

# Welfare Time Limits in Tennessee: An Update

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A Report to the Tennessee Department of Human Services

Laura Ullrich  
Donald Bruce  
Angela Thacker

Center for Business and Economic Research  
College of Business Administration  
The University of Tennessee  
Temple Court, Suite 100  
804 Volunteer Boulevard  
Knoxville, TN 37996-4334  
Phone: (865) 974-5441  
Fax: (865) 974-3100  
<http://cber.bus.utk.edu>

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**Center for Business and Economic Research Staff**

William F. Fox, Director  
Matthew N. Murray, Associate Director and Project Director  
Donald J. Bruce, Research Assistant Professor

**Research Staff**

Betty Drinnen, Program Resource Specialist  
Stacia Couch, Research Associate  
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Julie Marshall, Research Associate  
Joan Snoderly, Research Associate  
Angela Thacker, Research Associate

**Graduate Research Assistants**

John Deskins  
Brian Hill  
Tami Gurley  
Laura Ullrich  
Lydia Zhang

## Executive Summary

One of the defining features of American welfare programs today is the imposition of limits on the amount of time families can receive benefits. Tennessee's Families First program requires participants to leave the program for three months following each 18-month spell, and participants are limited to a total of 60 months of benefits during their lifetimes. These policies were explored in an October 2001 report by the University of Tennessee's Center for Business and Economic Research, *An Examination of Time Limits in Tennessee*, written under a contract with the Tennessee Department of Human Services.

Much has changed since the release of that report. The U.S. and Tennessee economies have endured an economic recession, perhaps changing the face of the Families First caseload and altering participation decisions. Additionally, the Governor's Task Force on Families First recently recommended elimination of the interim 18-month time limit in its November 2004 report. In this study, we update our October 2001 findings by including an additional 40 months of participant data, which adds over 38,000 participant families (assistance groups, or AGs) to our analysis. In total, we analyze 289,950 spell closures by 199,204 unique AGs. We explore the extent to which AGs have reached time limits since the program's inception. We compare the characteristics of those who reached time limits with those who exited Families First for other reasons. We also compare AGs who received time limit exemptions at some point before leaving the program with those who did not receive exemptions.

For the most part, results mirror those in our earlier report. This is striking given the economic downturn that characterized the months of data added to this update. Although the number of AGs reaching short-term time limits increased slightly during and just after the recession, time limits accounted for only about 200 to 300 of the 3,000-plus Families First case closures each month and about 5 percent of all case closures during the period of our analysis. In addition, only a small number of AGs have reached the 60-month lifetime limit and the number of those who could feasibly reach the lifetime limit will likely remain low for the near future.

As in our earlier report, we find that AGs that reached a short-term time limit were more likely to have single black caretakers with higher levels of education and more children. Interestingly, caretakers of AGs that closed due to a short-term time limit were more likely to be participating in a work activity and received more earned income. AGs receiving exemptions at some point during their spell tended to have the opposite characteristics. We remain troubled by the findings that AGs reaching short-term time limits were much more likely to live in one of the four major urban counties than cases that were closed for other reasons, and rural AGs were much more likely to receive time limit exemptions. These findings deserve additional research, as they suggest that the process for granting time limit exemptions might vary across the state.

We do find a few interesting but not unexpected differences from our earlier report. First, spell lengths have increased noticeably, especially among AGs that are exempt from time limits. Second, the percentage of Families First caretakers engaged in a work activity upon case closure was significantly lower and average monthly earned incomes at closure were slightly lower than in our earlier report. It is noteworthy that these trends did not contribute to a dramatic increase in time limit closures.

## Introduction

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) passed in 1996 led to significant reforms to the welfare system, replacing the Aid to Families with Dependent Children (AFDC) program with Temporary Assistance for Needy Families (TANF). One of the most significant changes to the welfare system was the addition of a 60-month limit on lifetime benefit receipt. Several states, including Tennessee, have opted to use a short-term time limit in addition to the 60-month requirement. Under Tennessee's Families First program, recipients can receive benefits for 18 months and then must go off of the program for at least three months before returning to the program.<sup>1</sup>

In this report, we present an update of the analysis completed by the Center for Business and Economic Research in 2001, *An Examination of Time Limits in Tennessee*, which analyzed persons who reached the 18-month time limit on the Families First program.<sup>2</sup> The first month that Families First recipients could have met the 60-month lifetime time limit was September 2001, which was after our previous analysis was completed. The current study analyzes Families First data from the program's inception through September 2004. Therefore, this report includes three years during which Families First recipients could have reached the 60-month limit.

In this analysis of both short-term and long-term time limits, we examine program participants who have met time limits as well as those who have been granted exemptions from and/or interruptions to either the short-term or long-term time limits. Currently, federal law limits the number of time limit exemptions to 20 percent of a state's current caseload. Therefore, 80 percent, or more, of the state's caseload will be forced to leave Families First when they have reached the time limit.<sup>3</sup>

Since our earlier report in 2001, the United States has experienced a recessionary period, bringing significant changes to employment and earnings. The seasonally-adjusted unemployment rate in Tennessee was at a relatively low 4.1 percent in January 2001.<sup>4</sup> It reached a high of 6.1 percent in September 2003, and had returned to levels around 5.1 percent by September 2004 before rising to a February 2005 rate of 5.9 percent. Contributing to the unemployment rate was the large number of layoffs in the United States during this time period. Nationally, the average number of weeks unemployed rose from 12.7 weeks in January 2001 to a high of 20.2 weeks in February 2004. This number currently remains over 19 weeks.<sup>5</sup>

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<sup>1</sup> This is only one of a menu of unique features of Tennessee's program, which operates under a waiver from federal guidelines. For more information, see *Welfare Reform in Tennessee: A Summary of Families First Policy* (The University of Tennessee Center for Business and Economic Research, 2000, available at <<http://cber.bus.utk.edu/welfare.htm>>).

<sup>2</sup> This report is available for download at <<http://cber.bus.utk.edu/welfare.htm>>.

<sup>3</sup> Many assistance groups will go beyond 60 months before reaching the time limit due to interruptions, extensions, or the relaxation of a previous exemption. Furthermore, state funds may be used to provide additional benefits beyond the federal lifetime limit.

<sup>4</sup> Tennessee Department of Labor and Workforce Development, <<http://www.state.tn.us/labor-wfd>>.

<sup>5</sup> United States Bureau of Labor Statistics, <<http://www.bls.gov>>.

It would certainly be reasonable to assume that the recession would cause an increase in the number of Families First cases and also a decrease in the number of case closures, both voluntary and involuntary. While we do see slight changes in this report compared with our earlier report, the changes are not as dramatic as might be anticipated. Despite the growth in Families First caseloads during the past few years, time limit closures increased only slightly. We explore possible reasons for this below.

The following tables report demographic characteristics as well as spell characteristics such as the duration of the spell and the number of spells opening and closing each month. We specifically examine non-child-only Families First cases that closed during the analysis period, September 1996 to September 2004. AGs receiving time limit exemptions are compared to those who are not exempt from time limits. The format of the report generally follows the same format as the October 2001 report.

## Data Sources and Concerns

As with our earlier report on time limits, the data for this study are drawn from Tennessee Department of Human Services monthly federal reporting extracts and Families First Data Warehouse data.<sup>6</sup> These sources provide a wealth of information for assistance groups that have ever been open either for cash assistance, medical assistance, or food stamps. Length counters for all spells both on and off Families First were calculated for each AG who had ever participated in the program. As with virtually all earlier research, closures that last only one or two months are filled in to eliminate the effects of administrative churning.

Participants with an active cash assistance case in September 1996 were coded as beginning Families First in the month they first signed a Personal Responsibility Plan (PRP), regardless of when the case initially opened. All later cases were considered to have opened in the month when assistance began. This rule is only relevant for the early participants' first spells of assistance; all subsequent spells were treated as though they began under Families First policy.

Each month that an AG remains on the program without an exemption or interruption should count towards the short-term and lifetime time limits. We refer to these as *countable months*. Months where an AG has an exemption or an interruption are not counted towards time limits. We use the term *total months* to denote the total amount of time the assistance group has been on the Families First program. This includes countable and non-countable months.

Exemptions from time limit counters are not clearly identified for all AGs in our administrative data. Nonetheless, we are able to identify many of the characteristics that often lead to time limit exemptions, such as being a child-only case or having a caretaker that is disabled. We combine this additional information with the presence of a stationary time counter to code certain AGs as exempt from time limits, even if no specific reason code is provided in the administrative data.

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<sup>6</sup> These data files are housed on a limited-access data server in the Center for Business and Economic Research at the University of Tennessee. They are not publicly available and can only be accessed with the permission of the Tennessee Department of Human Services.

Similarly, difficulties were encountered regarding time limit extensions. It should only be possible for AGs to accumulate more than 18 countable months if they have received an extension. Thus, even if the administrative data do not explicitly note that an AG's time limit had been extended, we code them as such if their counter at closure was greater than 18.

Finally, we were also confronted with a number of other issues relating to data availability and quality. For example, the availability of education data and information on AG size is sporadic for months prior to July 1997. The ages of both the caretaker and the youngest child in the AG are often difficult to calculate due to incorrect birth dates or missing data. Certain other demographic information was not available immediately after a spell began because the AG may not have been in our particular extract at that time. Nonetheless, when possible, we use other months of administrative data to fill in missing information.

## Families First Spells at a Glance

Table 1 below shows a summary of participant spells on Families First since the program's inception. The current report examines data collected for a total of 228,846 AGs between September 1996 and September 2004. The data represent the addition of 38,033 AGs and 40 months to the data analyzed in our earlier report. As of September 2004, 29,642 of the 228,846 AGs were still on their first spell. The remainder of the first spells had been closed. Of the 199,204 closed first spells, 74,961 (37.6 percent) reentered the program for a second spell. 13,998 of these remained open as of September 2004, while the remaining 60,963 closed at some point before September 2004. The remainder of Table 1 reads similarly.

**Table 1: Summary of Families First Case Activity**

<b>Spell</b>	<b>All AGs</b>	<b>Ongoing AGs</b>	<b>Closed AGs</b>
1	228,846	29,642	199,204
2	74,961	13,998	60,963
3	28,273	7,221	21,052
4	9,673	3,134	6,539
5	2,816	1,106	1,710
6	730	323	407
7	141	77	64
8	24	15	9
9	5	3	2
10	1	1	-

In total, we have 289,950 spell closures by 199,204 unique AGs to analyze.<sup>7</sup> Our 2001 report found the maximum number of spells for any AG to be seven. This has increased to a maximum of 10 spells due to the additional three-plus years of data.

As noted above, we are unable to perfectly determine which cases are closed due to participants reaching a time limit. We are able, however, to analyze time limit closures based on the number of total months of benefits and the number of officially countable months of benefits (i.e. months that count towards a time limit). These two will differ if the AG receives an interruption, exemption, or extension from DHS while on Families First. In the following analysis, as in our earlier report, we consider a spell closed due to time limits if the countable months counter is greater than or equal to 18 months upon closure.<sup>8</sup>

Table 2 shows a breakdown of monthly closures in the Families First caseload. The table includes a monthly count of a) total case closures, b) those that accumulated at least 18 total months, and c) those that accumulated at least 18 countable months. February 1998 was one of the first months that AGs could reach a short-term time limit on Families First. The number of AGs reaching 18-plus countable months increased quickly from 20 to 148 in only five months. Since then, the number of cases reaching the short-term time limit has ranged from 120 to 311, with an average of 188 each month. Although this number varies from month to month, it has had an upward trend over the life of the program. Given our definition of time limit closures, about 5 percent of all case closures have occurred due to short-term time limits.

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<sup>7</sup> This can be found by summing the third column in Table 1.

<sup>8</sup> An investigation of DHS closure reports reveals that our procedure for identifying time limit closures yields time limit closure counts and trends that are similar to data in those reports.

**Table 2: Monthly Count of Case Closures**

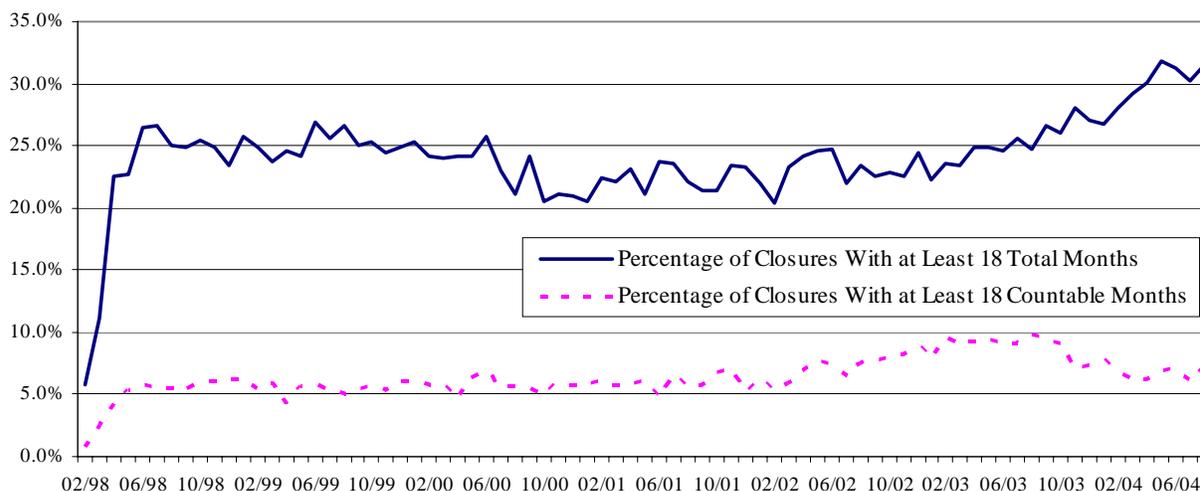
Last Month on Families First	Total Number of Closures	Number with 18 or More	
		Total Months	Countable Months
04/01	2,869	663	170
05/01	2,793	589	171
06/01	2,663	633	126
07/01	2,724	644	179
08/01	2,964	655	169
09/01	2,400	514	140
10/01	2,995	639	202
11/01	2,858	670	200
12/01	2,764	643	145
01/02	1,984	436	123
02/02	2,737	558	148
03/02	2,883	672	173
04/02	3,169	764	218
05/02	3,056	751	237
06/02	2,546	630	188
07/02	2,478	545	160
08/02	2,757	644	209
09/02	3,163	712	246
10/02	2,748	629	218
11/02	2,350	530	194
12/02	2,600	637	232
01/03	2,136	476	167
02/03	2,776	654	263
03/03	2,944	689	268
04/03	2,641	658	245
05/03	3,108	773	294
06/03	3,118	765	286
07/03	3,030	775	277
08/03	2,858	707	282
09/03	3,252	866	311
10/03	3,264	849	296
11/03	2,807	786	200
12/03	3,467	940	254
01/04	2,589	692	202
02/04	3,146	884	214
03/04	3,364	982	208
04/04	3,121	941	194
05/04	3,361	1,071	235
06/04	3,167	988	224
07/04	3,662	1,109	224
08/04	4,111	1,295	297

Figure 1 shows the monthly closure totals from Columns 3 and 4 of Table 2 as a percent of all closures. The percentage of closures with at least 18 total months initially remained relatively stable, but began to increase steadily in mid-2003. This is expected given recent economic conditions and given the additional months added into the analysis. The percentage of closures with at least 18 countable months has maintained notable stability since 1998, ranging from 5 to 10 percent of all closures throughout the time period of our examination. A noticeable slight increase from mid-2002 through late 2003 has since been reversed.

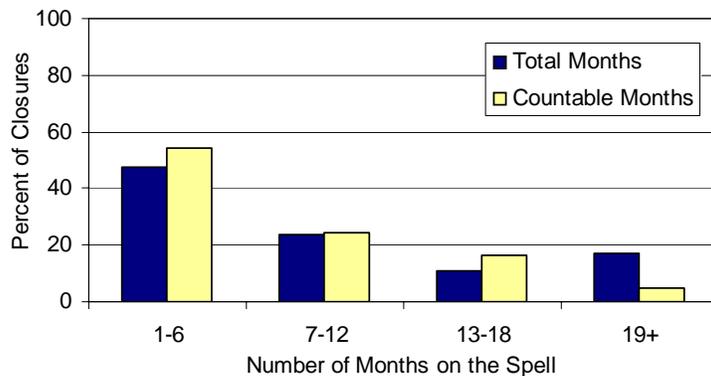
Although a significant number of case closures each month do have greater than 18 total months of benefits, the majority of Families First spells are significantly shorter in length. Figure 2 shows the distribution of spell length for all Families First case closures during the analysis period. Less than 20 percent of all closed spells had more than 18 total months, and only 5 percent had more than 18 countable months. This has not changed significantly since the 2001 report. However, the number of case closures with between one and six countable months has decreased while those with between seven and 18 countable months have increased. Once again, this may be due to the economic conditions of the past four years.

Figures 3 and 4 show the number of months on the spell for exempt and nonexempt cases, respectively. An assistance group is recorded as exempt if during the current spell an exemption code was ever switched on. The spell length for exempt case closures has seen rather significant changes since the previous report. In 2001, the percent of exempt closures with one to six countable months was around 80 percent, but in our current analysis this number has decreased to 60 percent. In addition, the percent of cases with 19 or greater total months has increased roughly 10 percentage points over our earlier findings. This is not especially surprising due to the recent recession. This may also mean that Families First is granting more interruptions, exemptions, etc., that allow cases to extend past the 18-month limit. Indeed, an increase in exemptions could be consistent with the economic downturn. The data for nonexempt case closures has not seen significant changes since the previous report. This is a bit surprising and means that the recent economic downturn did not have a large effect on spell length for nonexempt AGs.

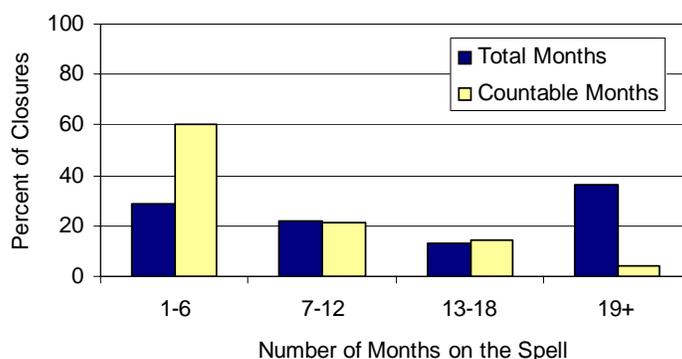
**Figure 1: Closures with 18 or More Months as a Share of All Closures**



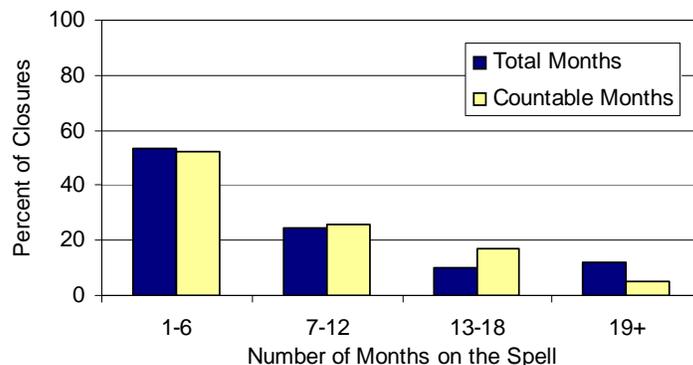
**Figure 2: Spell Length for All Closures**



**Figure 3: Spell Length for Exempt Case Closures**



**Figure 4: Spell Length for Nonexempt Case Closures**



Many may incorrectly assume that those with time limit exemptions stay on the Families First program for very long spells. However, as Figure 3 shows, while spell lengths are longer for exempt case closures, less than 40 percent of exempt assistance groups have spells that last over 19 total months. This number has increased by about 10 percentage points since 2001, which is again unsurprising given the additional 40 months added to our analysis data.

## Exemptions and Interruptions

There are multiple reasons why DHS may grant an AG a time limit exemption. Figure 5 shows the distribution of exemption codes from our data. Note that the percentages in Figure 5 add up to more than 100 percent because some AGs have more than one exemption code listed during a single spell.<sup>9</sup>

Nearly 55 percent of all exemption codes listed are due to the caretaker having less than a 9<sup>th</sup> grade education level. These caretakers must enroll in Adult Basic Education (ABE). The other principal exemption codes are caretaker disability (19 percent), in-home care of a disabled relative (12 percent), and child-only case exemption (11 percent). The child-only case exemptions are much less frequent than was seen in the 2001 report, due to the fact that we now exclude all current child-only cases when examining exemptions and interruptions. Those who have a child-only exemption code in the system were in AGs that were child-only at some point before closure but closed as non-child-only.

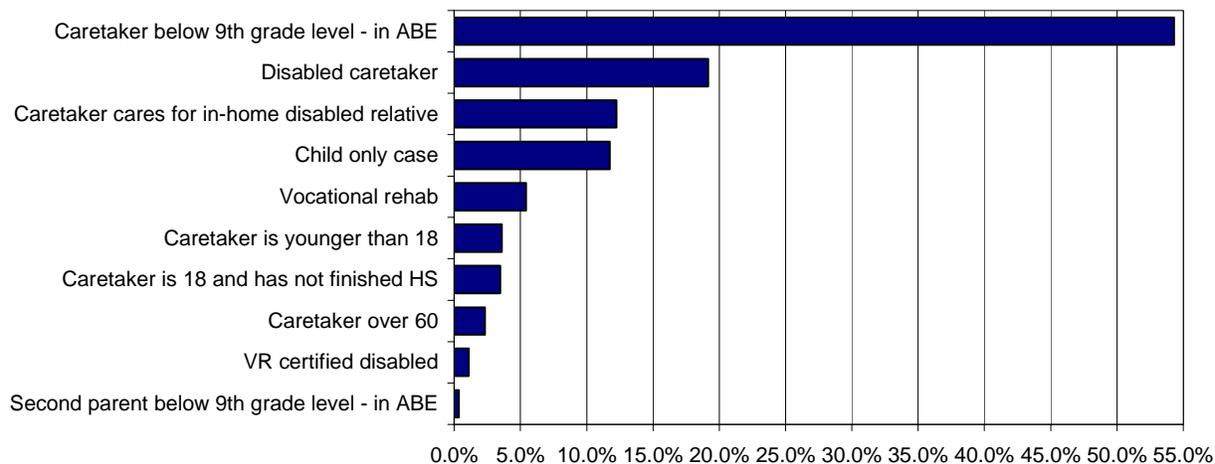
Figure 6 shows a similar breakdown of time limit interruption codes. Once again, AGs may have more than one interruption code listed due to multiple interruptions within a single spell. Nearly 43 percent of interruptions are due to caring for an infant less than 16 weeks old, down from 51 percent in the 2001 study. This number has decreased due in part to a change in policy, in which single parents are now given a one-year exemption.

About 34 percent of all interruptions were due to a caretaker becoming temporarily incapacitated. Over 15 percent of interruptions came out of the initial assessment by Family Services Counseling (FSC). This figure has increased substantially since the last report when it was 4 percent. The caretaker being in FSC (beyond initial assessment) also saw a large increase, from 1.3 percent in 2001 to 6.4 percent in 2004. Keep in mind that the current report includes the months covered in the 2001 report, so between 2001 and 2004 the percentage of AGs receiving this interruption code must have been even greater than the overall percentage of 6.4 percent. This can be at least partially explained by the fact that the current report covers a longer period of time when FSC was in existence.

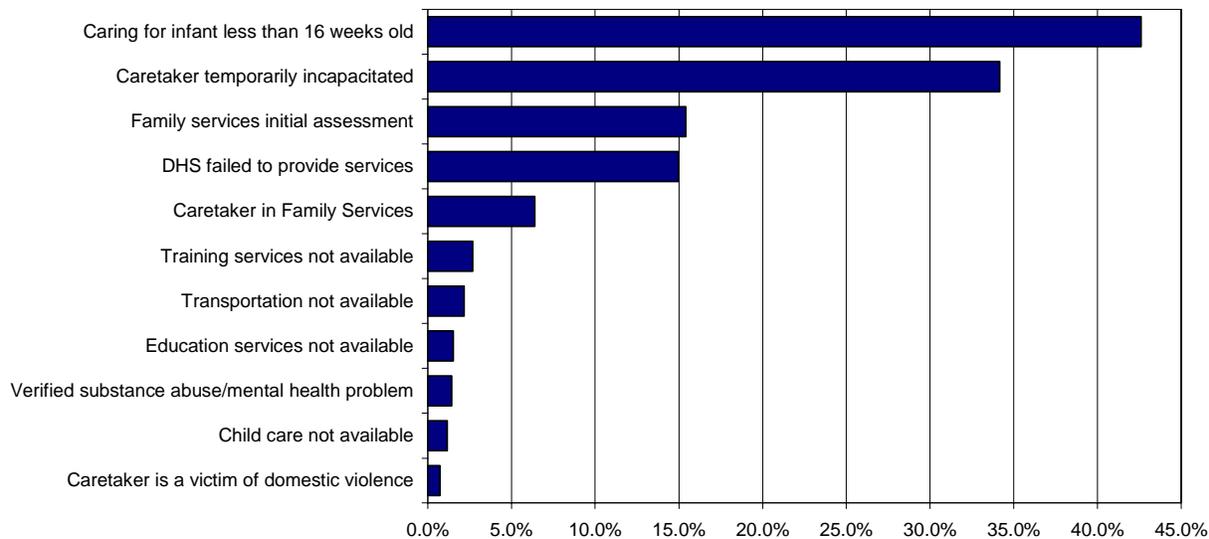
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<sup>9</sup> Note that the incidence of multiple exemption reasons for an AG is entirely the result of our procedure for determining exemptions in the data. The absence of exemption codes for many AGs whose counters revealed that an exemption must have been granted prompted us to look to other data fields to identify factors that could have resulted in an exemption. All possible exemption reasons were coded in this process, thereby possibly resulting in multiple exemptions for an AG (especially when combined with exemption codes in the raw administrative data).

**Figure 5: Exemptions Breakdown by Reason**



**Figure 6: Interruptions Breakdown by Reason**



## Lifetime Time Limits

When the 2001 report was written, no Families First AGs had reached the 60-month lifetime time limit. We now have 96 months of data and have seen AGs reach this limit. It is important for us to analyze how many AGs each month could possibly reach the 60-month limit, especially with respect to the countable month timer. In the coming year, 219 assistance groups could potentially reach the 60-month time limit. However, the history of time limit closures suggests that the number of actual closures will be much smaller. This is something of a worst-case scenario and assumes that all current and former participants return to and remain on the program (without exemption, interruption, etc.) until they reach the 60-countable-month time limit. While these assumptions are unrealistic, this exercise provides a sense of the maximum number of AGs that could reach the 60-month mark in the coming year.

Even though AGs have been able to reach the 60-countable-month limit for over three years, we are still seeing very few people who could possibly reach the 60-month time limit in the next few months (only ten in June 2005). These numbers have increased since 2001, but they have not reached the high levels that might have been expected by some.

Given our September 2004 caseload of 73,355 open cases, these numbers remain small. The 2001 report concluded that given the worst-case scenario, up to 5,560 AGs could have reached the lifetime 60-month time limit in June 2005. We are now showing that the maximum number that could have reached the limit that month is ten cases, obviously a tremendous difference. This shows that the vast majority of AGs are either receiving exemptions or interruptions, or they are simply leaving the program before reaching the 60-month limit, perhaps in order to save benefits for future use.<sup>10</sup>

## Characteristics of Those Reaching Time Limits or Receiving Exemptions

It is useful for us to examine the characteristics of AGs that reach a time limit or have an exemption. This section presents many of these characteristics including race, educational attainment, family composition, marital status, and income levels. Each table has a similar format and presents information for several categories of AGs. Characteristics are presented first for all case closures and then are broken down between 18-month time limit closures and closures for other reasons (non-time limit closures). In addition, information is presented for exempt closures and nonexempt closures. Finally, demographic characteristics are shown for those AGs that are exempt but had a time limit closure (this is always our smallest category) and for those that are nonexempt and had a time limit closure. The differences seen between this report and our 2001 study are highlighted with each table. It should be noted that the unit of analysis for this section is a case closure. AGs can enter each table as many times as they have case closures in our data.

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<sup>10</sup> Previous research on this subject has shown that forward-looking welfare recipients do withdraw from welfare programs in order to save benefits for future use. For further information see Jeffrey Grogger, "The Behavioral Effects of Welfare Time Limits," *American Economic Review*, May 2002.

Table 3 presents the ethnicity characteristics of the AG caretaker. Note that 98.32 percent of case closures had caretakers that were classified as black or white. This number has remained basically unchanged since the 2001 study (98.47 percent). This is somewhat surprising since the Hispanic population has grown at such a fast pace in Tennessee in the past 4 years.<sup>11</sup> The second column shows that although blacks and whites make up almost equal proportions of total case closures, over 66 percent of caretakers who incur a time limit closure are black. The racial breakdown of those receiving exemptions has not changed since 2001. The percentage of each race receiving an exemption is very similar to the actual distribution seen for all case closures.

According to the *2003 Case Characteristics Study*, 58.3 percent of all Families First caretakers in 2003 were black and 39.5 percent were white.<sup>12</sup> Therefore, closed Families First cases tend to have more white caretakers, and less black caretakers, than the overall Families First caseload. However, this changes significantly when we examine time limit closures. Time limit closures affect more black caretakers and less white caretakers than the overall caseload. This is likely due to the fact that rural caretakers, who are more likely to be white, have a higher probability of receiving an exemption and therefore not being subject to time limit requirements.

**Table 3: Ethnicity of Caretaker**

Ethnicity	All Case Closures	Time Limit Closure	Non-Time Limit Closure	Exemption		Exempt Time Limit Closure	Nonexempt Time Limit Closure
				Exempt	Nonexempt		
Asian	0.40	0.33	0.41	0.40	0.40	0.45	0.30
Black	48.54	66.54	47.59	46.83	49.06	71.36	65.46
Hispanic	1.08	0.54	1.11	1.04	1.09	0.72	0.50
White	49.78	32.41	50.70	51.54	49.24	27.35	33.54
Other	0.20	0.18	0.20	0.19	0.20	0.11	0.20
Total	100%	100%	100%	100%	100%	100%	100%
Sample Size	286,897	14,395	272,502	67,851	219,046	2,640	11,755

<sup>11</sup> The U.S. Census Bureau projects that the Hispanic population in Tennessee grew by 18 percent between 2000 and 2003. According to the 2000 census data, the Hispanic population in Tennessee grew by 278 percent between 1990 and 2000.

<sup>12</sup> The *2003 Case Characteristics Study* was completed for DHS by the Center for Business and Economic Research, and can be found at <http://bus.utk.edu/cber/TDHS/ccs2003.pdf>

Table 4 presents the educational attainment of caretakers as of case closure in a very similar format.<sup>13</sup> Overall, 12.71 percent of all closures involve caretakers with less than a ninth grade education. This number is down from 14.20 percent in the 2001 report. Over 10 percent had a tenth grade education, almost 13 percent had an eleventh grade education, and over 50 percent had a twelfth grade education. The percentage of caretakers with more than a high school education has increased slightly. In the 2001 report, 11.85 percent of case closures were by caretakers with more than a high school education. That number has now risen to 12.54 percent. Overall, these figures suggest either that our leaver population is slowly becoming more educated or that caretakers with more education are more likely than others to have multiple closures in the data.

Those cases that reached a time limit closure were more likely to have a higher level of education, with 76 percent having an educational attainment of twelfth grade or higher. Those who closed for other reasons (i.e., those who did not reach a time limit) were likely to have a lower level of education, with only 62 percent having a twelfth grade or higher education level. This can likely be explained in part by the education levels of those caretakers who receive an exemption. Only 36 percent of case closures by exempt caretakers involved those with more than a twelfth grade education. Those with exemptions were less likely to reach a time limit. Recall from Figure 5 that caretakers who test below a ninth grade level are automatically given an exemption. In addition, previous research has shown that caretakers with lower levels of education are more sanction-prone, and may be forced to leave the program more often.<sup>14</sup>

The educational attainment of closed case caretakers is very similar to that seen in the *2003 Case Characteristics Study*. According to the study, 48.1 percent of all Families First caretakers had a twelfth grade education. In addition, 11.2 percent had completed at least some post-secondary education, and 40.7 percent had less than a high school education.

Table 5 presents various demographic characteristics of caretakers, including age, gender, the age of the youngest child, the percentage of those living in urban areas, participation in work activity, and the total number of children in the AG. The average age of all caretakers is 30 years old. This number remains relatively constant across each category. The average age of exempt caretakers decreased substantially since the 2001 report, from 35.04 to 31.67. It is not clear from the data presented what would have caused this decrease.

As has always been the case, very few Families First case closures have male caretakers (only 4.53 percent). This number has actually decreased slightly from 2001. Male caretakers are even less likely to meet time limits. Only 1.82 percent of time limit closures have male caretakers, perhaps due in part to the

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<sup>13</sup> We do not have education level data for those AGs that closed prior to July 1997; therefore, these AGs are excluded from this part of our analysis.

<sup>14</sup> See *Work Requirements for Welfare Recipients in Tennessee*, prepared by the Center for Business and Economic Research for the Tennessee Department of Human Services, June 2003 (available for downloading at <http://cber.bus.utk.edu/TDHS/ffjun03b.pdf>).

**Table 4: Caretaker Education Level at Closure**

Grade Level	All Case Closures	Time Limit Closure	Non-Time Limit Closure	Exempt	Nonexempt	Exempt Time Limit Closure	Nonexempt Time Limit Closure
9th Grade or Less	12.71	6.75	13.07	24.44	8.98	13.75	5.18
10th Grade	10.48	7.05	10.69	17.98	8.10	14.17	5.44
11th Grade	12.95	9.78	13.15	20.58	10.53	18.39	7.84
12th Grade	50.56	57.45	50.14	30.88	56.81	42.67	60.77
Post Secondary	1.17	3.05	1.05	0.51	1.38	1.71	3.35
Some College Credit	9.97	13.99	9.72	4.02	11.86	7.79	15.39
Associates Degree	0.29	0.28	0.29	0.10	0.73	0.11	0.32
Bachelor/ Masters Degree	0.70	0.85	0.69	0.33	0.35	0.46	0.94
Other Education	0.41	0.43	0.41	0.33	0.82	0.42	0.43
No Education	0.76	0.38	0.78	0.84	0.44	0.53	0.34
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Sample Size	247,284	14,318	232,966	59,587	187,697	2,632	11,686

**Table 5: Characteristics of Caretaker and Assistance Group**

	All Case Closures	Time Limit Closure	Non-Time Limit Closure	Exempt	Nonexempt	Exempt Time Limit Closure	Nonexempt Time Limit Closure
Caretaker Age	30.00 (8.29) [286,897]	30.97 (7.15) [14,395]	29.95 (8.34) [272,502]	31.67 (10.09) [67,851]	29.48 (7.57) [219,046]	31.68 (7.59) [2,640]	30.81 (7.03) [11,755]
Caretaker Gender (% Male)	4.53 [286,897]	1.82 [14,395]	4.67 [272,502]	6.18 [67,851]	4.01 [219,046]	1.78 [2,640]	1.83 [11,755]
Age of the Youngest Child	4.95 (4.79) [235,462]	5.69 (4.46) [14,270]	4.90 (4.81) [221,192]	5.73 (5.17) [57,594]	4.69 (4.63) [177,868]	5.97 (4.65) [2,625]	5.62 (4.41) [11,645]
Urban Residence (%)	50.28 [235,462]	62.39 [14,270]	49.50 [221,192]	48.02 [57,594]	57.94 [177,868]	68.88 [2,625]	60.93 [11,645]
Participation in Work Activity (%)	25.83 [289,950]	41.65 [14,395]	25.01 [275,555]	21.22 [68,018]	27.25 [221,932]	39.58 [2,640]	42.11 [11,755]
Number of Children in AG	1.83 (1.06) [238,600]	2.21 (1.24) [14,318]	1.81 (1.05) [224,282]	1.88 (1.14) [58,046]	1.82 (1.04) [180,554]	2.41 (1.36) [2,632]	2.16 (1.21) [11,686]

Note: Standard deviations in parentheses  
Sample size in brackets.

higher percentage of male caretakers receiving exemptions (6.18 percent) as shown in the table. One of the main reasons men become Families First caretakers is that they have some sort of incapacity. Therefore, they are more likely to receive an exemption.

The average age of the youngest child in the AG upon case closure has decreased slightly since 2001, from 5.49 to 4.95.<sup>15</sup> This could be a positive sign if caretakers enter Families First soon after their children are born. Specifically, if the birth of a child is the precipitating event that leads to Families First enrollment, then the decline in the average age of the youngest child might reveal that AGs are achieving self-sufficiency sooner than we saw previously. The average age of the youngest child is rather consistent among the categories and is more consistent than we saw in the 2001 report.

The total number of case closures is equally split between rural and urban caretakers, with 50.28 percent of caretakers living in urban areas.<sup>16</sup> The second column shows that caretakers with urban residence are more likely to reach time limits, which goes hand-in-hand with the fact that exemptions were more common in rural areas. Among case closures of ever-exempt caretakers, 52 percent took place in rural districts.

Only 25.83 percent of all case closures had caretakers that were participating in work activity at the time of closure. This number is down from 28.29 percent in the 2001 study, perhaps due to the effects of the recession in the recent data. Indeed, recent data show a decline in employment among single mothers during the early 2000s following much-publicized growth during the 1990s.<sup>17</sup> A much larger percentage of caretakers who reached time limits were engaged in work activity (42.11 percent). This is may be due in part to the recognition that benefits will be ending soon, although recent Tennessee survey data cast doubt upon this possibility.<sup>18</sup> This number has decreased drastically since the 2001 study, from 59.67 percent to 42.11 percent, again due in part to the recession and the increase in the unemployment rate. In addition to these factors, employment has also become a smaller component of work activities over time.

The final characteristic presented in Table 5 is the total number of children in the AG at the time of case closure. The average number of children for all case closures was 1.83, an increase from 1.75 in the 2001 report. Those reaching a time limit and those with an exemption were likely to have more children.

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<sup>15</sup> 51,435 case closures either had youngest children over the age of 19 or had missing youngest child age data and were omitted from this part of the analysis.

<sup>16</sup> The rural/urban designations are set by the eight DHS districts. Four districts are considered urban: Knox County (Knoxville), Hamilton County (Chattanooga), Davidson County (Nashville), and Shelby County (Memphis).

<sup>17</sup> See "Employment Rates for Single Mothers Fell Substantially during Recent Period of Labor Market Weakness," by Arloc Sherman, Shawn Fremstad and Sharon Parrott of the Center on Budget and Policy Priorities, June 2004 (available at <http://www.cbpp.org/6-22-04ui.htm>).

<sup>18</sup> Analysis of the *Family Assistance Longitudinal Survey* data indicate that only between 20 and 30 percent of Families First caretakers are aware of how much longer they can receive assistance from Families First.

Table 6 shows the marital status for Families First caretakers upon case closure. When looking across all case closures, 14.85 percent were divorced, 13.32 percent married, 18.79 percent separated, 52.17 percent single, and .87 percent widowed. The most striking difference from our 2001 report is an increase in the percentage of single caretakers and a decrease in the percentage of married caretakers upon closure. Those AGs that incurred a time limit closure were much more likely to be single and much less likely to be married. AGs that were exempt from a time limit at or before closure were more likely to have married (and less likely to have single) caretakers than those who were not exempt from time limits.

This is consistent with the demographic characteristics reported in the *2003 Case Characteristics Study* for the entire Families First population. The percentage of single caretakers in the Families First population has increased since 2001, and therefore we expected the percentage of caretakers of closed cases to also increase. According to the *Case Characteristics Study*, 64.5 percent of all Families First caretakers are single. In addition, 8.8 percent are married, 10.7 percent are divorced, and 15.4 percent are separated. Therefore, our population of closed cases has more married caretakers and less single caretakers than the general Families First population in 2003.

**Table 6: Marital Status of Caretaker**

	All Case Closures	Time Limit Closure	Non-Time Limit Closure	Exempt	Nonexempt	Exempt Time Limit Closure	Nonexempt Time Limit Closure
Divorced	14.85	13.91	14.90	14.88	14.84	12.92	14.13
Married	13.32	7.45	13.63	17.45	12.05	7.92	7.35
Separated	18.79	17.08	18.88	17.44	19.21	15.53	17.43
Single	52.17	61.08	51.70	48.72	53.23	62.99	60.65
Widow	0.87	0.48	0.89	1.52	0.66	0.64	0.44
Total	100%	100%	100%	100%	100%	100%	100%
Sample Size	286,835	14,395	272,440	67,814	219,021	2,640	11,755

Our final table, Table 7, breaks down the income received by Families First caretakers at the time of case closure. The income that caretakers earn can be a good predictor of future need for assistance. Average monthly earned income for all case closures has decreased since the 2001 study, from \$213 to \$205. It is somewhat surprising that this number has decreased in nominal terms over the past four years; however, this is likely due to the recent recessionary period and the reduction in the number of leavers engaged in a work activity as of case closure. Unearned income increased slightly, from \$53 to \$59, perhaps revealing greater participation in other public assistance programs in addition to Families First. This could also be due to an increase in the amount of child support received by caretakers with children. Overall average AG monthly income increased even though earned income decreased. The increase in average Families First benefit for all case closures (from \$130 in 2001 to \$140 currently) and the increase in unearned income slightly offset the decrease in earned income.

Families First cases that were closed due to time limits have a higher level of Families First benefits (\$160) than cases that were closed for reasons other than time limits. This is not much of a surprise since AGs that reached a time limit had more children, and families receiving a higher benefit have less of an incentive to leave the program. AGs that reached a time limit also had more earned income and lower Families First benefits than those cases that closed for other reasons. Those with exemptions had less earned income and higher Families First benefits than assistance groups without exemptions.

**Table 7: Assistance Group's Income**

	All Case Closures	Time Limit Closure	Non-Time Limit Closure	Exempt	Nonexempt	Exempt Time Limit Closure	Nonexempt Time Limit Closure
Families First Benefit	140.77 (75.31)	160.30 (69.67)	139.75 (75.46)	152.13 (69.84)	137.29 (76.57)	165.12 (72.14)	159.22 (69.06)
Earned Income	205.22 (361.50)	288.70 (384.98)	200.86 (359.70)	138.28 (303.59)	225.74 (375.09)	293.36 (396.56)	287.65 (382.35)
Unearned Income	59.12 (161.97)	48.64 (138.52)	59.67 (163.08)	70.20 (176.43)	55.73 (157.12)	54.13 (150.17)	47.41 (135.74)
AG Monthly Income	405.11	497.64	400.28	360.61	418.76	512.61	494.28
Sample Size	289,923	14,395	275,528	68,016	221,907	2,640	11,755

Note: Standard deviations in parentheses.

## Conclusions

Despite major economic fluctuations since our earlier report on time limits in 2001, we have not seen dramatic changes in the incidence of Families First time limits or the characteristics of AGs meeting time limits. Adding three years of data gives us a broader perspective on the effect of the time limit policy on Families First recipients. Although the number of AGs reaching short-term time limits has increased slightly, it has not increased at the rate that some would have expected given the economic downturn in recent years. Time limit closures currently account for about 200 to 300 of the 3,000-plus Families First case closures each month, and about 5 percent of all case closures during the period of our analysis. In addition, only a small number of AGs have reached the 60-month lifetime limit, and the number of those who could feasibly reach the lifetime limit will likely remain low for the near future.

The slower-than-expected growth in time limit closures could be the result of a few factors. For example, Families First assistance groups (AGs) might have been more resilient than expected. Temporary unemployment or a decrease in wages may not have had much of an effect on their demand for Families First services. Further, it might have been the case that the caretakers in Families First AGs were employed in industries that were not as affected by the recession. Alternatively, more difficult employment conditions might also have led to more sanctions and other involuntary closures before time limits could have been attained.

As in our earlier report, we find that AGs that reached a short-term time limit were more likely to have single black caretakers with higher levels of education and more children. Interestingly, caretakers of AGs that closed due to a short-term time limit were more likely to be participating in a work activity and received more earned income. AGs receiving exemptions at some point during their spell tended to have the opposite characteristics.

These results suggest that time limits have disproportionate impacts on different demographic groups. Because caretakers who test below a ninth grade level are automatically given an exemption, the time limit policy will obviously affect those with higher levels of education more than it will those with low educational attainment. Assistance groups with more children will also be more likely to reach time limits since the addition of an assistance group member adds to the financial burden of the family. It will be difficult for an assistance group with two members and an assistance group with six members to become self-sufficient at the same rate, holding all else equal.

Assistance groups with black caretakers continue to be affected by time limits disproportionately. This is likely a consequence of the lower probability of exemptions in urban counties. According to the *2003 Case Characteristics Study*, while only 58.3 percent of the overall Families First caretakers were black, 79.8 percent of urban caretakers were black. We remain troubled by the finding that AGs reaching short-term time limits were much more likely to live in one of the four major urban counties than cases that were closed for other reasons. On that same note, rural participants seem to be much more likely to receive time limit exemptions. These findings deserve additional research.

In interpreting these findings, it is important to note that cases that were closed for reasons other than time limits have been closed for a diverse array of reasons. While some of these were closed voluntarily,

perhaps due to the attainment of self-sufficiency or an unwillingness to comply with program rules, others were closed involuntarily, perhaps as a result of sanctions for work requirement non-compliance. Future work should separate non-time-limit closures into these divergent categories in order to draw potentially more meaningful comparisons with time limit closures.

In conclusion, it is at least mildly surprising that the recession of the early 2000s did not have a larger impact on the incidence of time limits among Families First participants. While a larger number of AGs reached time limits during the additional years of data included in this updated report, even higher growth might have been expected during a recessionary period. Despite this, we do find some key differences from our earlier report that reveal several negative consequences of the recession. For one, spell lengths increased noticeably, especially among AGs that were exempt from time limits. Also, the percentage of Families First caretakers involved in a work activity and average monthly earned incomes (both as of case closure) were significantly lower than in our earlier report.