Cohabitation and Marriage Rules in State TANF Programs

ROBERT A. MOFFITT, ROBERT T. REVILLE, ANNE E. WINKLER, JANE MCCLURE BURSTAIN

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Robert A. Moffitt
Johns Hopkins University

Robert T. Reville
RAND Corporation

Anne E. Winkler
University of Missouri, St. Louis

Jane McClure Burstain
RAND Corporation

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Executive Summary

In recent years, there has been continued interest in marriage, cohabitation, and the welfare system. Most recently, the Deficit Reduction Act of 2005 provided $150 million annually in funds for initiatives to promote healthy marriages based on the perception that married couples are more stable, among other potential benefits for families and children.

What is still relatively unknown is whether the recent push for marriage initiatives and the discretion afforded to states under welfare reform has translated into TANF rules or regulations that favor marriage and discourage cohabitation. To answer this question, we first conducted a systematic review of TANF manuals for the 50 states and the District of Columbia (DC) from 2002-2004, using information available both on line and at the Urban Institute, to identify rules regarding cohabitation, marriage, and shared living arrangements (2002-2004 Manual Review). To further clarify and flesh out the information we compiled from the TANF manuals, we conducted telephone interviews with TANF officials from the 50 states and D.C. from May to October 2006 (2006 Telephone Survey).

Our research focused primarily on identifying differences in how the eligibility of a family is treated depending on the household adult(s) relationship to the children, and, to the extent it matters, marital status. In TANF rules, as was the case in AFDC, the key distinction between types of families is not made on the basis of marriage, but on whether the adults are (or are not) the natural or adoptive parents of the child. In addition, our research focused particularly on rules governing unrelated cohabitators, which are less well understood. For example, we also investigated how financial contributions from unrelated cohabitators are treated. Finally, we also investigated how work rules vary across types of families.

We examined four different types of families based on the relationship between the adult(s) and children:

1. Couples where the adults are the biological or adoptive parents of all the children in the home (“biological families”). These families may be married or unmarried.

2. Couples where the male is the biological or adoptive father of some, but not all, of the children in the home (“blended families”). Again, these families may be married or unmarried.

3. Unmarried couples where the male is not the biological or adoptive father of any of the children in the home (“unrelated cohabitor families”).

4. Married couples where the male is not the biological or adoptive father of any of the children in the home (“step-parent families”).
In the 2006 Survey, we inquired about any specific policies aimed at promoting marriage. And for each type of family we investigated how the male and his financial resources were treated with respect to eligibility rules and whether this differed with respect to marital status. For biological families, we also inquired about work requirement rules, asset tests and income eligibility tests. For unrelated cohabitor families, we also examined the following issues:

- How the states treat an unrelated cohabitor’s in-kind or vendor payments on behalf of the recipient and cash contributions directly to the recipient.

- Whether the states have any explicit policies regarding shared living arrangements.

- Whether the states have any other explicit policies regarding unrelated cohabiters or whether it simply treats them the same as any other unrelated individual in the household (i.e., a roommate).

- Finally, we compared our findings from our 2006 Survey to those from a similar survey conducted in 1993, and we also conducted a preliminary data analysis of whether changes in cohabitation rules, as identified in our survey work, had any effect on actual cohabitation rates.

**Summary of Findings from the 2006 Survey**

We found that most, but not all, TANF eligibility rules for the four family types vary across the states.

- **Biological Families:** Two-parent families are universally treated the same under TANF rules regardless of marital status inasmuch as both parents are included in the assistance unit.

- **Blended Families** Eighteen states have more favorable treatment for such families if they are unmarried. In these states, if the couple is unmarried, the male can be excluded from the assistance unit if his income disqualifies the entire family. If excluded, his income is disregarded. If the couple is married, however, the male is either automatically included in the unit or, if excluded, some portion of his income is counted towards the family’s eligibility. In the other 33 states, the male is automatically included or his income is counted regardless of marital status.

- **Unrelated Cohabitor Families:** Generally, an unrelated cohabitor is treated like any other unrelated individual living in the home and his income is not considered in calculating a family’s eligibility.

- **Step-parent Families:** Twenty-one states include, and 20 states exclude, step-parents from the assistance unit, while 10 make the step-parent’s inclusion
optional. In most states where a step-parent is not included, some portion of the step-parent’s income is considered in calculating a family’s eligibility.

For work requirements in connection with biological families, we found that marital status makes no difference. Given the limited nature of our study on this issue, we cannot comment on any differences in or impact of work rules in connection with blended, unrelated cohabitor or step-parent families.

We also found significant variation in rules governing financial relationships in unrelated cohabitor families:

- **Shelter In-Kind Contributions/Vendor Payments**: Thirty-six states completely disregard such contributions, 10 states have a qualified disregard, and 5 states take account of the contribution in calculating the family’s standard of need.

- **Cash Payments To A Recipient For Shared Household Expenses**: Twenty-one states completely disregard such payments, 1 state has a qualified disregard, 4 states take account of such payments in calculating the family’s standard of need, and 25 states count such payments as unearned income.

- **Other Relevant Policies Regarding Cohabitation**:
  
  - **Shared Living Arrangements**: Four states automatically reduce a recipient’s grant when she lives in the same residence with another adult. And one state reduces a recipient’s grant when another adult living in the home pays any amount towards shelter costs.
  
  - **Legal Responsibility States**: One state imposes a legal responsibility on unrelated cohabiters (but not on other individuals in the household) to make a contribution to the family equal to the cost of his portion of the living expenses. In another state, the income of an unrelated, opposite-sex cohabitor (after certain deductions) is counted towards the family’s eligibility.
  
  - **States with Explicit Policies Regarding Marriage**: Eight states now have some form of explicit marriage “bonus” such as providing a higher earned income disregard or disregarding a new spouse’s income for a period of time.

**Changes Since 1993**

We conducted an almost identical study in 1993, where we documented rules as they existed in that year under AFDC. We compared the 2006 TANF rules to the 1993 AFDC rules. Our findings are as follows:
Biological two-parent families continue to be treated the same regardless of marital status inasmuch as the biological father is always included in the assistance unit.

Unrelated cohabiters continue to be excluded from the assistance unit.

As in 1993, states continue to vary considerably in their treatment of cash and in-kind contributions from unrelated cohabiters. Nevertheless, a comparison of the 1993 and 2006 findings suggest that several states have changed their specific policies over the period.

Several states continue to have explicit policies that directly affect unrelated cohabiters. In both 1993 and 2006, California’s policy includes specific language that requires an unrelated cohabitor to make a contribution to the assistance unit, though this language has changed slightly. Other states, like Virginia, have discontinued their explicit policy, while Oklahoma adopted a policy that requires a portion of the income of an unrelated cohabitor to be considered in determining the family’s eligibility.

A greater number of states now require that a step-parent be included in the assistance unit (21 in 2006 vs. 7 in 1993). In addition, a greater number of states permit their inclusion to be optional, depending on the economic circumstances of the family (10 in 2006 vs. 3 in 1993).

Eight states have adopted explicit policies that favor marriage.

Work requirement rules have changed since 1993, with the greater participation rates imposed in the wake of PRWORA, particularly on families where the male is included in the unit. A slight countervailing change was the elimination by most states of the “30-day waiting period rule” and “100 hours work rule” imposed on the principal earner of a two-parent family, thereby easing eligibility for two-parent families.

We did not study blended families in 1993 and hence cannot determine whether rules for such families have changed over time.

Conclusions from Surveys

Our surveys show that the incentives of TANF-eligible women with children to cohabit or marry are affected by TANF program rules. The way in which incentives are affected depends on the financial resources of the male with whom the woman might cohabit or marry and on the male’s relationship to the children. The relevant TANF rules that affect these incentives are those governing eligibility, how the basic grant is structured, how blended families are treated, how unrelated cohabiters are treated, and work rules.
Concerning eligibility, our main finding is that if a male has financial resources, TANF provides the greatest disincentive to form and/or maintain a biological family, and the least disincentive, if not an incentive, to form an unrelated cohabitor family. In a biological family, where the male is the father of all the children, he must be included in the unit and his resources counted. In an unrelated cohabitor family, where he is father of none of the children, he is not included and his resources are not counted. In addition, most states disregard unrelated cohabitor vendor and cash payments to the TANF recipient and her children.

Step-parent and blended families fall somewhere in between these two cases, with rules varying from state to state. For stepparent families, where the male is unrelated to any of the children and is married to the mother, a little less than half the states require that the stepfather be included in the unit and about an equal number require his exclusion. If included, his resources are fully counted and, if excluded, only a portion of his resources are counted. For blended families, where the male is the father of some of the children the majority of states (65 percent) treat such families as biological and require the male to be included in the unit and his resources are counted. In most of the remaining states, marital status does matter, and blended families are treated more favorably if they are unmarried than if they are married.

These findings point strongly toward disincentives to marry in general and specific disincentives to marry a male who is father of some or all of the children. Reinforcing these incentives are work rules, which are imposed on the male if he is the father of all of the children regardless of whether he and the mother marry or cohabit, for example. Working against these disincentives to marry, however, is the structure of the basic grant in those states which do not have a flat-grant structure. In variable grant states, inclusion of the male in the unit will raise the basic grant, and this could fully or partially offset the disincentives arising from increases in countable resources and the work rules.

All of these incentives arise if the male in question has financial resources. If he does not, the marriage-disincentive effects from increased countable resources no longer arise. Also mitigating these disincentives are policies adopted in certain states that ignore a new spouse’s income, although such disregards are only for a short period so the strength of the mitigation is unclear.

In sum, despite some states adopting express policies to encourage and favor marriage, the TANF eligibility and work-rule structures in these states appear to work against such policies. Further, those structures may discourage marriage the most in the situations where the state would most want to encourage marriage, namely, where the male has financial resources. In addition, the most favored living arrangement is not to remain single but to cohabit with a male who is not the father of any of the children.

Most of these rules were approximately the same in 1993, when we conducted our earlier survey, although we cannot compare incentives to form blended families because we did not examine such families in 1993. One change is that many more states require the inclusion of step-parents in the unit. However, the major difference between 1993 and
2006 is probably in the work rules which, as we have noted, further decrease incentives to marry in many states and in some situations.

**Data Analysis**

Whether individuals in the low income population actually act on these incentives in their cohabitation and marriage decisions is a separate question which requires data analysis. We conducted a preliminary investigation of this type. We first reviewed the major household survey data sets to determine if they have adequate information on cohabitation, marriage, welfare usage, and other variables in both the pre-PRWORA and post-PRWORA eras. We found that there is no ideal data set for this purpose and that most have rather severe limitations for our purposes. We then conducted a preliminary investigation using the 1990 and 2000 Census data which focused on the effect of TANF rules on cohabitation rates rather than marriage per se, and which sought to determine whether women living in states where AFDC-TANF policy had become less generous over time resulted in decreases in cohabitation rates. Our results showed no evidence of any effect of changes in policy on those rates. However, the investigation had a number of important limitations, and we recommend further and more detailed analysis of this type for future work.