In the United States, welfare has been one of the core values society pursues, but debates have always existed with respect to what is an appropriate level of welfare given limited resources. Temporary Assistance for Needy Families (TANF), former Aid to Families with Dependent Children (AFDC), has been central to this debate because it was the primary safety net program providing cash assistance to needy families with children. Since its enactment in 1996, major changes in welfare policy have occurred (e.g., the passage the Personal Responsibility and Work Opportunity Act (PROWRA) in 1996 and the Deficit Reduction Act of 2005). After the passage of PROWRA, new requirements (i.e., time limits and work requirements) were imposed on states in exchange for federal block grants, while the Deficit Reduction Act of 2005 established tougher requirements that made it more difficult for states to achieve higher TANF work participation rates and caseload reductions.

When the new laws were enacted, states adopted federal rules and established (or modified) their own laws and rules that govern TANF recipients and administrators. As a result, states' TANF policies started to have their own distinguishing features together with some elements in common; however, those distinctive policy choices have not been given much attention in comparative studies. Rather, TANF outcomes such as enrollment and caseloads are more often highlighted to show that the number of TANF recipients declines over time. A recent report by the Center on Budget and Policy Priorities (CBPP) says that the number of needy families receiving TANF benefits decreased dramatically from 68 families in 1996 to 26 families in 2013 for every 100 families below poverty level, implying that TANF may not work as it is supposed to work (Floyd et al, 2015). Under this circumstance, the “race to the bottom” argument—in which states competitively behave to avoid serving more needy people by reducing benefits and increasing stringency for enrollment—has gained prominence and confirmation since the welfare reform in 1996.

Scholars predicted that change from the categorical grants (i.e., matching grants) to block grants would exacerbate the race to the bottom phenomenon by allowing states to have more discretion in determining eligibility requirements and the level of benefits; states would provide less generous welfare benefits compared to neighboring states in order to avoid being magnets for needy people (Peterson, 1996; Schram and Soss, 1998). This argument seems convincing because national TANF caseloads indeed have been decreasing by more than 60 percent since 1996, but poverty rates have become even higher than those in 1996 (Center on Budget and Policy Priorities, 2015). Moreover, according to the data released by the Urban Institute, it is apparent that states have moved towards adopting more stringent sanction policies since the welfare reform in 1996

Unlike the 1996 welfare reform, which was spotlighted and rigorously studied in its association with the occurrence of race to the bottom, the 2005 Deficit Reduction Act (DRA) has been empirically less studied though it generated significant changes in the ways states implemented TANF. In accordance with the passage of DRA and its aftermath that caused tougher requirements states must meet, states adopted new laws and rules and took strategic actions to pursue goals of meeting the changed requirements. The major concern of states was tougher work requirements they must meet due to the changes in the way TANF work participation rates are calculated.

To cope with such changes, some states created solely state funded programs to assist people who are likely to fail to meet the work requirements with state only funds that are not related to TANF. Since TANF or MOE funds[1] are not involved, TANF time limit and work participation rules do not apply to those people served through solely state funded programs. Along with solely state funded programs, other states adopted worker supplement programs[2] to help working low-income families, mostly former TANF recipients, stay in employment or modified the program to extend the coverage to working low-income families regardless of whether they receive TANF funds. However, it is still unknown whether those programs implemented after the DRA were really effective in enhancing TANF performance due to the lack of empirical studies.

This study seeks to examine the impact of states' policy response to the DRA on the TANF performance, using the measure of work participation rates. Three policies are regarded as states' active policy choices in response to the DRA in the analysis: (1) solely state funded

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[1] MOE stands for 'Maintenance of Effort', and MOE funds are also called as state TANF funds. States are required to spend 75 or 80 percent of their spending in 1994 for needy people in order to receive federal block grants, and this is referred to as state MOE requirement (Schott, 2012). States can use federal TANF block grants and/or state MOE funds (i.e., state TANF funds) to provide benefits to TANF recipients.

[2] Worker supplement program provides former TANF recipients with cash payments and/or transitional services such as childcare and transportation for a limited period to help them successfully make a transition from welfare to work.

programs, (2) worker supplement programs, and (3) sanction policies. Based on the idea that states' strategic policy response to the passage of DRA may be influenced by or related to the generosity of other welfare policy choices they made (e.g., General Assistance program, coverage for post welfare immigrants, state Earned Income Tax Credit, TANF time limit, and diversion program), states' generosity in various welfare programs are also taken into account.

1.2 Previous Studies on TANF

Since the national welfare reform in 1996, there have been primarily two distinct approaches in studying TANF which examine: (1) states' stringency in TANF after the welfare reform and (2) TANF performance outcomes. Researchers following the first approach have tended to focus on what determines TANF stringency across states, and states' stringency was measured differently according to their study's purpose. Their main purpose was to find out what factors are associated with states being more or less generous to the poor in TANF policies, and explain variation in TANF benefit levels, eligibility levels, or requirements. Scholars studied, in a block granted program with fewer federal mandates of coverage and benefit levels, what kind of choices states would make and if states would converge or diverge in this long standing intergovernmental policy area with more independence of policy choices given to the individual state policy makers.

Fellowes and Rowe (2004) investigated the impact of pressure from constituents (race, income bias, and public ideology), institutions (government ideology and democratic composition of legislature), resources and paternalism on three different dependent variables, TANF eligibility, TANF flexibility, and benefit levels[3]. They confirmed findings of Soss et al (2002) that states with higher percentages of African-Americans are more likely to be strict in TANF policy. Their results also revealed that conservative state governments and lower democratic control in legislatures are more likely to restrict eligibility for potential and current TANF recipients and have less flexibility in administering TANF work requirements. Klarner et al (2007) also showed a similar test result with Soss et al (2002) and Fellowes and Rowe (2004) in that states with higher percentages of African-Americans are more likely to adopt the family cap policy[4]. They used three TANF policies to measure states' generosity in TANF: (1) monthly TANF benefits for a family size of four compared to states' costs of living, (2) time limits, and (3) family caps. And their findings suggest that states with higher interest group influence and conservative public opinion[5] are more likely to be strict by providing less cash benefits and adopting shorter time limits.

Others studied TANF performance after the welfare reform in 1996, looking at TANF outcomes such as enrollment rates and caseload trends in terms of whether the caseload decline is due to

3 Three dependent variables represent the level of state generosity in TANF. TANF eligibility indicates how states restrict eligibility of potential and current TANF recipients by adopting rules that limit their participation. Fellowes and Rowe used an eligibility index based on 28 components (questions), and states are coded as 1 if a rule is adopted. The higher value indicates states' more strict policy in TANF eligibility. TANF flexibility represents the degree of states' flexibility in administering TANF work requirements. It is measured by the index they created, which consists of 12 components (12 questions about whether states have rules). States are coded as 1 if they adopt a rule, and the higher value indicates more flexible policy in work requirements. Benefit variable is measured by dividing benefit for a family size of three (one parent and two children) in 1997 dollar value by costs of living in 1997, and higher number represent states' more generosity in cash benefits (Fellowes and Rowe, 2004).

4 Family cap policy is a state option as to whether states provide assistance for an additional child for families who are already receiving TANF benefits (Klarner et al, 2007).

5 Interest group influence is measured by the proportion of registered lobbyists whose interests are potentially related to welfare policy to the total registered lobbyists in a state. Public opinion conservatism is measured by subtracting conservative percent by liberal percent based on the Gerald Wright's ideology data (Klarner et al, 2007).

employment or sanctions across states (Acs and Loprest, 2007; Cancian et al, 2002; Ewalt and Jennings, 2004; Stuber and Kronebusch, 2004). These studies focused on what caused variation in TANF enrollment rates or caseload reduction, and assessed whether TANF was working as planned, reducing poverty and helping needy families.

Past research helped us better understand what state policy changes in TANF occurred after the 1996 welfare reform, the status of TANF implementation across states, and some of the TANF policy impacts. But previous studies have missed some important research questions that this study takes up. First, most studies focused primarily on the impact of the 1996 'welfare reform'. Looking back over the last two decades, there have been major policy changes in TANF other than ones initiated by the 1996 law reforms; the most significant one would be the passage of the Deficit Reduction Act of 2005. Very little recent literature has studied empirically the aftermath of DRA and its impacts on state TANF policies. Second, as demonstrated in the research question section above, scholars showed incomplete perspectives in examining TANF, neglecting other benefits states have provided to help more needy people whose benefits are likely to be terminated under the DRA due to changes in calculating work participation rates.

Lastly, a required performance measure, TANF work participation rate, has been rarely used as a dependent variable in previous studies. Past researchers focused on states' stringency and changes in TANF caseloads. As a result, they often used binary variables for states' stringency as their dependent variables or continuous dependent variables for changes in TANF caseloads (i.e., percentages of TANF cases decreased or increased). Due to the lack of sufficient empirical studies using TANF participation rates as dependent variables, it is unknown how each state's policy decision affected TANF work participation rates after the enactment of DRA and what implications we can obtain for the better improvement in TANF performance.

Compared to the TANF caseload, which has been widely used as a dependent variable in previous TANF studies, work participation rate is a crucial and useful indicator especially in assessing the success of state programs in TANF. Some state programs this study discusses (e.g., worker supplement programs and sanctions) target work eligible recipients and are designed and implemented to encourage them to actively engage in work activities and stay employed long enough to get off welfare; however, "changes in TANF caseloads" as a dependent variable does not capture this element. Lower caseloads per capita only tell us about decreased demand in a state, not implying the successful implementation of state programs without additional information on to what extent caseload decline is attributed to recipients' voluntary exit due to employment. In addition, nearly half of all TANF recipient families are exempted from work requirements and thus are not used in the work participation calculation[6]. Therefore, using TANF work participation rate as a dependent variable seems more informative in assessing the impact of state policies that are closely related to recipients' working and exemption status.

1.3 Contribution of the Study

This research attempts to view the TANF program from a different angle. Allowing for the current situation where states have less flexibility in administering TANF under the DRA,

[6] According to the Administration for Children and Families (ACF) report with respect to TANF recipient characteristics, work eligible families who are used in the calculation of work participation rates for all families take up approximately 53 percent of total TANF caseloads (families). The rest 47 percent is regarded as 'no work eligible families' and not included in the calculation (They are average monthly number of families).

this study focuses on states' active policy choices and their impact on the TANF performance. By 2017, it will be a decade since the 2005 Deficit Reduction Act took effect, and TANF is waiting for another reauthorization and update. Depending on the result of TANF reauthorization, states may face another round of changes in their TANF implementation requirements. Thus, it seems crucial now to assess the impact of states' policy choices under the DRA on TANF performance to see whether states' active policy choices to pursue seemingly conflicting goals (i.e., serving more needy people and meeting the tougher work requirements) are worth implementing and whether the policy options states have been given have led to successful outcomes. Which of the types of choices states have made—more stringent eligibility vs. more generous coverage has had the most positive impact on work participation of people who were eligible for TANF?

To summarize the contributions of this study, first it uses TANF work participation rate as a dependent variable and tests the effectiveness of states' strategic response to the DRA on the TANF work participation rate. The result will give salience to policies states proactively designed and implemented to cope with the passage of DRA and to a TANF performance measure that has been neglected in research studies. Second, this research will encompass a spectrum of other welfare policies states adopted in combination with TANF. Since welfare policies may be aligned with each other in terms of the level of generosity states maintain, there is a possibility that TANF and other welfare programs (e.g., diversion programs and coverage for qualified aliens who are ineligible for receiving TANF during their waiting period) are related. By controlling for states' generosity in other welfare programs, we will be able to obtain the direct impact of harsh sanctions on TANF performance regardless of states' generosity in other welfare policies.

Also, we can identify the impact of states' overall generosity in other welfare programs on TANF performance and see whether they affect TANF performance. Some policy makers in favor of sanctions assert that states' generosity is negatively associated with TANF performance; this study tests this assertion. Lastly, this study will provide practical implications for policy makers and administrators in terms of how state policy choices in combination with federal TANF requirements can improve TANF performance as well as assist more needy people. The findings of this research will be especially helpful for some states that are at risk of failing to meet the requirements or hesitate to adopt new policies due to the lack of empirical evidence that supports the implementation of worker supplement programs and solely state funded programs.

1.4 Organization of the Study

This research is organized in five chapters. Chapter 1 introduces descriptive information about TANF, why it is an interesting policy to study, and presents the research questions of this study. Chapter 1 also covers previous research on TANF, pointing out what they have missed in their studies, and the contributions this study will make. Chapter 2 starts with providing TANF background information, focusing on changes in TANF laws and administrative features that accompany such laws. Then, we cover an overview of federalism literatures and propose major hypotheses related to states' policy responses to the DRA. Chapter 3 presents the study's research design, the model this study will test, and explains the data collection process and the analytical methods used. Chapter 4 presents and discusses the empirical test results and assesses whether the proposed hypotheses are confirmed or not, while chapter 5 concludes the study by discussing the research's contributions, limitations, and avenues for future studies.

CHAPTER 2

LITERATURE REVIEW AND HYPOTHESES

2.1 Background Information about TANF

In this section, two major laws, the Personal Responsibility and Work Opportunity Act (PRWORA) in 1996, and the Deficit Reduction Act (DRA) of 2005, are briefly introduced to better understand the significant changes in TANF over the past two decades. Our study focuses on the Deficit Reduction Act of 2005, but since most features of PRWORA (e.g., time limits and work requirements) are still effective after the passage of DRA, it is helpful to understand what requirements both PRWORA and DRA mandated or allowed, and to understand the differences between PRWORA and DRA.

2.1.1 Personal Responsibility and Work Opportunity Act (PRWORA)

The Personal Responsibility and Work Opportunity Act (PRWORA) was welfare reform legislation enacted in 1996 and replaced Aid to Families with Dependent Children (AFDC) program with Temporary Assistance for Needy Families (TANF). Under the PRWORA, the most significant change was the way federal money was given to the states, moving from categorical to block grants. The use of the more discretionary block grant approach changed federal funding and accompanying requirements states must meet and was a major element of TANF. A TANF block grant was different from a previous categorical grant (i.e., matching grant) under AFDC because it was based on states' previous contribution to welfare policy, such that the amount of federal funds allocated is subject to what states spent in AFDC in FY 1994. States were required to maintain a level of spending their own money on TANF and other related activities at 75% or 80% of what they had spent in FY1994; this is referred to as a Maintenance-of- effort (MOE) requirement (Falk, 2013)[7].

Due to the adoption of TANF block grants (which also capped the amount of federal funds allocated to any state and to the overall TANF program rather than being open-ended as categorical grants are), states were able to have more discretion in areas such as the implementation of block grant funds, allocation[8], and determination of the eligibility and benefit levels. [9] In response to increasing autonomy, states must take more responsibility in meeting federal requirements and are penalized financially if they fail to meet requirements. Under the changed financial structure, there are two distinctive elements that showed significant differences from the previous policy: (1) time limits and (2) work requirements.

The federal government sets the time limit for the use of TANF block grants up to 60 months, and states can design their own time limits for individual recipients (e.g., lifetime limits and periodical time limits) as long as these limits are less than the federal time limit. In line with a major goal of the welfare reform, which is to increase self-sufficiency of TANF recipients, the federal government requires recipients who are not exempted to participate in work activities within 24 months according to a given family type (Gallagher et al, 1998). Under the PRWORA, in each state, 50 % of all families and 90% of two-parent families should be involved in work

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[7] A 80% MOE requirement applies to states that fail to meet work participation requirements.
[8] States can transfer some of TANF block grants to child care up to 30% (Child Care and Development Block Grant: CCDBG) and social services up to 10% (Social Service Block Grant: SSBG), and the total mount of transferred money should not exceed 30% of TANF block grants (Schott et al, 2015).
[9] States exercise discretion in determining asset limits including vehicle exemption, income eligibility test, and eligibility for two parent families (Gallagher et al, 1998).

related activities for at least 30 hours and 35 hours per week respectively two years after they receive the TANF benefits (Center on Budget and Policy Priorities, 2012).[10]

2.1.2 Deficit Reduction Act (DRA) of 2005

The Deficit Reduction Act (DRA) of 2005 was signed in 2006 and became effective in 2007. A major difference lies in its strengthened work requirements through various new terms: (1) changing the base year from 1995 to 2005 for caseload reduction credit, (2) applying work participation requirements to families with an adult who received benefits through separate state programs (SSP) funded by state MOE fund, (3) including families (i.e., families where benefits of parents were excluded due to sanctions or exhausted time limits) who were previously excluded in the calculation of work requirement, and (4) more narrowly defining countable work activities required for TANF recipients (Pavetti et al, 2009).

First, updating the base year to FY 2005 negatively affected states' work participation rates because the caseloads of a previous base year of 1995 recorded the highest caseloads, which enabled states to obtain high caseload reduction credits[11] that made it easy for them to meet the work requirements. Second, before the DRA was enacted, time limits and work requirements did not apply to clients served by separate state programs (SSP) because separate state programs were administered outside of TANF programs with state MOE funds. But DRA required states to include those families in the calculation of work participation rates. Third, some states maintaining relatively more generous sanction policies became disadvantaged

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[10] In FY 1997, 25% of all families were required to engage in work activities, and it was increased to 50% in FY2002 (Administration of Children and Families, 1996).

[11] Each year, states can reduce work participation rate by one percentage point for every percentage point they earn from the caseload reduction compared to caseloads in the base year.

because previously excluded families where only children received TANF benefits (i.e., child only cases) were included in the calculation of work participation after the passage of DRA.

Consequently, states responded to such changes by shifting from partial sanction policies (i.e., excluding only benefits of parents who are sanctioned or whose time limit is reached) to more stringent sanction policies, full family sanction, to increase work participation rates; otherwise, families where parents are sanctioned or reached lifetime limits for receiving TANF benefits will be included in the calculation of the work participation rate. Lastly, defining work activities (9 core and 3 non-core work activities) that can count towards required work hours not only limited states' discretion in administering work programs, but also increased the burdens of states by imposing more obligations of reporting the outcomes regularly. Overall, the Deficit Reduction Act of 2005 was viewed as more challenging in states' TANF administration and design of relevant programs. Table 2.1 shows a detailed chart of 12 work activities counting toward the required minimum hours of work per week enacted in the DRA.

Table 2.1: Core and Supplemental Work Activities

Core activities	Unsubsidized employment
	Subsidized private sector employment
	Subsidized public sector employment
	Job search and readiness[12]
	Community service
	Work experience
	On-the-job training
	Vocational education training (limited to 12 months)[13]

[12] According to the Congressional Research Service (CRS), job search and job readiness are counted as core activities up to 6 weeks in a fiscal year, but if a state meets criteria of either having a higher unemployment rate at 50% or more above the national average or being in economic need as described in TANF contingency funds, the limit increases to 12 weeks in a year.

[13] Vocational education training is counted as a core activity with 12 months limit in a lifetime, but after 12 months, it is countable only when combined with other core activities at least 20 hours per week in a

Table 2.1- continued

Core activities	Caring for a child of a recipient in community service
Supplemental activities (=Non-core activities)	Job skills training directly related to employment Education directly related to employment (For those without a high school or equivalent degree)

Source: Congressional Research Service (CRS) report by Falk (2012)
Notes: Hours from non-core work activities can count after recipients participate in core activities for certain hours per week depending on family type. For single-parent families, 20 hours per week from core activities is required to count hours engaged in non-core activities. For two-parent families, they should complete 30 hours per week from core activities in order to count hours from non-core activities. The required hours increase to 50 hours per week from core activities if two-parent families receive federal childcare.

2.2 TANF under Federalism

TANF and federalism are inseparable because federalism has shaped how states design and implement TANF. Federalism is often referred to as a governmental system where authorities are divided between national and subnational entities, but indeed, American federalism is more complex than it looks and can be better explained by various dimensions. Bowling and Pickerill (2013) describe the current state of American federalism as 'fragmented federalism' in light of intergovernmental relations, and it has been accelerated with states' increasing needs to develop their own policies even for federal programs.

There are two approaches in the theories of federalism in understanding the impact of devolution in welfare that would produce contradicting policy results (Lieberman and Shaw, 2000). Some researchers assert that federalism facilitates the race to the bottom phenomenon in states' welfare implementation based on the idea of 'competitive federalism'. Competitive federalism in welfare describes states' competitive behaviors that reduce the state's welfare

month (Lower-Basch, 2015). There exists a 30 percent cap in counting education activities toward core activities.

benefits in response to neighboring states' movements. This has been a dominant idea in welfare and empirically tested in the race to the bottom studies. Empirical findings with respect to the race to the bottom have not been consistent, showing mixed results. Another approach demonstrates that states are better at identifying and responding to local needs than the federal government, and instead of adopting an 'one size fits all' approach, states act as experimental laboratories, and will come up with more innovative policy ideas in the implementation of federal welfare programs.

This study does not test those two theories, but states' actions can be understood in this context. In TANF, states' actions have provided some confirmation for both outcomes predicted in welfare theories of federalism. It seems true that states have shifted toward adopting more harsh sanctions. The usual explanation is states' economic and competitive goals not to attract more needy people. This has been studied extensively, and there is supportive evidence in favor of welfare competition among states such that a state strategically decides the benefit level in response to neighboring states' determination (Bailey and Rom, 2004; Figlio et al, 1997; Saavedra, 2000; Smith, 1991). But some studies have found no evidence or conflicting evidence for the race to the bottom thesis (Allard and Danziger, 2000; Berry et al, 2003; Levine and Zimmerman, 1999; Schram et al, 1998; Shroder, 1995; Volden, 2002).

At the same time, states created new programs (e.g., solely state funded programs and worker supplement programs) to respond to tougher requirements imposed on states under the DRA and to serve needy people who are likely to be excluded from the TANF under the DRA. Since states came up with those programs as a response to federal mandates, states' actions may not be voluntary, rather involuntary to some degree. Consequently, the spectrum of policies states adopted was not diverse, rather the options converged to a few programs.

But this evolution of state policies can be interpreted in the context of 'laboratories of democracy federalism' because policies states designed and implemented to improve work participation show differences in details such as eligibility, structuring, and benefit levels[14], which reflect states' different circumstances in finance, ideology and capabilities. In addition, the number of states implementing those programs has increased over time since 2007, and this suggests the possibility that those programs have been quite successful helping states meet the requirements and enhance performance since the enactment of DRA. However, due to the lack of empirical studies on these programs, the impact of those programs on TANF work performance is not known.

In order to account for both positive and negative aspects of state TANF policies under federalism, this paper treats solely state funded programs, worker supplement programs, and sanction policies as states' policy choices to respond to the DRA. The next section presents details of each state policy and introduces the dependent and independent variables, and major hypotheses that this research will test.

[14] In solely state funded programs, the main target groups are two-parent families, but some states extend eligibility to families who need to take care of a disabled member or children under certain age (e.g., age 1), or families enrolled in postsecondary education. States' worker supplement programs have different details in their structure (i.e., assistance or non-assistance), funding source (i.e., TANF or state MOE funds), and the way they are provided (e.g., amount of cash payments and time limit/periods for payments and services).

2.3 TANF Work Participation Rate

2.3.1 TANF Work Participation Rate

TANF work participation rate is an official performance indicator used to measure states' performance in TANF and currently, states are mandatorily required to report work participation rates along with caseloads and enrollment rates (i.e., participation rates). TANF work participation rates are calculated by dividing the number of TANF recipients engaged in countable work activities by total work eligible individuals receiving TANF assistance. The federal government decides whether to impose financial sanctions on states that fail to meet the work requirement[15]. According to the work verification plan guide published by the Office of Family Assistance (OFA), a work-eligible individual is defined as "an adult (or minor child head-of-household) receiving assistance under TANF or a separate state program or a non-recipient parent living with a child receiving such assistance (usually a child-only case) unless the parent is: A minor parent and not the head-of-household or spouse of the head-of-household; an alien who is ineligible to receive assistance due to his or her immigration status; or at state option, on a case-by-case basis, a recipient of Supplemental Security Income (SSI) benefits" (III. Work-eligible individual section, para.2).

The TANF work participation rate, as a process indicator, has limitations in that it does not capture the fluidity of recipients' characteristics such as how former TANF recipients enter the job market, how long they retain the jobs, and whether their wages are adequate enough to get out of poverty and maintain a better life than when they received TANF benefits. It only reflects the number of work eligible TANF recipients engaged in countable work activities

[15] The federal government imposes financial sanctions for states that fail to meet the work requirement by reducing the TANF block grants up to 21 percent and increasing MOE requirement from 75 to 80 percent (Falk, 2013).

during the given period. Despite its flaws, it needs to be studied for several reasons. Foremost, it is an official indicator 'currently used' by the federal government to measure the performance of states; no alternative indicator to measure self-sufficiency of TANF recipients is allowed to replace work participation rates. In addition, TANF work participation rate contains two dimensions-- changes in TANF caseloads for work eligible families, and the number of work eligible recipients engaged in countable work activities. We cannot isolate to what extent the two features separately contribute to increasing or decreasing participation rates, but by using it as a dependent variable, we can obtain a view of the comprehensive effects of policies states have implemented to cope with changes by the DRA on TANF recipients because some policies this paper deals with (e.g., worker supplement programs and sanction) affect not only the presence of TANF recipients on the roll but also their working status.

Lastly, the number of states failing to meet the required work rate has apparently increased since the enactment of DRA as shown in the table 2.2. Before FY 2007, only one or two states failed to meet the work requirements, and it looks like states did not have difficulties in meeting the requirements. But the situation turned around, and twelve states failed in FY 2007, indicating that it became harder for states to meet the requirements after the DRA became effective (Falk, 2016). Considering that the main purpose of DRA in TANF is to increase self-sufficiency of needy people by getting them more into work, TANF work participation rate corresponds to the program goal and is a good measure to assesse states' performance. Table 2.2 displays the number of states failing to meet the work participation standard before and after the DRA. Under this circumstance, it is worth examining the ways to improve TANF performance and recommending those alternatives to states at risk of failing to adopt such policies if it turns out to be effective.

Table 2.2: Number of States Failing to Meet the Work Requirement for All-Families Before and After the DRA

	Pre-DRA						Post-DRA				
States	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**[1]	**2008**	**2009**	**2010**	**2011**	**2012**
Alabama											
Alaska											X
Arizona											
Arkansas											
California						X	X	X	X	X	X
Colorado											X
Connecticut					X						
Delaware											
Florida											
Georgia											
Hawaii											
Idaho											X
Illinois											
Indiana				X	X	X					
Iowa											
Kansas											
Kentucky						X					
Louisiana											
Maine						X	X	X	X	X	X
Maryland											
Massachusetts											
Michigan						X	X		X	X	
Minnesota						X					
Mississippi											
Missouri							X	X		X	X
Montana											
Nebraska											
Nevada		X				X					X
New Hampshire											
New Jersey											
New Mexico						X					
New York											
North Carolina											

Table 2.2 – continued

	Pre-DRA					Post-DRA					
States	**2002**	**2003**	**2004**	**2005**	**2006**	**2007[1]**	**2008**	**2009**	**2010**	**2011**	**2012**
North Dakota											
Ohio						X	X	X	X	X	
Oklahoma											
Oregon						X	X	X	X	X	X
Pennsylvania											
Rhode Island											X
South Carolina											X
South Dakota											
Tennessee											
Texas											
Utah											
Vermont						X					X
Virginia											X
Washington											X
West Virginia						X	X				
Wisconsin											X
Wyoming											

Source: Congressional Research Service (CRS) report by Falk (2016)
Notes:
[1] DRA was effective in FY 2007.

2.4 States' Response to Deficit Reduction Act (DRA)

It is apparent that states implemented strategies by creating or extending programs to cope with changes from the Deficit Reduction Act; however, they were not placed at the center of research because there are no empirical studies, to my knowledge, with respect to such strategies and their impact on TANF. Policies states implemented in response to the passage of DRA seemed to yield conflicting consequences. The first two policies this paper includes are the creation of solely state funded programs and implementation of worker supplement programs to meet tougher work requirements. The difference between the two programs is their target groups; the major target group of solely state funded programs is non-disabled two-parent families whose benefits are most likely to be terminated under the new TANF requirements, while the primary target group of worker supplement programs is working low-income families, mostly former TANF recipients. The common aspect of the two programs is that they produce quite similar policy consequences, extending the coverage to more needy people whose TANF benefits might be terminated due to the 2005 DRA, or whose needs might not be taken into account, if these programs were not implemented.

On the other hand, harsher sanction policies tend to yield the opposite consequences of reducing those receiving benefits. Looking at the number of states that have adopted harsher sanctions, it is apparent that states have moved toward more severe sanction policies (e.g., going from gradual full family sanction to immediate full family sanction), and these all reduce the benefits of recipients or the number of recipients eligible to receive benefits. One interesting aspect of the three policies mentioned above is that those seemingly contradictory policies in terms of coverage/benefits of TANF recipients indeed achieve the same goal to enhance the TANF performance. Sanction policies can increase work participation rates by removing sanctioned recipients from the TANF. On the other hand, solely state funded programs and worker supplement programs complement each other in increasing work participation rates by extending the coverage for needy people. Details about how these two programs can work together are suggested in the following sections, but briefly speaking, when both programs are implemented, states can perform better than states with only one of them without increasing overall TANF caseloads in the work participation calculation. Including these three policies in the analysis will reveal the extent of contributions each policy makes to the TANF work participation.

2.4.1 Solely State Funded (SSF) Program

Due to the enactment of the Deficit Reduction Act (DRA) of 2005, families assisted through state MOE (i.e., separate state program) funds are included in the calculation of TANF work participation rate. States took actions in response to such changes, and one of them was to create solely state funded (SSF) programs funded entirely by state general funds. Some argue that states created solely state funded programs to increase TANF work participation rates or not to be hurt by failing to meet the requirements (i.e., 50% for all families and 90% for two-parent families receiving assistance by TANF or MOE funds); however it is more than just a tactic. As of 2013, 26 states (excluding the District of Columbia) have implemented solely state funded programs, and the most common recipients served in this program are two-parent families including work eligible individuals who are deemed unlikely to meet TANF work requirements and thus likely to be excluded. In general, target groups include two parent families, families whose heads are SSI or SSDI applicants, families with employment barriers determined by state policy, and families whose parent is in education or trainings (e.g., colleges or post-secondary education); and these categories are not mutually exclusive (Schott and Parrott, 2009).

The number of states implementing solely state funded (SSF) programs has increased since FY 2007. Appendix B shows the states that have implemented SSF programs since FY 2007 and their implementation dates. The effectiveness of the program is not yet empirically tested, but it is reported that it may have a positive effect on TANF work participation rates (Pavetti et al, 2008; Schott and Parrott, 2009). In 26 states adopting SSF programs, certain groups of people who were previously supported by TANF are now assisted through the SSF programs. Since those people served by state only funds that do not count toward state MOE are excluded in the TANF roll, the denominator of TANF work participation rate will decrease, which will increase TANF work participation rates. Based on this, this paper argues that states with SSF programs will achieve higher TANF work participation rates than those without SSF programs.

Hypothesis 1*: States implementing solely state funded programs are more likely to have higher TANF work participation rates than states without solely state funded programs.*

2.4.2 Worker Supplement Program (WSP)

The worker supplement program serves low-income working families who received TANF but become ineligible due to earnings from work and provides them with transitional income (i.e., monthly cash) and non-income (i.e., non-cash) assistance for a limited time duration. The purpose of worker supplement programs is to give incentives to TANF leavers so that they can stay employed and focus on jobs for better opportunities, which will increase their self-sufficiency. Initially, it was designed for previous TANF recipients, but currently, states utilize worker supplement programs more widely to reach broader groups of people who may not have been TANF recipients. Currently, not only TANF leavers but also low income working families regardless of TANF receipt are receiving benefits from worker supplement programs. For instance, in Vermont, working families leaving solely state funded programs also receive benefits from worker supplement programs, and working families receiving food stamps are qualified for a worker supplement program in Massachusetts (Schott, 2008).

The number of states adopting worker supplement programs has been increasing since the passage of the 2005 Deficit Reduction Act (DRA). A GAO Report published in 2010 May reported that 23 states implemented worker supplement programs, and 18 among 23 states had implemented WSPs since 2006. In general, states use TANF funds for the worker supplement programs because states can include those working families funded by TANF funds in the calculation of their work participation rates. Keeping working families in the calculation can positively affect work participation rates states are required to achieve as long as worker supplement program benefits by TANF or MOE funds fit into the definition of 'assistance'[16] by TANF rules (Schott, 2008).

In terms of structuring, there are ways to manage this program more favorably to recipients. For instance, some states (e.g., Oregon, Utah, Virginia, and Washington) use only MOE funds in providing benefits from worker supplement programs not to trigger federal time limits that run automatically with federal TANF funds (Schott, 2008). Those families funded only by state MOE funds are included in the calculation of TANF work participation rates, but their federal lifetime limit does not apply while receiving benefits. Also, states can structure worker supplement program as non-assistance, providing employed families who left TANF with child care and transportation services. Some states (e.g., Connecticut, Georgia, Hawaii, Kentucky, Louisiana, Mississippi, New Jersey, New York, Ohio, West Virginia) also provide non-assistance in the form of transitional work support payment, job retention bonus or incentives according to our data collected from various sources including state policy manuals, administrative codes, and state plans[17]. By structuring benefits of WSPs as non-assistance, time

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[16] According to the TANF final rule (1999), assistance is defined as "cash, payments, vouchers, and other forms of benefits designated to meet a family's ongoing basic needs (i.e. for food, clothing, shelter, utilities, household goods, personal care items, and general incidental expanses)."

[17] According to the state TANF plan, Georgia suspended its Work Support Program (structured as non-assistance) effective July 1, 2011, and Hawaii terminated its exit and job retention bonus programs

limit and child support requirements are not applied to low-income working families receiving benefits from worker supplement programs. In this paper, states that structure worker supplement programs as 'assistance' using TANF or MOE funds are only considered in the analysis because the focus of the paper is to identify the impact of a worker supplement program on the work participation, and recipients receiving non-assistance from WSPs are not included in the calculation. Appendix C shows states that have implemented worker supplement programs where benefits are structured as assistance.

Worker supplement programs do not always work to increase required state work participation rates. In fact, a worker supplement program has an advantage in keeping working families in the caseloads, but it also can increase total TANF caseloads, which will adversely affect caseload reduction credits states can earn (Schott, 2008). So, it is unknown whether a worker supplement program itself will positively or negatively affect work participation rates. Fortunately, states are allowed to adjust caseloads when calculating caseload reduction credits if changes in caseloads are due to policy changes (e.g., eligibility expansion or reduction) under the federal TANF regulations. Thus, caseload increases due to worker supplement programs can be offset by the caseload decreases that resulted from states passing their own solely state funded programs (Schott, 2008). Therefore, states implementing both worker supplement programs and solely state funded programs can expand target groups and will not be fiscally penalized due to the adjustment resulting from SSF programs that offset an increase in caseloads by implementing worker supplement programs. In sum, worker supplement programs can be utilized in a way to increase TANF work participation rates, especially when combined with solely state funded programs.

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effective December 31, 2011 due to fiscal difficulties. Louisiana discontinued its Post FITAP beginning December 2011 due to the lack of funding. See the Appendix D.

Hypothesis 2*: States implementing both worker supplement programs and solely state funded programs are more likely to achieve higher TANF work participation rates than states without these programs.*

2.4.3 TANF Sanction Policy

Sanctions have been one of the policy tools to enhance the efficacy and effectiveness of programs. There is no clear cut rationale for what is the optimal level of sanctions that facilitates program implementation and maximizes effectiveness, but sanctions have played an essential role in policy implementation. Since welfare recipients are not actually paying for services and are served through tax dollars paid mostly by non-recipients, recipients are highly likely to rely on those cash or non-cash assistance were it not for any restrictions. They may have no incentives to look for jobs or to make efforts to maintain them unless it pays a lot more than the benefits they receive.

In TANF, there are two 'mandated' sanctions for noncompliance with the following: (1) work activities requirement and (2) child support enforcement cooperation requirement (GAO, 2000). States may reduce or terminate benefits if families (units) fail to comply with work requirements or do not cooperate in child support enforcement (e.g., establishing paternity or support orders)[18]. Here, our major focus is on the mandatory sanctions for noncompliance with work requirements because it is the major reason for the benefit reduction as a result of sanctions. When looking at reasons for benefit reduction among TANF active cases, noncompliance with work requirements is 4.3 percent, the second highest after recoupment reason (7.2%), while

[18] In case of child support related sanction, states may reduce benefits by no less than 25% or deny providing assistance (GAO, 2000).

noncooperation with child support enforcement takes up only 0.7 percent of units having reduced benefits (Office of Family Assistance, 2012).

In order to deter recipients from solely relying on assistance and to increase a sense of responsibility and self-sufficiency, TANF recipients are required to engage in work activities for minimum hours per week, depending on family sizes. If they fail to meet the requirements, they are sanctioned in a way that their needs are excluded in the program. Each state has different details in the intensity, duration, and coverage of sanction, but under the categories of full family sanction and partial sanction[19], the variation is not really wide. Two dimensions of sanction policy are chosen to measure states' sanction severity: (1) coverage and (2) restrictions on SNAP. These two aspects were chosen because they represent major features of sanctions that distinguish states from each other and are used in other studies of states' sanction policies. Other dimensions of sanctions show too large or too small variations across states, which prevents us from adequately categorizing states. Our expectation is that severe sanctions (i.e., full family sanction and sanctions that restrict benefits of other welfare program, SNAP) will eliminate more recipients from the TANF and thus increase the work participation rate.

2.4.3.1 Four types of TANF sanction. There are four types of sanctions that states can employ: (1) partial sanction, (2) gradual full family sanction, (3) immediate full family sanction, and (4) pay for performance (Pavetti et al, 2003). Partial sanction is to exclude a portion of cash assistance for a noncompliant individual, but families still can receive some cash assistance. Immediate and gradual full family sanctions are similar in that entire families lose their benefits

[19] Partial sanction means that only needs of individuals (adults) who violated the work requirement are excluded in the TANF benefits, and children still receive TANF assistance.

for noncompliance in the end. The difference is an immediate full family sanction eliminates the entire benefits for households right after the noncompliance is identified, while a gradual full family sanction first imposes a benefit reduction for the first or subsequent non-compliances, but if multiple cases of noncompliance are detected, families lose the entire benefits. Under a pay for performance sanction, the sanction is imposed subject to the number of hours individuals fail to engage in work activities, so it can become a partial or full family sanction depending on how many hours individuals fail to participate in required work activities[20]. Currently, there is only one state, Wisconsin, adopting a pay for performance type of sanction.

According to the Welfare Rules data book published by the Urban Institute, as of 2013, 47 states have implemented 'full family sanction' while only 3 states (California, Missouri, and New York) are employing partial sanctions for noncompliance with work requirements for single parent households (District of Columbia is adopting partial sanction and is excluded). States' policies on family sanctions have significantly changed compared to the sanction policies in 1996. Table 2.3 shows each state's sanction policy in FY 1996 and FY 2007. The primary reason a more severe sanction (i.e., full family sanction) is utilized in TANF is because it has direct and indirect effects on work participation rates; sanctions can encourage non-working participants to get engaged in work activities, which increases the numerator of work participation calculation. Severe sanctions also eliminate non-compliant families from the TANF caseload, which decreases the denominator of the work participation calculation (Kauff et al, 2007).

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[20] According to the Welfare Rules Database of 2013, TANF recipients lose their benefits by the amount of $5 multiplied by work hours they fail to comply with.

Table 2.3: Sanction Policies Adopted by States for Noncompliance with TANF Work Requirements for Single Parent Households

State	FY 1996	FY 2007
Alabama	Partial sanction	Gradual full family sanction
Alaska	Partial sanction	Gradual full family sanction
Arizona	Partial sanction	Gradual full family sanction
Arkansas	Partial sanction	Gradual full family sanction
California	Partial sanction	Partial sanction[1]
Colorado	Partial sanction	Gradual full family sanction
Connecticut	Immediate full family sanction	Gradual full family sanction
Delaware	Gradual family sanction	Immediate full family sanction
Florida	Partial sanction	Immediate full family sanction
Georgia	Partial sanction	Gradual full family sanction
Hawaii	Partial sanction	Immediate full family sanction
Idaho	Partial sanction	Immediate full family sanction
Illinois	Partial sanction	Gradual full family sanction
Indiana	Partial sanction	Gradual full family sanction
Iowa	Gradual family sanction	Immediate full family sanction
Kansas	Partial sanction	Immediate full family sanction
Kentucky	Partial sanction	Gradual full family sanction
Louisiana	Partial sanction	Immediate full family sanction
Maine	Partial sanction	Partial sanction
Maryland	Partial sanction	Immediate full family sanction
Massachusetts	Gradual family sanction	Gradual full family sanction
Michigan	Gradual family sanction	Immediate full family sanction
Minnesota	Partial sanction	Gradual full family sanction
Mississippi	Partial sanction	Immediate full family sanction
Missouri	Partial sanction	Partial sanction [2]
Montana	Partial sanction	Gradual full family sanction
Nebraska	Partial sanction	Immediate full family sanction
Nevada	Partial sanction	Immediate full family sanction
New Hampshire	Partial sanction	Gradual full family sanction
New Jersey	Partial sanction	Gradual full family sanction
New Mexico	Partial sanction	Gradual full family sanction
New York	Partial sanction	Partial Sanction
North Carolina	Partial sanction	Immediate full family sanction
North Dakota	Partial sanction	Gradual full family sanction
Ohio	Gradual family sanction	Immediate full family sanction
Oklahoma	Partial sanction	Immediate full family sanction
Oregon	Gradual family sanction	Gradual full family sanction
Pennsylvania	Partial sanction	Gradual full family sanction
Rhode Island	Partial sanction	Gradual full family sanction
South Carolina	Partial sanction	Immediate full family sanction
South Dakota	Partial sanction	Gradual full family sanction

Table 2.3 – continued

State	FY 1996	FY 2007
Tennessee	Partial sanction	Immediate full family sanction
Texas	Partial sanction	Immediate full family sanction
Utah	Gradual family sanction	Gradual full family sanction
Vermont	Partial sanction	Partial Sanction
Virginia	Gradual family sanction	Immediate full family sanction
Washington	Partial sanction	Gradual full family sanction
West Virginia	Partial sanction	Gradual full family sanction
Wisconsin[3]	Pay for Performance	Pay for Performance
Wyoming	Partial sanction	Immediate full family sanction

Source: Welfare Rules Databook: State TANF Policies of July 2013
Notes:
[1] In California, benefits for individuals who violate the work requirement are excluded until compliance.
[2] Missouri imposes a 25 % reduction in benefits for the violation of work requirements until compliance for 2 weeks for the first and subsequent violations.
[3] Wisconsin adopts pay for performance type of sanction, and it can take the form of partial or full family sanction depending on whether a family is not compliant partial or full hours of work required.

Also, severe sanctions play a symbolic role distracting potential recipients' access to TANF or making current recipients voluntarily close their cases because they may be overwhelmed and intimidated by the information about noncompliance and accompanying sanctions (Kauff et al, 2007). It is generally known that states began to adopt more punitive sanction policies since the welfare reform, and the sanctions tended to become more severe under the second order devolution that was allowed after the welfare reform in 1996 (Kim and Folding, 2010).

2.4.3.2 Sanction coverage. As explained in section 2.4.3.1, the four sanction types can be categorized into two in terms of its coverage, partial or full family sanction. Unfortunately, it is unclear to what extent severe sanctions induce more work activities of current recipients. But, past studies on sanctions and their impact on the caseload reduction shed some light on how sanction severity can contribute to increasing the TANF work participation rate through caseload reduction. Previous researchers studied factors affecting changes in TANF (or AFDC) caseloads and found that severe sanctions in terms of coverage reduced TANF caseloads (Danielson and Klerman, 2008; Mead, 2003; Rector and Youssef, 1999). Mead (2003) conducted two panel analyses over the periods of 1989-1994 and 1994-1998 to examine what factors were impacting the changes in TANF caseloads, focusing on variation across states, not across time periods. During the period of 1994-1998, TANF caseloads were reduced, and the severity of sanctions turned out to be quite strong and significant indicators for reduction in caseloads over 1994 to 1998[21].

Based on this finding, the results show that sanction severity is likely to increase TANF work participation rates through caseload reduction. However, there is a possibility that an increase in TANF work participation rates through caseload reduction can be offset by a decline in work activities of current recipients who may be discouraged by harsh sanctions. It is empirically unknown to what extent severe sanctions encourage or discourage work activities of recipients or where is the inflection point at which a sanction maximizes its effect. Leaving it unanswered, our assumption may not be precise. But considering that there is no evidence that severe sanctions significantly discourage working recipients, making them being unable to maintain their jobs, it seems reasonable to presume that states adopting stringent sanctions (i.e., adopting full family sanctions rather than partial sanctions) are more likely to have higher TANF work participation rates through the elimination of sanctioned people.

Hypothesis 3(a)*: States with full family sanctions are more likely to have higher TANF work participation rates than states with partial sanctions.*

[21] Mead (2003) used two variables, gradual (delayed) full family sanction and immediate full family sanction in the analysis to capture states with severe sanctions, and both variables significantly affected the reduction in TANF caseloads over 1994-1998.

2.4.3.3 Sanction restriction on Supplemental Nutrition Assistance Program (SNAP). Sanctions imposed on non-exempt recipients for their failure to comply with TANF work requirements can affect sanctioned families' benefits from other welfare programs. Some states impose selective penalties on SNAP (i.e., Food Stamp) subject to their discretion if TANF recipients fail to comply with work requirements; however, there are legal boundaries as to what extent states impose sanctions. According to the federal law, 7 U.S.C. 2015(d), "a state must remove an individual from Food Stamp Program eligibility for at least 1 month for the first violation, 3 months for second, and 6 months for third violation, except for exempt individuals, including those responsible for children under 6", and states also can take more strict actions (e.g., extending sanction duration) for the third or subsequent violations of work requirements (GAO, 2000, p.10)[22].

Since noncompliant families do not receive TANF benefits during the sanction period, their incomes are counted lower than before, and it can be used as a ground for higher SNAP (i.e., food stamp) benefits. In order to prevent this, the federal law ensures that families should not receive an increase in SNAP benefits due to the TANF sanction that reduces income level, and it depends on states whether they will reduce Food Stamp allotment during the TANF sanction period, but no more than 25% (GAO, 2000).

States can determine whether they will only exclude benefits of the adult individual or the whole family from SNAP and set longer sanction periods for noncompliant individuals than the federal minimum for each violation. According to the data collected from each state's policy

[22] According to 7 CFR § 273.11 (k) of the Food and Nutrition Act of 2008, states may disqualify a member of a household who fails to meet the requirements of other means-tested assistance programs including TANF from SNAP, which is referred to as 'comparative disqualification'.

manuals, administrative rules, and state plan, there are seventeen states that impose longer disqualification period or/and exclude entire families from SANP for the failure to comply with TANF work requirements as of FY 2013[23]. Appendix E shows details of states employing more severe SNAP disqualification than the minimum requirements. States' sanction policies that restrict TANF recipients from receiving SNAP benefits more than the minimum required by federal law are deemed more severe, and with the same logic applied to the hypothesis (a), severe sanctions are expected to eliminate recipients from the TANF roll.

Hypothesis 3(b)*: States in which non-compliance with TANF work requirements restricts receiving SNAP benefits (more than the minimum federal restrictions) are more likely to have higher TANF work participation rates.*

2.5 States' Stance on Welfare

In examining states' policy response to the DRA, it seems necessary to consider states' overall stance on welfare because it is highly likely that TANF policy and other welfare policies might be aligned in terms of generosity. It is often the case that states maintain consistent or similar positions in the same policy domain, and this is because states' policy decision reflects constituents' demands and preferences that are shaped by factors such as long-lasting perceptions, ideology, and prior experiences that do not change easily. In this context, this paper also examines other welfare policies and states' stance on those to examine the relationship between states' stances on welfare and TANF work participation. For state's generosity, five welfare

[23] Even though states treat non-compliant individuals with TANF work requirements as though they fail to comply with SNAP work requirements by imposing disqualification periods, they are not treated as employing harsh sanctions if they impose only the federal minimum disqualification period or if the penalties are not severe comparable to the federal requirements.

programs including states' TANF lifetime limit will be considered: (1) General Assistance program, (2) Coverage for qualified aliens who came to the U.S. after the welfare reform, (3) State Earned Income Tax Credit, (4) TANF time limits, and (5) Diversion program. By considering states' overall generosity in welfare, we would be able to obtain a more accurate relationship between states' policy choices under the DRA and TANF work participation rates. Taking into account states' stances on welfare will allow us to find out whether states' active policy choices increase or decrease TANF work participation, and if there exists consistency in the test such that states' generous stances on welfare leads to the similar outcomes as the impact of sanction policy on TANF work participation.

2.5.1 General Assistance (GA) Program

General Assistance (GA) programs target people who are ineligible for federal programs such as TANF and Supplemental Security Income (SSI), providing cash or non-cash assistance (Gallagher, 1999)[24]. Since the late 1980s, states have shrunk GA programs (i.e., cutting back funding, restricting eligibility, and reducing benefits), and some states even eliminated GA programs. Between 1989 and 1998, 12 states[25] shrank GA programs by eliminating abled-bodied adults without dependent children' (ABAWDs), and 3 states (Idaho, Montana, and Wisconsin) among those 12 states terminated GA programs even for poor families with children (Gallagher,

[24] GA target groups include disabled and unemployable individuals, and some states even cover 'able-bodied adults without dependent children' (ABAWDs). The Disabled here is defined as individuals who do not receive SSI benefits due to technical issues despite their disabilities. Unemployable individuals are people who cannot work due to their age (65 and above), the care for a disabled family member or a child member at home, or conditions such as substance abuse.

[25] The 12 states are as follows: Connecticut, Idaho, Illinois, Maryland, Massachusetts, Michigan, Minnesota, Montana, Ohio, Pennsylvania, Virginia and Wisconsin.

1999). As of 2011, 29 states[26] and the District of Columbia offer GA programs to poor childless individuals who are categorized as disabled, but not disabled enough to receive SSI and not elderly, and 12 states[27] of those 29 states provide assistance to 'employable individuals' (i.e., poor childless individuals without disability) (Schott and Cho, 2011).

Unlike TANF, GA funding comes entirely from state and/or county (local) budget revenue, subject to whether the GA guidelines are uniform across the state or varies by counties. Thus, GA, a program with no federal monies involved, to some extent, can be seen as reflective of states' willingness to provide more generous assistance to poor individuals. Based on the funding sources of the state GA programs, we can infer the impact of states' implementation of GA programs on TANF work participation rates. Considering that no federal money is involved in GA programs, it is likely that states experiencing fiscal difficulties or putting less emphasis on welfare would not provide GA programs. In either case, those states would be more dependent on federal grants in administering TANF and more concerned about meeting the work requirements in return for receiving federal funds. In this regard, it is predicted that states providing General Assistance (GA) programs will be under less pressure for meeting the requirements and thus have a relatively lower TANF participation rate.

Hypothesis 4*: States providing General Assistance (GA) programs are more likely to have lower TANF work participation rates than states without GA programs.*

[26] The 29 states are as follows: Alaska, California, Colorado, Connecticut, Delaware, Hawaii, Illinois, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, Ohio, Pennsylvania, Rhode Island, South Dakota, Utah, Vermont, Virginia, and Washington.

[27] The 12 states are as follows: Alaska, California, Indiana, Iowa, Maine, Nebraska, Nevada, New Hampshire, New Jersey, New York, South Dakota, and Virginia.

2.5.2 Coverage for Post-Welfare Immigrants

The welfare reform in 1996 restricted the eligibility of qualified immigrants[28] who came to the U.S after August 22, 1996, and the participation among immigrants declined after the enactment of welfare reform in 1996 (Haider et al, 2004)[29]. One determinant of declining participation among immigrants is to impose a waiting period for immigrants who arrived in the U.S. after 1996. TANF coverage for those people is not guaranteed for their first 5-year periods. In order to receive TANF benefits, they should apply after a 5-year waiting period, and their eligibility will be examined. They may receive TANF benefits according to eligibility rules established. States have full discretion in deciding whether they will cover those qualified immigrants coming to the U.S. after 1996 during that waiting period through the state-only funded programs that do not count toward TANF MOE requirements. According to the PEW charitable trusts, as of 2014, 23 states[30] out of 50 serve qualified immigrants who are ineligible for TANF due to the 5-year waiting period through solely state funds.

Since programs to serve those qualified immigrants are funded only by state money, the same logic related to the GA program hypothesis can be applied here. States that can afford to serve qualified immigrants within the 5-year period may be less concerned about meeting the federal requirement than states that heavily rely on federal money. In addition, there is a high

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[28] Qualified immigrants are defined as having permanent residency, immigrating to the U.S. for the humanitarian purposes (e.g., refugees and asylum), persons paroled by the Department of Homeland Security for at least one year, battered immigrants spouses, children, or their parents and/or children, entrants from Cuba and Haiti, and victims of trafficking (Broder and Blazer, 2011).

[29] Haider et al (2004) found that immigrants' participation in AFDC/TANF, SSI, and Food Stamps declined faster than natives' after the welfare reform, which indicates the stronger impact of welfare reform on immigrants' participation decline in welfare programs. They examined two periods, before (1993-1995) and after (1997-2001) the welfare reform.

[30] Those 23 states are Arizona, California, Connecticut, Delaware, Georgia, Hawaii, Illinois, Iowa, Maine, Maryland, Minnesota, Nevada, New Jersey, New Mexico, New York, Oregon, Pennsylvania, Rhode Island, Utah, Vermont, Washington, Wisconsin, Wyoming.

possibility that those qualified immigrants assisted through state-only funds are likely to be a huge burden for states after their waiting periods end. This is because immigrants may consider living in states providing more benefits than ones with fewer benefits in their location decisions (Borjas, 1999) and tend to have more barriers, such as limited job networks, lower skills, lower job quality, and lower education level, for employment than native-born Americans, including language barriers (Douglas-Hall and Koball, 2004; Hall et al, 2010). Previous studies (Albert and King, 2011; Borjas and Hilton, 1996; Tumlin and Zimmermann, 2003) also demonstrate that immigrants (or non citizens) tend to leave welfare, including TANF, more slowly than citizens. Tumlin and Zimmermann's study (2003) concluded that the limited English proficiency made it harder for TANF immigrant recipients to be employed along with other barriers.

Solely state-funded programs designed for qualified immigrants with the 5-year waiting period would not have an immediate impact on the TANF work participation rate, but it seems very likely that those states may attract more new immigrants who would be potential TANF clients after 5 years. Considering the higher likelihood of immigrants having more employment barriers, it is highly likely that having more qualified immigrants with the 5-year waiting period will decrease states' work participation rates unless a significant number of immigrants receiving benefits from TANF after their waiting periods end engage in work activities.

Hypothesis 5*: States serving qualified aliens who came to the U.S. after the welfare reform are likely to have lower TANF work participation rates than states that do not cover those people.*

2.5.3 State Earned Income Tax Credit (EITC)

EITC[31] is a federal program to refund tax credits to low-income working families with children, driven by an initiative to reduce poverty and to increase self-sufficiency of welfare recipients. Rather than creating a whole new different system, states used existing federal EITC and set their refunds as a portion of the federal EITC[32]. According to the Center on Budget and Policy Priorities, as of 2014, 26 states[33] and the District of Columbia have state EITC programs with varying percentages of federal credit. State EITC programs are mostly funded by state general funds. States that do not have state income taxes can also enact state EITC. For example, Washington[34] does not impose a state income tax, but passed the legislation for state EITC program in 2008 though it is not yet implemented (Center on Budget and Policy Priorities, 2016).

In its association with TANF work participation, it is predicted that a state EITC may have a positive impact on TANF work participation. First, states providing EITC benefits do not necessarily attract more needy people who heavily rely on state welfare, considering that state EITC is only given to 'working' families who have earned income but whose income level is still

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31 EITC was first introduced in 1975 and modified to be more effective by increasing credits and expanding target groups in the 1990s (Noonan et al, 2007). In addition to the federal EITC, states started to implement their own EITC programs in the early 1990s. The major program benefit is that the refunds from EITC are not counted as income for federal welfare programs such as TANF, SSI, SNAP, and Medicaid.

32 There are two ways for states to employ state EITC programs: (1) refundable credit and (2) nonrefundable credit. Most states offer refundable credits to low-income working families such that they receive full amount of tax credits regardless of their liability for state income tax. On the other hand, there are four states (Delaware, Maine, Ohio, and Virginia) providing 'nonrefundable credits' to low-income working families. Nonrefundable credits mean that families can receive refunds to the extent that their claimed credits do not exceed state income tax liability (Levitis and Koulish, 2008).

33 States (excluding District of Columbia) with EITC are as follows: Colorado, Connecticut, Delaware, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Nebraska, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Rhode Island, Vermont, Virginia, Washington (not yet implemented), and Wisconsin.

34 Washington was scheduled to refund 10% of federal EITC or $50 (whichever greater) to working low-come families in 2012 (Williams et al, 2010), but has not yet implemented the state EITC.

low. For another, the additional income provided by a state EITC helps low-income working families stay in their employment. This is because an additional income source allows low-income working families to work more hours and to accumulate more work experience, which provides better opportunities for higher pay and better positions (Center on Budget and Policy Priorities, 2015).

Studies have suggested that EITC has a positive impact on employment, especially for single females or single minority females with children (Chetty et al, 2012; Eissa and Liebman, 1996; Grogger, 2003; Hotz and Scholz, 2003; Meyer and Rosenbaum, 2000, 2001; Noonan et al, 2007). Grogger (2003) found evidence that EITC not only decreased welfare use in TANF, but also increased employment and earnings of female-headed households in the period 1978-1999. Noonan et al (2007) also examined the impact of EITC on changes in employment of black and white single mothers aged 18-54 in metropolitan areas from 1991 to 2003 and found that EITC had a positive impact on employment of single mothers, increasing black single mothers' employment more than white counterparts.

Previous studies have mostly focused on only federal EITC; the combined effect of both federal and state EITCs on the working poor has received less attention (Hardy et al, 2015). Thus, few studies exist to support the positive impact of state EITC on the employment of low income working families. Neumark and Wascher (2007) provided a confirming finding that state EITC had a strong, positive impact on female employment and wages/earnings regardless of race, and the effect was stronger for Black or Hispanic females aged 20-24[35]. Based on those findings that

[35] They presented disaggregate results by race; non-black, non-Hispanic vs Black or Hispanic females.

states' EITC programs provide poor working families with additional income sources that help them maintain their employment, it is expected that states implementing state EITCs would have more 'working' families in their TANF roll, which leads to higher work participation rates.

Hypothesis 6*: States implementing state EITC are more likely to have higher TANF work participation rates than states without state EITC programs.*

2.5.4 TANF Time Limit Policy

State time limits are one of the policy choices states have adopted to restrict recipients' benefits along with sanction policy. Given that time limits have been regarded as one of the critical factors influencing welfare use in past studies, this study includes state time limits as an independent variable and seeks to find out its impact on TANF work participation rates.

Since the passage of welfare reform in 1996, TANF benefits are provided in a time-limited manner such that recipients cannot receive benefits for more than 60 months in their lifetime by federal grants, unless they have good cause for extension or exemption. In addition to the federal time limit of 60 months, states have designed and implemented their own time limit policies, 'periodic limits' and 'benefit waiting periods'[36], and state policies can replace or be added to the federal lifetime time limits. Time limit policies vary across states, and the range of policies is shown in Table 2.4.

[36] Periodic limits mean recipients (families) can receive benefits for certain months out of a given period (e.g., families can receive benefits for 12 months in 36-month period), and under benefit waiting periods, families who received benefits for particular months (e.g., 12 months) become ineligible for a period of months (e.g., 24 months) to receive benefits again (Huber et al, 2014).

Table 2.4: State Lifetime Limit and Other State Time Limit Policies in 2013

State	State Lifetime Time Limit	Other State Time Limit	State	State Lifetime Time Limit	Other State Time Limit
Alabama	60 months		Montana	60 months	
Alaska	60 months		Nebraska	60 months	
Arizona	24 months		Nevada	60 months	24 months by 12 months of ineligibility[1]
Arkansas	24months		New Hampshire	60 months	
California	48 months		New Jersey	60 months	
Colorado	60 months		New Mexico	60 months	
Connecticut	21months		New York[2]	60 months	
Delaware	36 months		North Carolina	60 months	24 months by 36 months of ineligibility[1]
Florida	48 months		North Dakota	60 months	
Georgia	48 months		Ohio	60 months	36 months by 24 months of ineligibility[1]
Hawaii	60 months		Oklahoma	60 months	
Idaho	24 months		Oregon	60 months	
Illinois	60 months		Pennsylvania	60 months	
Indiana	24 months		Rhode Island	48 months	24 of 60[3] months
Iowa	60 months		South Carolina	60 months	24 of 120[3] months
Kansas	48 months		South Dakota	60 months	
Kentucky	60 months		Tennessee	60 months	
Louisiana	60 months	24 of 60[3] months	Texas	60 months	12, 24, or 36 months by 60 months of ineligibility[1]
Maine	60 months		Utah	36 months	
Maryland	60 months		Vermont	N/A[4]	
Massachusetts	N/A[4]	24 of 60[3] months	Virginia	60 months	24 months by 24 months of ineligibility[1]
Michigan	48 months		Washington	60 months	
Minnesota	60 months		West Virginia	60 months	

Table 2.4 - continued

State	State Lifetime Time Limit	Other State Time Limit	State	State Lifetime Time Limit	Other State Time Limit
Mississippi	60 months		Wisconsin	60 months	
Missouri	60 months		Wyoming	60 months	

Source: Welfare Rules Databook: State TANF Policies of July 2013
Note:
[1] Nevada, North Carolina, Ohio, Texas, and Virginia implement 'benefit waiting periods' as state time limit policies.
[2] New York has a 60-month lifetime limit, but also has a safety net program to serve recipients who reached the limit through a separate state program.
[3] Louisiana, Massachusetts, Rhode Island, and South Carolina adopt 'periodic limits', and periodic limits of Massachusetts and South Carolina only apply to TANF nonexempt recipients.
[4] Massachusetts and Vermont do not have lifetime limits.

As of 2013 July, 13 states have shorter lifetime limits than the federal lifetime limit[37]. In most states, if families reach their lifetime limit, they exit the TANF mostly involuntarily, though the benefits of some families may be extended depending on states' discretion and specific rules. According to the report by the Office of Family Assistance (OFA) of the U.S. Department of Health and Human Services (DHHS), nationally, 1,839,528 cases were closed in FY 2012, and 2.9 percent of them were due to the exhausted time limit. (i.e., 2.1 percent for federal time limit and 0.8 percent for state time limit). This 2.9 percentage seems small compared to other reasons for closure[38], but cannot be neglected because the total number of closed cases in FY 2012 was quite huge, 1,839,528, compared to the number of active cases, 1,753,021.

[37] The followings are states adopting shorter lifetime limit: Arizona, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Idaho, Indiana, Kansas, Michigan, Rhode Island, and Utah. New Mexico applies shorter lifetime limit for recipients engaged in Educational Works Programs to obtain degree for higher education. Since 2007, this program has been funded through state general fund, not state MOE funds, which does not count toward TANF MOE, so New Mexico is not included in states adopting shorter lifetime limit.
[38] The followings are percentages for disclosure reasons: employment (17.4%), marriage (0.6%), voluntary closure (12%), others (26.8%), work related sanction (6.2%), failure to cooperate with eligibility requirements (14.6%), other sanction for non-MOE program (7.7%), and state policy (10.4%), transfer to MOE (1.2%), and served by tribal program (0.1%) (Office of Family Assistance, 2012).

Scholars used pre and post welfare reform data to examine the impact of time limits on the TANF caseloads or participation, and mostly they used a dummy variable to indicate whether states implemented time limit or not without differentiating the length of time limit (Ribal et al, 2008). Grogger (2003) also used a dummy variable for time limits (i.e., coded as 1 in all years after a state implemented time limit) and examined the impact of time limits on the welfare use (related to caseloads), employment and earnings, targeting female-headed families during the period of 1978-1999. He found that time limits not only significantly reduced welfare use among female householders, but also increased employment. This result indicates that time limits, controlling for other economic and policy related factors, contributed to a decline in welfare use among female householders. Other studies by Grogger (2002; 2004) also confirmed that time limits lead to decline in welfare use. Based on those findings, it is argued that states with time limits are likely to have fewer female-headed families in TANF and higher employment rates among female head recipients; this suggests time limits can increase TANF work participation rates by eliminating female householder recipients from the roll and also encouraging their employment.

Given previous research on TANF time limits and its effect on caseloads, it appears that establishing time limits had a strong impact on the caseload reduction by making families who reached their time limit leave TANF. However, it is empirically unknown to what extent adopting a shorter time limit than the federal time limit will further induce recipients' behavioral changes (e.g., employment of recipients and TANF exit). Based on the fact that time limits have a significant impact on the use of welfare, it is argued that imposing a shorter time limit would eliminate more families in the work participation calculation, which will lead to a higher work participation rate.

Hypothesis *7: States with shorter lifetime limits than the federal time limit are more likely to have higher TANF work participation rates.*

2.5.5 Diversion Program

States have developed diversion programs[39] to try to keep people off TANF. As of 2013, there were 32 states implementing diversion programs, excluding the District Columbia. Despite its clear and convincing purpose to help families facing short-term hardship, diversion programs have been criticized as a strategy states use to distract people from enrolling in TANF, which will reduce states' costs. This is mainly because in some states, families who received diversion program benefits become ineligible for some periods, and their months count toward the TANF lifetime limit when those families apply and receive TANF assistance.

Based on two reasons (i.e., Diversion program recipients' ineligibility periods and their months counting toward TANF lifetime limit when they receive TANF), it seems to be a valid criticism that diversion programs distract needy people from the TANF, but evidence indicate that not all states utilize diversion programs in that way. Among 32 states implementing diversion programs, 27 states do not count months of diversion assistance receipt toward TANF

[39] Diversion programs have been implemented since 1997 to provide short-term assistance to families undergoing financial difficulties, and assistance is provided normally in the form of lump sum cash payments (i.e., mostly multiple TANF benefits they might be able to receive if they applied) or vouchers for limited duration. Target groups are TANF applicants, not recipients, and once applicants receive benefits from diversion programs for maximum periods, they normally become ineligible for periods of time (e.g., one to twelve months depending on a state's policy) and can not apply for TANF if they need further assistance to get through difficulties.

time limits, and 6 states (New Jersey, New York, North Carolina, North Dakota, Vermont, and Wisconsin) among those 27 states do not impose any penalty (i.e., families who received diversion payments are immediately eligible for TANF without any periods of ineligibility).

In this regard, states that do not count diversion payment months toward TANF time limit or/and not impose ineligibility periods for TANF are considered more generous relative to other states that do not implement diversion programs or those who count diversion months toward TANF time limit. The relationship between TANF work participation rate and generosity in diversion program is quite vague because we don’t have exact information such as the percentage of people transitioning from diversion to TANF program. Generous diversion program allows former diversion recipients to receive TANF benefits longer or immediately if they apply for TANF and are accepted, which will increase the number of total TANF recipients. TANF work participation rates depend on relative changes in the number of working recipients to the increase in total number of TANF recipients; however, it makes sense to expect that TANF work participation rates will decline at least in the short term since recipients have grace periods to prepare for work before their work activities are mandatorily counted.

Hypothesis 8*: States that do not impose any restrictions (i.e., no ineligibility period after the diversion periods end or no inclusion of diversion months into TANF time limit) on former diversion recipients when they apply for TANF are more likely to have lower TANF work participation rates.*

2.6 Summary

In this section, literatures that help explain and support the use of the major independent variables in my models were reviewed. Since the focus of this study is on states' policy response to the DRA which includes solely state funded programs, worker supplement programs, and severe sanctions, and their overall stance on welfare programs, hypotheses relevant to those variables are separately stated. To simplify the overall summary of my hypotheses and their predicted direction, Table 2.5 shows the independent variables used in the analysis and the expected impact of each variable on TANF work participation rates.

Table 2.5: Expected Direction of Hypotheses

	Variables	**Hypothesized Direction**
Policy Response	Solely State Funded (SSF) Program	+
	SSF x Worker Supplement Program	+
	Sanction Severity	
	(1) Full Family Sanction	+
	(2) Disqualification on SNAP	+
Generosity	General Assistance Program	-
	Coverage for Qualified Immigrants	-
	State EITC	+
	States' Shorter Lifetime Limit	+
	Diversion Program	-

CHAPTER 3

RESEARCH DESIGN AND METHODS

3.1 Research Design

This chapter describes a research design and statistical methods used to empirically test the research questions. The units of analysis in this study are the fifty states, and their performances in TANF work participation rates after the passage of the 2005 DRA will be examined in its relationship with policies states implemented in response to the passage of DRA. In line with this purpose, the nine hypotheses developed in chapter two will be tested using a cross sectional time series research design over a 7- year period since the FY 2007 when the DRA became effective.

3.2 Data

3.2.1 Data Definition, Measurement, and Collection

This study mostly uses data officially released from the government or government agencies. The following three sections describe the definition, measurement and the source of each variable used in this study.

3.2.1.1 Dependent variable. The dependent variable in this study is a TANF work participation rate, and it is defined as the number of TANF recipients engaged in countable work activities among the total work eligible individual (WEI) recipients. The Office of Family Assistance (OFA) of the U.S. Department of Health and Human Services (DHHS) annually releases states' work participation rates (WPR), and the WPR data is available on their website. The OFA provides three types of TANF work participation rates subject to the funding source: (1) TANF, (2) SSP-MOE, and (3) Combined (TANF+SSP-MOE). This study uses the combined TANF and

SSP-MOE work participation rates for 'all families' because family served by TANF funds and SSP-MOE funds are all included in the calculation. The annual report also presents work participation rates for two-parent families, but the major concern of this study is on all families. Since there are some states that do not serve two-parent families with TANF or SSP-MOE funds, two-parent families in those states are not considered in the calculation of TANF work participation rates, and those states have no obligation of reporting work participation rates for two-parent families to the OFA.

3.2.1.2 Independent variables. There are two sets of independent variables under two categories, (1) states' policy choices in response to the DRA and (2) states' generosity on welfare programs. First, under the states' policy response, there are three variables: (1) solely state funded (SSF) program, (2) worker supplement program (WSP), and (3) sanction severity.

Solely state funded program is a binary variable, coded as 1 if states have implemented solely state funded programs and 0 otherwise. It represents whether states serve two-parent families whose benefits are most likely to be excluded from the TANF under the DRA. The information regarding states' adoption of solely state funded programs is obtained from various sources such as state policy manuals, state administrative rules, state TANF plan[40] and the caseload reduction report. There is no official database/report that shows 50 states' adoption of solely state funded programs in an organized way. Worker supplement program is a binary (dummy) variable, coded as 1 if states have worker supplement programs and 0 otherwise. Its interaction term with solely state funded program is included to test the relevant hypothesis. To

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[40] Each state is required to submit a written document referred to as state plan to the Department of Health and Human Services for the upcoming fiscal year to show their commitment to TANF.

acquire the data with respect to states' adoption of worker supplement program, we first referred to the report[41] by the Center on Budget and Policy Priorities and updated the data by revisiting each state's TANF state plan, TANF policy manuals, the caseload reduction reports, and Government Accountability Office (GAO) report and checking whether states changed the status of implementing worker supplement programs during the 7 year period.

Sanction severity is measured by two dimensions: (1) coverage and (2) its impact on SNAP. Sanction coverage is a binary (dummy) variable coded as 1 if states employ full family sanctions[42], and 0 for states with partial sanctions. TANF sanction restriction on SNAP is also a binary (dummy) variable that indicates whether TANF sanctions due to noncompliance with work requirements impose more harsh restriction on SNAP benefits than the federal requirement. It is coded as 1 if states' TANF sanctions for noncompliance with work requirements lead to more harsh restriction on SNAP than the federal requirements (i.e., disqualify SNAP recipients longer than the federal minimum and/or exclude entire families from SNAP) and 0 otherwise. Data regarding the coverage of sanctions is obtained from the Welfare Rules Database of the Urban Institute, and SNAP disqualification data is collected from 50 states' policy manuals, administrative rules, and state plan.

Under states' stance on welfare, five variables are introduced: (1) General Assistance, (2) Qualified immigrants coverage, (3) State EITC, (4) TANF time limit, and (5) Diversion program. General Assistance is a binary variable, coded as 1 if states implement GA programs and 0

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41 The report (Liz Schott, 2008) suggests the status of 50 states' adoption of worker supplement program as of 2008, and for the rest of years up to 2013, I visited the 50 states' policy manuals, administrative rules, and TANF plans to check whether some states implemented it after 2008. States that had implemented, but suspended worker supplement programs after 2008 were also checked.

42 Immediate and gradual sanctions are regarded as the same in terms of coverage.

otherwise. The data are based on the research reports[43] by the Urban Institute and the Center on Budget and Policy Priorities, and the changes in states' GA program status were tracked by visiting each state's website and checking relevant documents (e.g., appropriation report, state regulation, and memorandum). Qualified immigrants coverage variable represents whether states serve qualified immigrants who came to the U.S. after the welfare reform during their 5-year waiting periods. It is a binary variable coded as 1 if states serve those qualified immigrants during the waiting periods and 0 otherwise. Data are obtained from the Welfare Rules Database of the Urban Institute and the issue brief by the PEW Charitable Trusts. State EITC is a continuous variable indicating the portion of states' federal EITC in a percentage form. Information regarding the implementation of state EITC is from the Center on Budget and Policy Priorities.

State lifetime limit is a binary (dummy) variable representing whether states adopt shorter lifetime limits than the federal lifetime limit of 60 months. It is coded as 1 if states adopt shorter lifetime limits than the federal limit, and otherwise 0. The data are obtained from the Welfare Rules Database of the Urban Institute[44]. Diversion is a binary variable, coded as 1 if states employ diversion programs and do not impose restrictions on diversion recipients when they apply to TANF. States are regarded as not imposing restrictions when they do not require an ineligibility period for diversion recipients when they apply to TANF and do not count diversion months toward TANF lifetime limit. States that do not employ diversion programs or have

[43] There are four available reports from the Urban Institute (Uccello and Gallagher, 1997; Gallagher, 1999) and the Center on Budget and Policy Priorities (Schott and Cho, 2011; Schott and Hill, 2015). But these reports do not provide entire data needed, so relevant documents (e.g., appropriation report, state regulation, and memorandum) were used to update the data.
[44] Urban Institute has a longitudinal database that tracks the state policies of AFDC/TANF, and it contains data from 1996 to 2014 as of 2015.

diversion programs with restrictions on the TANF application are coded as 0 because it is not generous if diversion plays a distracting role. The data for each state's diversion program are obtained from the Welfare Rules Database of the Urban Institute.

3.2.1.3 Control variables. A number of control variables at different levels are included in this study. Race represents the proportion of non-white to total population[45], and female-headed household is the proportion of female-headed households among total households. Households here indicate family households, not nonfamily households. All data are from the U.S. Census Bureau.

To capture state characteristics, political and economic factors are included in the analysis. This paper uses state government ideology developed by Berry et al (1998; 2010) to measure the political orientation of electorates and state legislators. The positions of state government are on a conservative–liberal continuum, and the higher score indicates a more liberal orientation of state government. Recently, the ideology measure has been updated as of 2015 March, and data are now available up to FY2014 for the NOMINATE version of state government ideology. In this study, we will use the NOMINATE version of state government ideology based on the fact that it showed higher performance in validity tests (Berry et al, 2010). Data are from the website, https://rcfording.wordpress.com/state-ideology-data/, used to release updated measures.

[45] The same model is run with two variables (African American population and Hispanic population) separately and together instead of the proportion of nonwhite, and the results showed that both did not have statistical significance.

For economic factors, Total Taxable Resources (TTS) per capita and unemployment rates are used. Total Taxable Resources (TTS) per capita captures states' relative fiscal capacity in terms of their revenue structure, and it is regarded as a better and more comprehensive measure than state personal income (SPI) or gross state product (GSP) because TTS per capita includes taxable income sources[46] that the other two measures do not capture according to the Department of Treasury. The Department of Treasury defines TTS as "the unduplicated sum of the income flows produced within a state (GSP) and the income flows received by its residents (SPI) which a state can potentially tax" (p. 2) and releases TTS ($), TTS per capita ($), and TTS per capita index annually. This research used TTS per capita data from the U.S. Department of Treasury website, and it is transformed into a log form. As an accompanying indicator of economic downturn, a lagged unemployment rate has been used as a measure of labor market condition that reflects economy. The unemployment rate is calculated dividing the number of unemployed by total labor force, and the data are collected from the U.S. Bureau of Labor Statistics.

Sometimes, there is a path dependency in the way programs are administered, and preexisting conditions or the inherent nature of programs rarely change or do not catch up with policy changes promptly. To capture states' unique features in administering TANF, several variables representing program characteristics are taken into account in the analysis. Lagged values of TANF caseloads and the rate of sanctioned families failing to comply with work requirements are included. The lagged value of TANF caseloads indicates the number of families receiving TANF benefits in a previous year, and it was presented in a logged form. The lagged value of work related sanctioned family rate is calculated dividing the number of sanctioned

[46] For instance, Gross State Product (GSP) does not include incomes earned from out of state such as residents' earnings, dividend, and interest income from other state (out of state), and State Personal Income (SPI) also is not comprehensive because it does not include corporate profits and business income that may be taxed through corporate income tax and state business taxes (U.S. Department of Treasury).

families due to failure to comply with TANF work requirements by the total number of families receiving TANF in a previous year. Data regarding previous year's TANF caseload and sanctioned family rate are collected from the Office of Family Assistance (OFA) of the U.S. Department of Health and Human Services. Also, states' maximum monthly benefit and initial income threshold are used as controls. The maximum TANF benefit is the maximum amount of monthly TANF benefits each state provides to families of three (single adult with two children) with no income, and the initial income threshold indicates the maximum earnings TANF applicants (families of three including one adult and two children) can hold, but still be eligible for TANF. They are log transformed in the analysis, and the data are collected from the Urban Institute's Welfare Rules Database. Table 3.1 presents the measurement and source of each variable.

Table 3.1 Data Measurement and Source

Variables	**Measurement / Source**
TANF Participation rate	The proportion of recipients engaged in countable work activities to total work eligible individuals receiving TANF *Office of Family Assistance (OFA) of the U.S DHHS*
Solely State Funded Program	States with SSF programs 1, others 0 *Center on Budget and Policy Priorities report (Schott and Parrott, 2009), policy manual, administrative rule, TANF State Plan, TANF caseload reduction report TANF work verification plan, the Legislative Audit Council report, GAO report (May 2010)*
Worker Supplement Program	States with worker supplement programs 1, others 0 *Center on Budget and Policy Priorities Report (Schott, 2008), TANF State Plan, TANF caseload reduction report, TANF policy manual, GAO report (May 2010)*
Sanction Coverage	Full family sanction 1, others 0 *Welfare Rules Database of Urban Institute*
Sanction Restriction on SNAP	More Harsh Restriction on SNAP 1, others 0 *Welfare Rules Database of Urban Institute* *Policy manual, administrative rule*

Table 3.1 – continued

Variables	Measurement / Source
General Assistance Program	States with GA program 1, others 0 *Center on Budget and Policy Priorities, Urban Institute, appropriation report, state regulation and memorandum*
Qualified Immigrants Coverage	Cover qualified immigrants 1, others 0 *Urban Institute Welfare Rules Database & the PEW Charitable Trusts*
State EITC	Sates implementing state EITC 1, others 0 *Center on Budget and Policy Priorities*
State Lifetime Limit	Shorter than the federal time limit 1, others 0 *Welfare Rules Database of Urban Institute*
Diversion Program	Diversion program with no restriction on diversion recipients when applying to TANF 1, others 0 *Welfare Rules Database of Urban Institute*
Non-White	The proportion of non-white to total population *U.S. Census Bureau*
Female-Headed Households	The proportion of female headed HH to total HH *U.S. Census Bureau*
State Government Ideology	Ideology score for each state government; high score indicates liberal orientation *Berry et al (2010)* *https://rcfording.wordpress.com/state-ideology-data/*
TTS per capita ($)	Log (Total Taxable Resource /population) Total taxable resource is the unduplicated sum of gross state product and taxable income sources its resident receives from out of state. *U.S. Department of Treasury*
Unemployment $_{t-1}$	The proportion of unemployed to total work force *U.S. Bureau of Labor Statistics*
TANF Caseload $_{t-1}$	Log (the number of TANF families in a previous year) *Office of Family Assistance of the U.S DHHS*
Sanctioned Family rate $_{t-1}$	The proportion of families sanctioned due to failure to comply with work requirements to total recipient families in a previous year *OFA of the U.S DHHS*
Maximum TANF benefits ($)	Log (TANF maximum monthly benefits) *Welfare Rules Database of Urban Institute*
Maximum Income for Initial Eligibility ($)	Log (TANF maximum income threshold) *Welfare Rules Database of Urban Institute*

3.3 Statistical Method and Model

3.3.1 Analytic Technique

This study deals with panel data: the same units (50 states) are observed repeatedly over the seven-year periods from FY 2007 to 2013. So, we use panel analysis as a statistical technique using STATA software. The dataset is cross-sectional dominant (i.e., N>T) and strongly balanced. There are different statistical methods to handle cross sectional time series data such as Parks-Kmenta's method using feasible generalized least squares (FGLS) estimation and Beck and Katz's (1995) ordinary least squares with panel corrected standard errors, so called PCSE. It is reported that FGLS[47] is not suitable for panel data where the number of units considerably exceed the number of time periods (i.e., N>T), and PCSE is effective for time dominant data where T has at least 15 time periods (Certo and Semadeni, 2006). Since it is expected that there may be heterogeneity across time and/or units (states), we suspect that errors may contain cross sectional and/or time effects that need to be addressed. The Hausman test was performed to determine the proper technique between fixed effects and random effects models, and a fixed effects model is chosen based on the test result[48].

Some argue that it may not be a critical problem for micro panel data that involves only a few years, but there are statistical issues that need to be accounted for in panel data analysis: serial correlation, heteroskedasticity, and contemporaneous correlation. Serial correlation seems to show less influence on the accuracy of estimation when the data is 'cross-sectional dominant' (i.e., N>T) (Stimson, 1985); however, the presence of contemporaneous correlation and heteroskedasticity causes incorrect estimations, producing overconfidence levels (Certo and

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[47] FGLS also produces underestimated standard errors (Beck and Katz, 2001).
[48] Hausman test result shows that the null hypothesis is rejected at the p-value of 0.0000.

Semadeni, 2006). Diagnostics to check the presence of serial correlation, heteroskedasticity, and contemporaneous correlation[49]were performed, and the result suggests the presence of serial correlation and heteroskedasticity. In order to correct such problems, estimates are presented with cluster-robust standard errors using the command, vce (cluster states). Based on the idea that including time dummy variables significantly reduces the overconfidence level problem caused by heteroscedasticity and contemporaneous correlation and thereby improves the accuracy of coefficient estimation (Certo and Semadeni, 2006), inclusion of time variables was considered. A joint test that all years are equal to zero was conducted using the command, *testparm*, but the test failed to reject the null, which indicates no time fixed effects are needed, so we did not include time dummy variables in the analysis.

3.3.2 Model

The following econometric model is used to obtain the effect of states' policy response on TANF work participation rates.

$$P_{it} = \beta_0 + \beta_1\ Policy\ \ Response_{it} + +\beta_2\ Generosity_{it} + +\beta_3\ Control_{it} + e_{it} \quad (1)$$

where i=1,…,50 (states), t=2007,…,2013 (years)

In the models above, i denotes cross-sectional units, which are states, and t denotes each time period, years. *Policy Response* includes five variables that show states' implementation of solely state funded (SSF) programs, worker supplement programs (WSP), the implementation of both SSF programs and WSP (interaction term), and sanction policy (sanction coverage and sanction restriction on SNAP). Sanction policy indicates whether states adopt more harsh sanction for

[49] Diagnostics for contemporaneous correlation (i.e., cross sectional dependence) is to check whether errors of unit i are correlated with errors of unit j in a given time t.

noncompliance with work requirements and consists of two elements: (1) sanction coverage and (2) sanction restriction on SNAP. *Generosity* contains five variables: (1) GA program, (2) coverage for qualified immigrants during the waiting period, (3) state EITC, (4) TANF time limit, and (5) diversion program. Lastly, e_{it} is a compounding error term, including unobserved effects. Since the fixed effect model is used, time-invariant effects are eliminated, and thereby, the error term does not have a component of time-invariant effects (i.e., unobserved effects).

CHAPTER 4

RESULTS

In order to estimate the impact of policies states implemented in response to the passage of DRA, the fixed effects model was used, and the cluster-robust standard errors are estimated due to the presence of heteroskedasticity and serial correlation. The within R^2 is 0.2876, which indicates that approximately 29 percent of the within variation in TANF work participation rate is explained by the within variation in independent variables in the model[50]. Descriptive statistics are provided in the Appendix A. In chapter 2, we do not hypothesize the separate impact of worker supplement program on the TANF work participation rate because it is unclear how worker supplement programs affect TANF work participation rate considering that low-income working families who are assisted by worker supplement programs are included in the work participation calculation increasing both the numerator (number of working TANF recipients) and the denominator (total work eligible TANF recipients). We ran two models with and without worker supplement program as a single variable, and the test results with worker supplement programs are shown here in Table 4.1. Appendix F presents the test results without worker supplement program as a single variable[51].

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50 Since the overall R^2 produced by the fixed effects model does not include unit (state) effects (i.e., intercepts are eliminated in the FE model), the commend *areg* was used to obtain the overall R^2. The adjusted overall R^2 obtained is 0.7494. The coefficient estimates from a*reg* command are the same as ones from *xtreg*.

51 When the model is run without the worker supplement program as a single variable, states implementing both solely state funded program and worker supplement program (i.e., interaction variable) show significantly higher performance in TANF work participation. For other variables, test results are similar in terms of coefficient magnitude and direction such that sanction related variables, female-headed households, states' fiscal capacity, and the maximum monthly benefit turn out to be significant predictors in explaining states' TANF work participation rates; however, states' caseload in a previous year became insignificant in the model without worker supplement program as a single variable. See the table A.5 in the appendix.

Table 4.1: Fixed Effects Model of TANF Work Participation Rates

	Combined WPR
Solely State Funded (SSF) Program	0.053
	(0.039)
Worker Supplement Program (WSP)	0.065*
	(0.038)
SSF x WSP	0.016
	(0.035)
Full Family Sanction	0.295***
	(0.021)
Sanction Effect on SNAP	0.134**
	(0.059)
GA Program	0.021
	(0.030)
Coverage of Qualified Aliens	-0.010
	(0.018)
State EITC	0.459
	(0.307)
Shorter Time Limit	0.029
	(0.038)
Diversion w/o Restriction	0.007
	(0.032)
Government Ideology	-0.000
	(0.000)
Non-White	-0.222
	(0.628)
Female-headed Households	-3.697**
	(1.629)
Work Sanction rate $_{t-1}$	0.164
	(0.377)
Unemployment $_{t-1}$	-0.148
	(0.331)
Log (TTS per capita)	0.267**
	(0.117)
Log (Maximum Monthly Benefits)	0.237**
	(0.090)
Log (Maximum Initial Income Threshold)	-0.093
	(0.057)
Log (Caseload $_{t-1}$)	0.083**
	(0.039)
_cons	-4.258
	(1.565)
Within R^2	0.29
N	350

Note: Cluster-Robust standard errors are in parenthesis. * $p<0.1$; ** $p<0.05$; *** $p<0.01$

The test result run by the fixed effects model shows that states implementing worker supplement programs achieve higher TANF work participation rates than states without them; the effect was significant and positive as was hypothesized. Thus, we can argue that benefits (i.e., cash payments, transitional services such as child care and transportation) from states' worker supplement programs indeed help low-income working families, who were former TANF recipients, stay in employment. In this regard, it seems this policy successfully works as it was designed, and helps states improve TANF performance. Adopting solely state funded programs for two-parent families increases TANF work participation rates, but the coefficient was not statistically significant. Also, the hypothesis with respect to an interaction term between worker supplement programs and solely state funded programs did not prove to have a large coefficient.

In terms of sanction effects on TANF work participation, consistent findings were obtained as other sanction literatures predicted. Severe sanctions turned out to be effective policy tools to enhance performance, confirming two hypotheses, 3(a) and 3(b). States adopting full family sanctions have a 0.29 percent higher TANF work participation rate than states with partial sanctions. Likewise, states imposing longer SNAP disqualification periods for recipients who failed to comply with TANF work requirements or disqualifying entire families instead of the noncompliant individual show a 0.13 percent higher TANF work participation rate than states imposing no more than the federal minimum disqualification. Based on the empirical test result, it is found that states' policy choice for more stringent eligibility has more positive impact on the performance than their policy choice for more lenient coverage at least in TANF program.

For more detailed information of whether stringent sanction policies encourage recipients to work or eliminate sanctioned recipients from the TANF, we estimated the same model with two different dependent variables, (1) log (number of TANF recipients engaged in countable work activities) and (2) log (number of work eligible individuals receiving TANF assistance). The test results show that states adopting full family sanctions have positive impact both on total work eligible TANF recipients and their working status[52]. Also, states with harsh disqualification policy on SNAP benefits for noncompliance with TANF work requirements have significant impact on TANF recipients engaged in work activities[53]. These results indicate that in TANF severe sanctions positively affect TANF recipients by encouraging or forcing TANF recipients to involve more in work activities.

When looking at the results of the generosity variables, they are interesting. All variables under states' stance on welfare showed an expected direction as hypothesized except GA program and diversion program variables, but none of them were statistically significant. Among those, it is surprising that we cannot conclude that states' shorter lifetime limit than the federal limit increases TANF work participation by eliminating time-exhausted families from the roll or inducing behavioral changes (i.e., encouraging them to work) of recipients. If the effectiveness of adopting a shorter state time limit is not empirically verified, adopting a shorter lifetime limit will only cut benefits needy people can receive, which deteriorates their living income levels.

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52 Coefficients of full family sanctions on TANF recipients engaged in work activities and work eligible TANF recipients are 1.332 and 0.389 respectively, and they are statistically significant at .01 level.

53 Coefficients of TANF sanction effect on SNAP variable on TANF recipients engaged in work activities and work eligible TANF recipients are 0.601 and 0.198 respectively, and its impact on TANF recipients who are working turns out to be statistically significant at .05 level.

Other than state time limits, the test results of other variables imply that states' generosity in other welfare programs may not have any direct relevance to TANF performance. And, this leads us to think about several things. Foremost, states should not be worried about whether their generosity in other welfare programs will prevent them from achieving higher performance in TANF. Our test result shows that there is no evidence that qualified aliens who are ineligible for TANF due to their waiting period would become potential TANF clients after the waiting period ends if states cover them during the period. Likewise, these results do not support the hypothesis that states providing diversion programs without any restriction on recipients when they apply to TANF would achieve lower TANF work participation rates.

In addition, states' higher demand for TANF and their fiscal capacity are significant predictors in explaining TANF work participation rates. The result suggests that states with more female headed households with children under 18 achieve lower TANF work participation rates[54], and states with more taxable resources are more likely to have higher TANF work participation rates. Considering that most TANF recipients are female-headed households with children, it is likely that they face more challenges in being employed or maintaining jobs, which may lead to lower work participation; however, it is quite interesting that states with more fiscal resources tend to achieve higher TANF work participation rates. There may be other factors between states' total taxable resources and higher work participation that are not presented in this study.

Most program-related variables (i.e., maximum monthly benefits and caseload in a previous year) turn out to be significant in predicting TANF work participation rates. It seems

[54] The test result shows that a 1% increase in female-headed households with children under 18 leads to a 3% decrease in TANF work participation rates.

states with higher caseloads in a previous year respond to their threat (high caseloads) that may jeopardize meeting the requirements and keeping federal funds, which leads them to achieve higher TANF work participation next year. The result shows that higher maximum monthly benefits families receive lead to higher TANF work participation rates. It needs more investigation to explain why, but there is a plausible answer for this finding. If the monthly benefits they receive are too low to make a living, they may have no incentives for complying with requirements (i.e., engaging in work activities) in response to receiving TANF benefits. States providing high TANF monthly benefits may be deemed generous, but it is hard to conclude that. TANF benefit levels have been criticized because it has not been properly adjusted in response to inflation since 1996, and thus some people argue that benefit levels are too low to make ends meet for recipients compared to Federal Poverty Level (FPL) (Schott and Finch, 2010).

CHAPTER 5

CONCLUSION

5.1 Contribution of the Study

The enactment of the Deficit Reduction Act (DRA) of 2005 is significant in that it was the latest TANF reauthorization[55] and modified the program greatly affecting states' TANF implementation over a decade. But TANF studies have failed to update and recognize the impact of the DRA on states' TANF implementation; one of the most recent studies that discuss states' TANF implementation and outcome might be Kim and Fording (2010)[56], but their study does not reflect recent changes in state TANF policies as they are using the data from 2000 to 2003 for TANF performance measures (job entry, job retention, and earnings gains) that are no longer available[57]. This study revisited states' TANF policy drawing a meaningful implication that states' policy choices make a difference in performance, and it bridges the gap between academic research and policy.

Also, the empirical findings of this study enrich literatures of welfare policy by suggesting the effect of state programs under the DRA, which has been rarely reported in welfare studies. Contrary to the large number of reports that have been released by research institute, no literature discusses whether state programs succeeded or failed in meeting the goal of the DRA

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[55] TANF reauthorization, which was scheduled in 2010, was delayed, and currently, the TANF funding is extended until September 30, 2016 (Budget and Deficit Reduction, n.d.).

[56] Kim and Fording (2010) investigated the impact of second-order devolution (SOD) on the TANF caseload reduction and also examined the impact of SOD on sanction stringency and TANF outcomes of 'employment exits, job retention, and earnings gains' to find out the mechanism of SOD effects.

[57] The DRA eliminated the $200 million per year funding for the high performance bonus where states competed based on their performances on three work related measures: (1) job entry, (2) job retention, and (3) earnings gains (Susan, 2006). Currently the Administration for Children and Families (ACF) only provides limited data (i.e., some states have submitted sample data, not population data), and the latest available one is FY 2011.

in TANF. In the past, TANF research studies have been geared toward examining states' generosity/stringency in providing benefits, and programs states have implemented since the welfare reform of 1996 were used to measure the generosity/stringency of states. In addition, meeting TANF work requirements had not been a big issue for states before the DRA was enacted given that almost no state failed to meet the requirements. Consequently, TANF performance has not been the center of research, and state TANF programs were mostly analyzed in terms of their impact on the increase or decrease in demand for benefit (e.g., changes in total caseloads). However, since states' relative level of generosity or stringency is not related to the success or failure of state programs, we have not known the effectiveness of state programs to meet the TANF goals. In order to properly assess state programs, an appropriate performance indicator that is designed to correspond to the program objective should be used. In this regard, this study is distinctive from others contributing to welfare policy literatures by providing empirical evidence that may extend the scope of future research in TANF.

Since we primarily read about the race to the bottom literatures in welfare, arguing states would avoid being a magnet for needy people, it may seem counterintuitive to find that some states have employed worker supplement programs to serve more needy people. But this study finds, based on empirical evidence, that worker supplement programs states implemented to respond to the enactment of DRA is effective in improving TANF work participation rates. Therefore, it appears to be a correct call for states to design and implement this program to deal with tougher work requirements under the DRA. To my knowledge, no empirical study has examined the impact of worker supplement programs on TANF performance, and thus this study should provide valuable information to states that are at risk of failing to meet the requirement or hesitate to implement this program due to its unknown impact on TANF performance.

Other than improving TANF performance and helping more needy people,[58] implementation of worker supplement programs has another attractive feature; it may not require additional funds for states to implement depending on how it is structured. As discussed in the section 2.4.2, states can provide low-income working families with assistance using TANF or MOE funds, which allows states to keep those served by worker supplement programs in the calculation of TANF work participation, and thus it would not burden some states with fiscal difficulties. Based on our test results and the advantages this program seems to have, we suggest that states consider implementing worker supplement programs because this program allows states to pursue two goals of meeting the work requirements and helping needy people at the same time; these goals are oftentimes conflicting in other policies.

This study and its results demonstrate the need to assess effectiveness of policy tools as to whether they are properly utilized to meet the program purpose as it was designed. Unlike previous studies measuring sanction severity only in terms of its coverage, this study takes into account the link between TANF sanctions and SNAP eligibility to measure sanction severity; TANF sanctions for noncompliance with work requirements do have effects on TANF sanctioned recipients' SNAP benefits. This study shows that severe sanctions (i.e., fully family sanction and harsh SNAP disqualification for noncompliance with TANF work requirements) work effectively in improving TANF performance and also suggests that the impact of sanctions

[58] At first, states covered low-income working families who left TANF due to earnings from work through worker supplement programs, but now they tend to extend its coverage to low-income working families regardless of TANF receipt.

on TANF might be much larger than we have known given that sanction severity has not been examined from various angles. Through the additional separate analysis of sanction effects on TANF recipients who are working, it is found that severe sanctions in TANF have positively affected TANF recipients' working status. In addition, we argue that states' time limit may not be an effective policy tool, but a punitive one since our study suggests there is no empirical evidence that states' shorter time limit would produce much effectiveness in improving TANF performance as TANF sanctions do.

5.2. Limitations of the Study

Despite the contributions this dissertation makes, there are many areas that need to be further investigated. This study lacks the explanation of how state policies (SSF programs, WSPs, and severe sanctions) induce behavioral changes in a way to increase recipients' self-sufficiency. Since this paper does not look at total TANF caseloads, it is unclear to what extent TANF program help needy people who failed to meet the work requirements to have more self-sufficiency.

In terms of empirical test results, there are unanswered questions. First, the impact of solely state funded programs on TANF work participation rates is positive as hypothesized but insignificant. Since states are not obligated to report the number of two-parent families assisted through solely state funded programs, the proportion of those people among total TANF recipients is unknown. One possible explanation may be the small number of two-parent families who are removed from the TANF roll due to the implementation of solely state funded programs. Second, variables under states' stance on welfare are all insignificant according to the test result.

So, it is unknown how states' generosity affects TANF work participation. In addition, even though they turn out to be significant, we may not know the mechanisms of causation between each independent variable and TANF work participation rate in terms of how such programs' generosity lead to changes in TANF work participation. Due to the lack of empirical literatures covering the same or similar subjects as this paper, it is plausible that this model unintentionally ignores possible interaction among variables or omits a variable that may play an interacting role between other welfare programs and TANF.

In addition, there are some significant variables which may need more explanation. Some of the control variables are significant in explaining TANF work participation rates, but the implication of the test results regarding total taxable resources per capita and previous year's caseload seems to be unclear. It is often the case to expect that states under fiscal pressure are more likely to rely on federal money and be more attentive to meeting the requirements. But the test result was opposite to our hypothesis suggesting that states with higher taxable resources are more likely to achieve higher TANF work participation rates.

This may be due to the fact that the dependent variable in this study represents more about states' performance (in a percentage form) than whether states meet the requirements or not. Even though the work requirement threshold is 50 percent for all families, variation exists in states performance; some states indeed outperform, and others are barely above a target work rate owing to the caseload reduction credits. In this sense, it is plausible that higher taxable resources allow states to have more human and financial resources and to establish advanced systems, which help states to achieve higher performance. The result might have been different if a dependent variable was binary reflecting whether states meet the federal requirement.

In the case of the previous year's TANF caseload, the interpretation of the test result may be different according to how this variable is framed and understood. As it is mentioned in chapter 4, it may be explained by states' effort to respond to high caseloads in a previous year and to solve problems that may harm their federal funding. Also, it can be understood in the context of states' demand such that higher demand for the program (i.e., high caseload) may lower the performance given limited resources. In order to identify the true causation /relationship between TANF caseloads and work participation, more information is needed (e.g., number of caseworkers, their salaries, or changes state made to deal with high caseloads).

Moreover, this study is not perfect in the operationalization of variables, and the way variables are structured does not fully reflect their characteristics. The statistical method this study uses does not allow for having ordinal independent variables in the model, so several independent variables are set as binary. But in fact some of them may be better represented in other forms. For instance, sanction is coded based on its coverage in terms of whether it is imposed on entire families or only a noncompliant individual; however, in fact details of sanction policy vary across states. With a different model and analytic technique, sanction effects may be more accurately measured set in an ordinal form as partial, gradual full family and immediate full family sanctions instead of a binary form. In this study, gradual and immediate full family sanctions are not distinguished, but the impact of two on the TANF work participation might be different given that immediate full family sanction is more severe.

Also, states with partial and gradual full family sanctions set different amounts of grant reduction for each violation, and if this variable is organized in a different, more specified way and analyzed, the results might be different. The same could be said about the states' lifetime limit and diversion program variables. States with shorter lifetime limits than the federal limit do have different periods (i.e., 21 months, 24 months, 36 months and 48 months), and each state designs general assistance and diversion programs quite differently in terms of the payment amount and periods. Such details unfortunately are not reflected in this study.

5.3. Future Research

5.3.1 Policy Adoption in SSF Program and WSP

This study has potential subjects that can be researched in the future. First of all, the adoption of solely state funded programs and/or worker supplement programs can be a good start. It seems apparent why states adopted and implemented those programs. But it is unidentified what factors facilitate or procrastinate the adoption/implementation of those programs. In this sense, it seems meaningful to identify determinants of those programs implementation from policy diffusion perspectives. The united government innovation model by Berry and Berry[59] may be employed to capture both internal and external factors that drive policy diffusion in solely state funded programs and worker supplement programs. Since both programs aim for the same purpose and can be regarded as 'complementary' increasing the probability of states' each policy adoption (Berry and Berry, 2007), they can be interchangeably used as a dummy variable for the counterpart policy adoption to measure the likelihood of states to adopt the new policy.

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[59] The state government innovation model is as follows: $ADOPT_{it} = f(Motivation_{it}, Resources/Obstacles_{it}, Other\ Policies_{it}, External_{it})$.

Further research in the context of policy diffusion will help us better understand states' policy decision under federalism.

5.3.2 Sanction and State Generosity for Qualified Immigrants

The test results showed that sanctions are effective tools in improving TANF performance, but that does not give much information on how sanctions affect the level of poverty and overall recipients' self-sufficiency. If sanctions work in a way to discourage recipients and eliminate them from the roll, states eventually would have a higher poverty level, which is ironic because those states achieving higher performance in TANF would have higher poverty. From this perspective, it is necessary to conduct additional studies using different dependent variables such as poverty rate, the ratio of TANF caseload to families below federal poverty level, and the transition of sanctioned adult to employment in assessing sanction effect on TANF. By doing so, we may be able to understand sanction effects more accurately and confirm whether sanctions are truly effective tools in a way to encourage recipients to engage in work activities in TANF.

Another challenging but necessary area of studies is to evaluate the impact of states' programs for legal (qualified) immigrants. Some states have covered qualified immigrants for their waiting periods since 1996 welfare reform with state funds, but the success or impact of such program has not been reported yet. A vast majority of studies have focused on immigrants' longer use of welfare or their preference for states providing higher welfare benefits. As immigrants' demand for welfare increases, it is time to seriously consider whether states' generosity for qualified immigrants has positively worked to increase their self-sufficiency.

Tracking post welfare immigrants' receipt of welfare during the waiting period and their status after the period ends will enable us to find out differences between states with and without programs covering qualified immigrants. This will require more in-depth information that are not currently provided, such as the proportion of post welfare immigrants among TANF recipients, whether they received benefits from states during their waiting periods or not, and how many of them exited the TANF due to employment, not sanction or exhausted time limit.

APPENDIX A

DESCRIPTIVE STATISTICS

	Minimum	Maximum	Mean	SD
Solely State Funded (SSF) Program	0	1	.474	.500
Worker Supplement Program (WSP)	0	1	.289	.454
SSF x WSP	0	1	.171	.377
Full Family Sanction	0	1	.906	.293
Sanction Effect on SNAP	0	1	.331	.471
GA Program	0	1	.589	.493
Coverage of Qualified Aliens	0	1	.446	.498
State EITC	0	.33	.067	.099
Shorter Time Limit	0	1	.220	.415
Diversion w/o Restriction	0	1	.117	.322
Government Ideology	0	92.451	49.207	28.054
Non white	.039	.754	.218	.126
Female headed households	.046	.106	.071	.011
Work Sanction $_{t-1}$	0	.199	.026	.034
Unemployment $_{t-1}$	.026	.137	.067	.024
Log (TTS per capita)	10.592	11.423	10.971	.196
Log (max monthly benefit)	5.136	6.828	5.991	.386
Log (maxi initial income threshold)	0	7.497	6.466	1.026
Caseload $_{t-1}$	5.587	13.308	9.701	1.260

APPENDIX B

STATES IMPLEMENTING SOLELY STATE FUNDED PROGRAMS FOR TWO-PARENT FAMILIES BETWEEN FY 2007 AND FY 2013

State	Implementation Date
Colorado	May 31, 2007-July 1, 2010
Connecticut	Oct 1, 2007
Delaware	Oct 1, 2006
Georgia	FY 2007[1]
Idaho	FY 2007[2]
Illinois	Oct 1, 2006
Louisiana	Oct 2006
Maryland	Oct 1, 2006
Massachusetts	Oct 6, 2006
Michigan	Oct 1, 2006
Minnesota	Oct 1, 2006
Mississippi	FY 2007[3]
Missouri	Oct 1, 2006
Nebraska	Oct 1, 2006
New Hampshire	Oct 1, 2008- July 1, 2011[4]
New Jersey	FY 2007[5]
New Mexico	July 1, 2007- July 1, 2012
New York	Oct 1, 2006
Oregon	Oct 1, 2011
Pennsylvania	Oct 1, 2007
South Carolina	Oct, 2006[6]
Texas	Oct 1, 2007
Utah	Oct 1, 2006
Vermont	May 17, 2007
Virginia	FY 2007[7]
West Virginia	October, 2007

Source: TANF state plan, TANF work verification plan, TANF caseload reduction credit reports, and the Legislative Audit Council report, GAO report (May 2010), and CBPP report by Schott and Parrott** (2009)

Notes: Implementation dates are provided by various sources as mentioned above, and some documents only offer information including a year and a month without an exact day of implementation.

[1] Georgia's recent TANF state plan (FY2014-FY 2015) states that effective FY 2007, two able-bodied parents have been provided with cash assistance through 100% state funds, which do not count toward MOE.

[2] According to the Idaho TANF Work Verification Plans published in September, 2006 and September 2008 which was revised three times (August and September, 2008 and June, 2011) and currently effective as of 2015, it is confirmed that Idaho has been served two-parent families through separate state-funds that do not count toward MOE since FY 2007.

[3] The first state plans seem to be published in 1997 and updated several times in 2006, 2011-2014, and 2014-2017. According to Mississippi's TANF state plan of FY 2006 and FY2011-2014, Mississippi has

implemented state programs for two-parent families that do not count toward state MOE. Since there was no updated version between FY 2006 and FY 2011-FY 2014, it is assumed that the same state plan would apply during the period of FY 2007-FY2010. Just in case state plans for the period of FY 2007-FY 2010 was published but are not available, other sources were also checked out. GAO report published in May 2010 and CBPP report by Schott and Parrott (2009), verified that Mississippi also implemented a solely state funded program for two-parent families in FY 2007 and FY 2009.
[4] New Hampshire ended its Unemployed Parent program (financial assistance) for employable two parent families, effective July 1, 2011 due to budget constraints. It is checked that in 2013 legislative session, HB 261 regarding the UP program was passed on July 3, 2013 and took effect August 31, 2013.
[5] Available NJ TANF state plans that cover the period of FY 2007-FY2013 are state plan for FY2006-2008 and state plan for FY 2012-2014. FY 2012-2014 state plan clearly states that New Jersey is implementing a "State Only" WFNJ Program for two-parent households solely with State funding. The TANF state plan of FY 2006-2008 also indicated that New Jersey maintained a "State Only" WFNJ Program for two-parent families, but the funding source was different; it was provided with state MOE funding. Based on the other sources and the passage of DRA, it is thought that New Jersey served two-parent families with state MOE funds under a separate state program, where recipients assisted through separate state programs previously were not counted in the work participation rate before the DRA took effect. It was also confirmed by the GAO report published in May 2010 and CBPP report by Schott and Parrott (2009) that New Jersey implemented solely state funded program in FY 2007 and FY 2009 respectively. It is predicted that New Jersey made a transition from separate state program to solely state funded program sometime between FY 2006 and FY 2007 as other states did to respond to the DRA. Also, it looks very plausible that New Jersey later revised the TANF state plan of FY 2006-FY2008, which was submitted on December 2005, in response to the DRR, though it is not available online.
[6] It was not found in TANF state plan, work verification plan, or caseload reduction report. The information is obtained form the Legislative Audit Council report.
[7] The latest TANF state plan renewal is posted on the website of Virginia Department of Social Services, and it is effective Oct 1, 2010. Both state plan and TANF manual state that Virginia serves two-parent families through a state non-MOE program, and expenditures do not count toward state MOE. Due to the unavailability of previous state plans and other documents, it was unclear whether Virginia held the same program with the same funding source during the period, FY2007-FY 2010 in the state TANF plan. But, based on the GAO report published in May 2010 and CBPP report by Schott and Parrott (2009), which confirm that Virginia implemented a solely state funded program in FY 2007 and FY 2009 respectively, and the information given by state plan that Virginia employed separate state program to serve two-parent families since Oct 1, 1999, it is predicted that Virginia might make a transition from separate state program to solely state funded program to respond to the passage of DRA.
[**] CBPP report by Schott and Parrott (2009) is a report that shows states with solely state funded program as of January 2009, and it has little difference with my collection on states implementing SSF program. Georgia, Louisiana, and Texas, which were not included in the report by Schott and Parrott (2009), are included based on the state plans I found. To illustrate, according to the Georgia's latest state plan FY2014-FY 2015, it is stated that Georgia has provided cash assistance to two able-bodied parents through100% state funds that will not be claimed for MOE, effective FY 2007. Louisiana's latest TANF work verification plan, revised on December 5, 2014, states that Louisiana assist to-parent families with '100%, non-MOE state funds', and thus their caseloads will not be included in the work participation calculation. Lastly, Texas state plan renewal, which was latest and effective October 1, 2010, also states that Texas has served two-parent families through state funded program, effective October 1, 2007. It clearly indicates that the expenditures for those people are not counted as state MOE, and the caseload for two-parent families assisted through the state fund are not included in the assistance caseloads.

There are three states, Arkansas, California, and Rhode Island, that I coded as not implementing solely state funded program for two-parent families though they were included as states with solely state funded program in the Schott and Parrott (2009)'s report. As they stated, Arkansas law authorized the adoption of solely state funded program, but has not implemented it, so it was treated as not implementing solely state funded program for two-parent families. In the case of California, it is coded as not implementing a solely state funded program because California did not implement SSF programs during that period, (though CA started implementing SSF beginning of October 1 2013), and its target group is not two-parent families. Beginning October 1, 2013, California established a solely state funded program and assigned time exhausted (Safety Net) and drug and fleeing felon cases under a solely state funded program. Also, effective March 1, 2015, long-term sanctioned cases are assisted through a solely state funded program. Effective April 1, 2015, drug felons may be eligible for CalWORKs. Lastly, Schott and Parrott (2009)'s report stated that Rhode Island implemented a solely state funded program serving two-parent families in 2009, but it was not found in any of written sources. It was only found that Rhode Island served child only cases through a solely state funded program, but it was discontinued as of October 2008 and eliminated in June 2009 (GAO-10-164). In addition, it seems that no state funds were spent on cash assistance during FY 2009-FY 2011, and RI even did not spend TNAF block grant both in 2011 and 2012, by the amount of $70.6 million and $ 4.4 million, respectively.

APPENDIX C

STATES IMPLEMENTING WORKER SUPPLEMENT PROGRAMS STRUCTURING AS ASSISTANCE BETWEEN FY 2007 AND FY 2013

States	Implementation Date	Program Name
Arkansas	July, 2006	Arkansas Work Pays
Indiana	October 1, 2011	Solely state funded cash assistance minimum program
Kansas	January 1, 2009	Work Incentive Payment
Maine	September, 2008	TANF Work Supplement (TWS)[1]
Massachusetts	October, 2007	Supplemental Nutrition Allowance[1]
Michigan	February 1, 2007	Extended Family Independence (FIP)
Minnesota	Feb 1, 2009-Dec 1, 2014	Work Benefit (WB)
Missouri	October, 2008	Transitional Employment Benefit
Nebraska	October 1, 2007	Transitional benefits for TANF leavers
New Hampshire	October 1, 2011	Nutritional Supplement for Working Families (NSWF)[1]
New Mexico	July 1, 2008-Jan 31,2011	Transition Bonus
North Dakota	September, 2007	Transition Assistance
Oregon	Oct, 2007-May 1, 2012	Post-TANF program
	October 1, 2011	Job Participation Incentive (JPI)[1]
Pennsylvania	March 28, 2009	Transitional Cash Assistance (TCA)
South Dakota	-[*]	Transitional Employment Allowance
Utah	February, 2007	Transitional Cash Assistance (TCA)
Vermont	October, 2008	Reach Ahead
Virginia	October, 2006	VIEW Transitional Payment (VTP)
Washington	July 1, 2007-Sep 30, 2010	WorkFirst Career Services

Source: TANF State Plan, TANF policy manual, TANF caseload reduction report, GAO report (May 2010), and CBPP report (Schott, 2008)

Note: Implementation dates are obtained from various sources listed. Some do not offer exact days, and in this case, they are shown as provided.

[*] The exact implementation date was not found, but South Dakota has implemented transitional employment allowance program since 1997 according to the administrative rules of South Dakota (CHAPTER 67:10:08). The latest TANF state plan also says that this payment is considered assistance, and the 60-month time limit applies.

[1] Maine, Massachusetts, New Hampshire, and Oregon offer former TANF recipients with cash assistance for food benefits. Maine provides monthly food benefits for up to 3 consecutive years ($100 for first 12 months, $75, for the second 12 months, and $50 for the third 12 months) through state MOE funds. Massachusetts provides $10 per month to former TANF recipients who left due to employment earnings or working families only receiving SNAP. New Hampshire offers a twice-monthly nutritional assistance stipend. Along with its Post-TANF program, which provides $50 monthly for former TANF clients due to employment earnings up to 12 months, Oregon also provides $10 food benefits per month to working families with children.

APPENDIX D

STATES IMPLEMENTING WORKER SUPPLEMENT PROGRAMS STRUCTURING AS NON-ASSISTANCE BETWEEN FY 2007 AND FY 2013

States	Implementation Date	Program Name
Connecticut	FY 2009	Child Care for TANF leavers
Georgia	Oct, 2006-July 1, 2011	Work Support Program
Hawaii	Sep 2006-Dec 31, 2011	Exit and Job retention bonus program
Kentucky	April, 2003	Work Incentive Program (WIN)
Louisiana	July 1, 2000-Dec 1, 2011	Post FITAP
Mississippi	-*	Post Employment Assistance Program 1. Transitional work stipend 2. Job Retention Bonus[1] 3. Transitional Child Care (TCC)
New Jersey	April 1, 2001	$100 benefits up to 24 months Child care up to 24 consecutive months
New York	October, 2009	Work Support Program
Ohio	August 1, 2006	Employment Retention Incentive (ERI)
West Virginia	-*	Employment Assistance Program (EAP)

Source: TANF State Plan, TANF policy manual, TANF caseload reduction report, GAO report (May 2010), and CBPP report (Schott, 2008)

Note: Implementation dates are obtained from various sources listed. Some do not offer exact days, and in this case, they are shown as provided.

* The exact implementation date was not found, but post employment assistance program is stated in Mississippi state plan FY 2006 and FY 2011-2014. West Virginia state plan describes programs for former TANF recipients who left TANF due to employment, but specific date of implementation is not found.

1 According to the Mississippi policy manual, a job retention bonus is no longer provided to former TANF recipients effective Feb 15, 2012.

APPENDIX E

STATES DISQUALIFYING SNAP FOR FAILURE TO COMPLY WITH TANF WORK REQUIREMENTS MORE THAN THE FEDERAL MINIMUM BETWEEN FY 2007 AND FY 2013

States	SNAP Disqualification Periods for failure to comply with TANF work requirement (In order of 1st, 2nd, 3rd or/and subsequent violations)
Arkansas	3 months or until compliance, whichever occurs first 6 months or until compliance, whichever occurs first 12 months or until compliance, whichever occurs first
Connecticut	3 months or UC, whichever is later 6 months or UC, whichever is later 6 months or UC, whichever is later An individual who fails to comply with TANF work requirements is: 1) Head of household: penalties apply to the entire households *If an individual who violated the third is the head for the third violation, he/she continues to be ineligible beyond the 180 days.
Florida	An individual who fails to comply with TANF work requirements is: 1) Head of household: entire unit is ineligible for SNAP for 1 month, 3 month, and 6 months 2) Not a head: only non-compliant individual is ineligible for 1 month, 3 month, and 6 months
Georgia	-Disqualification applies for the same period of TANF penalty. -SNAP work sanction is applied for as long as the individual is TANF sanctioned, lasting for no more than 12 months when an individual is permanently sanctioned for noncompliance with TANF work requirements. -TANF Two-Step sanction period: First violation: 25% reduction for 3 months Second violation: termination for 3 months Subsequent violations: 25% reduction for 3 months, Termination for 12 months, 25% reduction for 12 month, the cycle repeated
Idaho	Disqualification applies for the same period of TANF penalty. 1) Time limited TANF penalty: SNAP penalty is applied when TANF penalty is ended. 2) Lifetime TANF penalty: apply SNAP penalty for a length of time to match the remaining months of TANF eligibility -TANF penalty: entire household is ineligible for the following periods. 1 month or until compliance, whichever is longer 3 month or until compliance, whichever is longer Lifetime termination
Illinois	3 months, 3 months, 6 months
Kansas	Comparable disqualification applied for the same period of TANF penalty, 3 month, 6 month, and 12 months

States	SNAP Disqualification Periods for failure to comply with TANF work requirement (In order of 1st, 2nd, 3rd or/and subsequent violations)
Michigan	1 month or until compliance, whichever is longer 6 months or until compliance, whichever is longer for the 2nd and subsequent violations
Minnesota	Sanction comes with noncompliance with TANF work requirements because TANF consists of monthly benefit in cash and to help pay for food. 10% reduction for the 1st violation, 30% reduction for the 2nd to 6th violation, Closure for the 7th violation.
Mississippi	An individual who fails to comply with TANF work requirements is: 1) A head: the entire HH will be disqualified according to the penalties listed. Remaining household members disqualification cannot exceed 6 months even if the head remains ineligible. 2) Not the head: 2 months, 6months, 12 months, permanent disqualification for the 4th violation.
Nebraska	An individual who fails to comply with TANF work requirements is: 1) A head: the entire HH becomes ineligible for 1 month, 3 months, and 6 months. 2) A member other than the head, the individual is ineligible for 1 month, 3 months, and 6 months. ** Effective 10/01/2007, employment first work requirements are incorporated into food stamp work requirements, treating TANF sanction for noncompliance with work requirements as a SNAP work requirement disqualification.
New Mexico	3 months or until compliance, whichever is later 6 months or until compliance, whichever is later 12 months or until compliance, whichever is later
New York	2 months and thereafter until compliance, 4 months and thereafter until compliance, 6 months and thereafter until compliance
South Carolina	1 month & the date the individual agrees to comply, 3 months and the date the individual agrees to comply, 6 months and the date the individual agrees to comply
Utah	1 month AND until compliance, 3 months AND until compliance, 6 months AND until compliance

States	SNAP Disqualification Periods for failure to comply with TANF work requirement (In order of 1^{st}, 2^{nd}, 3^{rd} or/and subsequent violations)
Virginia	-Program participation is voluntary as of Jan 1, 2012, and TANF manual states that VIEW sanctioned participants will no longer be subject to a comparable sanction for SNAP purposes. Until 2011, comparable disqualification applied. -An individual who fails to comply with TANF work requirements is: 1) A head of household, the entire household will be ineligible for the sanction period, 1 month, 3 months, 6 months 2) Not a head of household: the individual will be only disqualified for the same period above.
West Virginia	Maximum of 3 months, maximum 6 months, maximum of 12 months

Source: state SNAP policy manual, administrative code, and TANF state plan

APPENDIX F

FIXED EFFECTS MODEL OF TANF WORK PARTICIPATION RATES WITHOUT WORKER SUPPLEMENT PROGRAM

	Combined WPR
Solely State Funded (SSF) Program	0.041
	(0.041)
SSF x Worker Supplement Program	0.073**
	(0.031)
Full Family Sanction	0.325***
	(0.017)
Sanction Effect on SNAP	0.134**
	(0.059)
GA Program	0.017
	(0.030)
Coverage of Qualified Aliens	-0.006
	(0.019)
State EITC	0.454
	(0.308)
Shorter Time Limit	0.031
	(0.039)
Diversion w/o Restriction	0.005
	(0.033)
Government Ideology	-0.000
	(0.000)
Non-White	-0.220
	(0.632)
Female-headed Households	-3.588**
	(1.667)
Work Sanction rate $_{t-1}$	0.120
	(0.372)
Unemployment $_{t-1}$	-0.141
	(0.329)
Log (TTS per capita)	0.274**
	(0.118)
Log (Maximum Monthly Benefits)	0.257***
	(0.089)
Log (Maximum Initial Income Threshold)	-0.085
	(0.055)
Log (Caseload $_{t-1}$)	0.066
	(0.041)
_cons	-4.355
	(1.567)
Within R^2	0.27
N	350

Note: Robust standard errors are in parenthesis. * p<0.1; ** p<0.05; *** p<0.01

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