Understanding Program Participation: Findings from the Colorado Works Evaluation

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EXECUTIVE SUMMARY

Since the enactment of the 1996 welfare reform act, Colorado has not received any financial penalties for failing to meet federally required rates of work participation among the Colorado Works caseload. However, this has been due to a caseload reduction credit. The dramatic decrease in Colorado's welfare caseload that occurred in the second half of the 1990s effectively eliminated the work participation rate that the state was required to meet.

The Deficit Reduction Act of 2005 (DRA) made the work participation rate effective again in current and future years by resetting the base year against which the caseload reduction credit is calculated. As DRA has had similar consequences for other states, there has been a renewed national focus on the work participation rate. In Colorado, counties have been reassessing strategies to meet the rate while still providing services and benefits to clients that best help them to meet their immediate needs and overcome barriers to longer-term self-sufficiency.

This report examines three related topics affecting participation and engagement in the Colorado Works program. They are: (1) Work participation activities and strategies; (2) Diversion policies among Colorado's counties; and (3) Sanctioning practices observed in Colorado. The report's findings are based primarily on three data sources: phone interviews conducted with 19 county Colorado Works directors during the spring and summer of 2007; program data from the Colorado Benefits Management System (CBMS) and from the Child Care Automated Tracking System (CHATS); and unemployment insurance (UI) wage records on employment and earnings.

A. Key Findings

1. Work Participation

- **Counties are using or considering a broad range of strategies to encourage participation in work activities, address clients' personal interests and barriers, and supplement the county's work participation rates.**

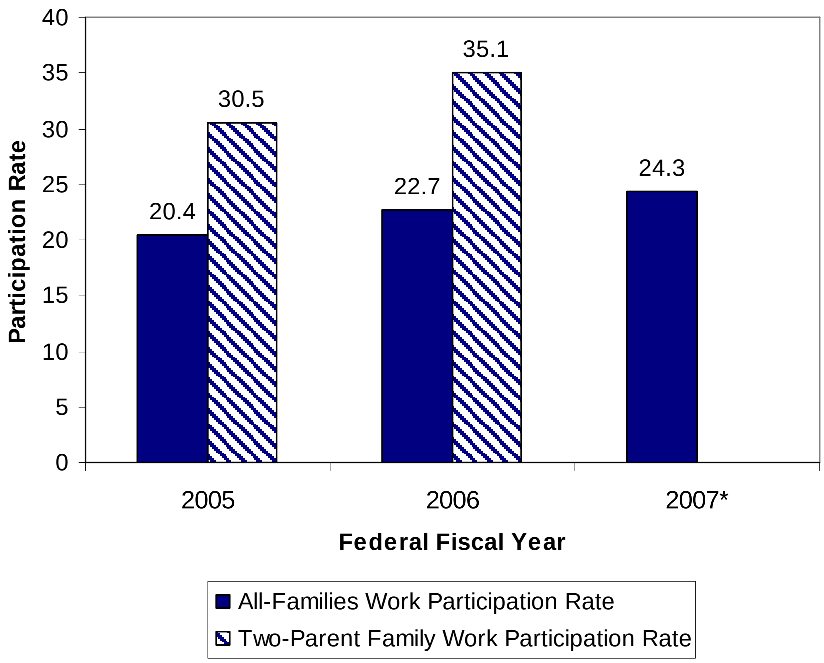
These include strategies to encourage more effective case management (through more active management of cases or through having case managers specialize on particular groups of cases); performance management and data monitoring techniques; incentive payments to clients for particular behaviors; and strategies to remove individuals unlikely to fulfill work requirements from the work participation rate calculation through use of diversion payments in early months and by financing particular cases through solely State-funded sources.

- **Colorado's work participation rate has been increasing in recent years, but remains substantially below the required 50 percent level.**

As shown in ***Exhibit ES.1***, the all-family participation rate has risen from 20 percent in federal fiscal year (FFY) 2005 to 24 percent in the first nine months of FFY 2007. Even accounting for adjustments resulting from the caseload reduction credit, this is likely to fall short of the rate requirement. The two-parent rate was higher, at 31 percent in FFY 2005 and 35 percent in FFY

2006, although well below the required 90 percent level. (Child care data needed to calculate the two-parent rate for 2007 is not yet available.)

Exhibit ES.1: All-Family and Two-Parent Participation Rates, FFY 2005-2007



Source: CBMS administrative data
Note: Two-parent rate for FFY 2007 not calculated due to lack of child care data
* Includes only Federal Fiscal Year Quarters 1, 2, and 3 (October 2006 - June 2007)

- **Families fulfilling work participation requirements in Colorado are mostly those that face lower hour requirements.**

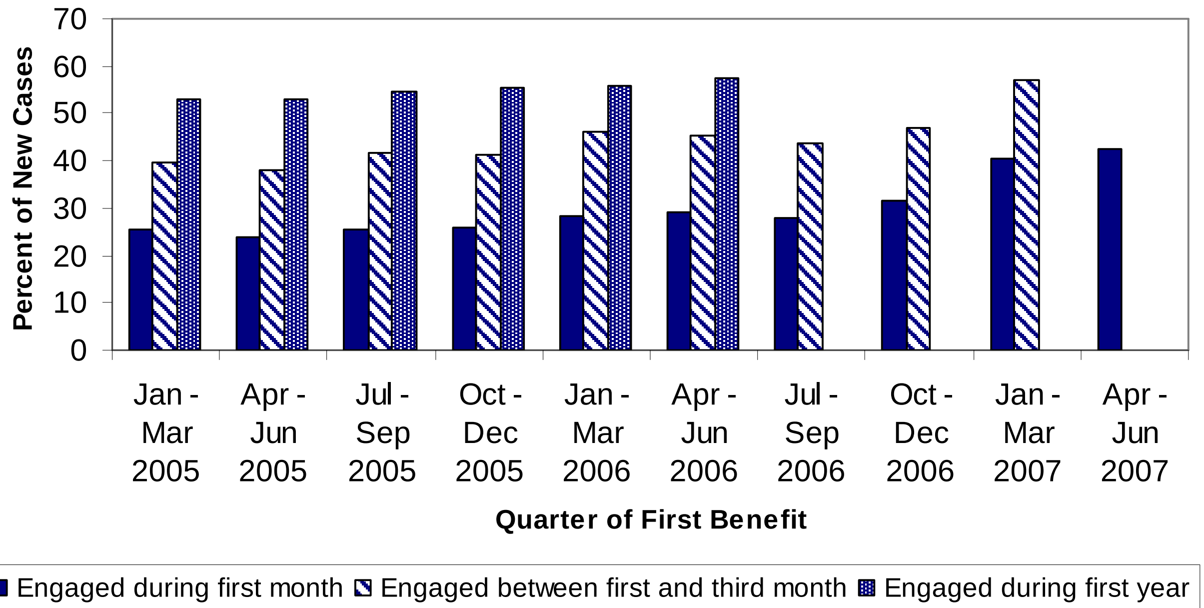
Seventy-six percent of cases fulfilling the work requirements in Colorado in FFY 2007 were single parents with children under the age of six, and therefore only needed to participate in activities for 20 hours. Teenage parents meeting the participation requirement through school attendance or training account for 4 percent of those fulfilling the rate. The participation rate of these groups was 34 and 48 percent respectively. In contrast, only 7 percent of non-teenage parents whose children were six and older participated in activities for enough hours to fulfill the work participation requirement.

- **Clients entering the program in recent quarters have been engaging in work activities more quickly.**

In FFY 2005 and FFY 2006, among those new clients counted within the work participation calculation, only 25 to 30 percent engaged in a program activity during their initial month of benefit receipt. (Engagement in this sense refers to participation in a federally countable or county-defined work activity.) An additional 14 to 17 percent were engaged during the two months following the initial month of benefits, but close to half were never engaged in any work activity during their first year on the program.

However, starting in FFY 2007, the percent of cases that were engaged during the initial month began to increase. (See ***Exhibit ES.2.***) For example, in the third quarter of FFY 2007, 43 percent of new cases were engaged in the initial month, up 14 percentage points from the same quarter in the previous fiscal year.

Exhibit ES.2: Time Until First Engagement in Work Activities By Quarter in Which Cases First Received Colorado Works Benefits



Source: CBMS administrative data

Similar patterns occurred with regards to the amount of time before a client participated in work activities for enough hours in the month to fulfill the work requirements. Twenty percent of new cases in the third quarter of FFY 2007 fulfilled work requirements in their initial month, compared to 14 percent in the third quarter of FFY 2006.

Further, clients with no hours of work participation at all have been making up a decreasing share of those not fulfilling the work participation. More than half of those not fulfilling the requirements have no hours of work participation despite not being exempted from the requirements, but the share has dropped from 61 percent in FFY 2005 to 51 percent in FFY 2007. Both the share participating in federally countable activities but without enough hours to fulfill the requirements as well as those exempt from work requirements have increased somewhat between 2005 and 2007.

- **Most Colorado Works recipients in a given month are working at some point over the next year, regardless of whether they had been participating in a work activity or not, but earnings are low.**

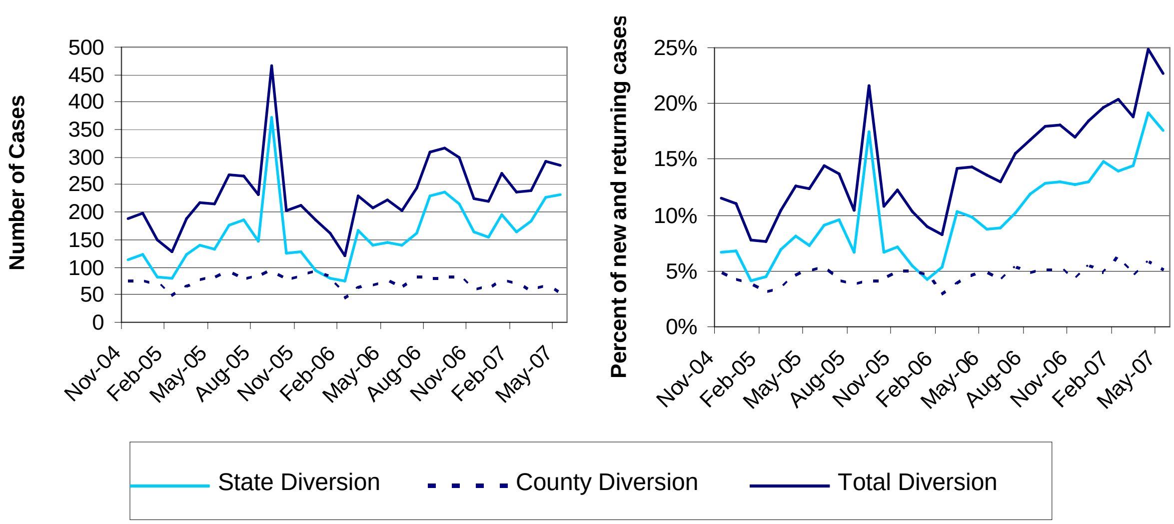
Among Colorado Works beneficiaries in April 2006, employment rates were highest among those who met their work participation requirement, with 82 percent working in at least one quarter of the year, and only 40 percent working in all four. Rates were only a little lower for cases that participated in work activities but without enough hours to fulfill their requirements; 79 percent of these cases worked at some point during the year. Average annual earnings were somewhat higher for those meeting the participation requirements, at $11,084 compared to $8,809 for those participating but not fulfilling the requirement, and $9,480 for those who did not participate at all despite not being exempt. Other analysis presented within the body of the report suggest that of work-eligible leavers, non-exempt cases not participating in work activities had nearly equal numbers of families leaving the Colorado Works program with employment and without employment, while exempt leavers were most likely to leave without employment (56 percent).

2. *Diversion*

- **Diversion cases have been making up an increasing share of the Colorado Works caseload due to both an increase in the number of state diversion cases and a decrease in the number of new basic cash assistance (BCA) cases.**

This is demonstrated in the two graphs below. (The sharp one-month increase in diversions in September 2005 was a result of temporary assistance to Hurricane Katrina victims who came to Colorado.) The number of diversion cases has been trending moderately upward in recent years. For example, there were 41 percent more diversion cases during the five months of calendar year 2007 than there had been in the same months of 2006, and 47 percent more than in the similar period of 2005. This increase was due to state diversion; the number of county diversions declined slightly over this period. The increase in the share of new cases receiving diversion payments is larger – doubling between the first five months of 2005 and the same months of 2007 – due to a reduction in the number of BCA cases.

Exhibit ES.3: Number of Diversion Cases, and Diversion Cases as a Percentage of New and Returning Colorado Works Cases



Source: CBMS administrative data

The increase in diversion cases in recent years has been reflected in spending on diversions, which as a share of total Colorado Works spending on assistance (including diversion payments) has also been increasing starting in March 2006. However, it is still lower than it had been earlier in the decade; diversion's share of spending on assistance had fallen from 16 percent in FFY 2001 to 6 percent in FFY 2006.

- **Most diversion recipients work during the first year after receiving diversion.**

Among recipients of state diversion, 59 percent were employed during the quarter in which they received diversion, and 80 percent were employed at some point during the first year after receiving diversion. Employment rates were higher among county diversion recipients, with 86 percent employed during the first quarter and 93 percent employed during the first year. Employment rates among those receiving diversion payments are roughly similar three quarters after receiving diversion as they had been three quarters before receiving diversion.

- **Most diversion recipients do not return to Colorado Works within a year; those who do return tend to do so relatively soon after leaving.**

Close to two-thirds (66 percent) of state diversion recipients, and more than four-fifths (83 percent) of county diversion recipients did not receive BCA or diversion within 12 months of receiving diversion. Of those who did receive either BCA or another diversion payment in the first year, over half returned within the first three months after receiving either a state or county diversion payment.

3. Financial Sanctions

- **Colorado applies work-related sanctions to a smaller share of its TANF caseload than the national average.**

Between FFY 2000 and FFY 2004, the share of the Colorado caseload exhibiting a work-related sanction or closure rose from 1 percent to 5 percent. This was substantially lower than the national averages, which rose from roughly 7 percent to close to 10 percent over the same period.

- **Cases facing financial sanctions tended to have more children than the overall caseload.**

Demographic characteristics such as family type, marital status, and age and gender of the head of household did not vary much among types of sanctions. However, financially sanctioned cases were more likely than the general caseload to have more than two children. Cases facing 24-month case closures were substantially more likely than the general caseload to have accumulated a high number of months on the TANF clock, whereas the majority of cases closed for demonstrable evidence had less than 12 months on their TANF clocks.

B. Conclusions and Implications

The analysis found several signs that Colorado counties are taking steps that are likely to increase the participation rate. The body of the report contains more detailed findings from interviews with county directors on the variety of strategies counties are using to try to encourage participation in work activities and otherwise address challenges facing their clients, and on the various diversion and sanction policies counties have adopted. Data from CBMS available at this point suggests the all-families work participation rate may increase in FFY 2007 for the second consecutive year.

Nonetheless, during the first three quarters of FFY 2007 the all-families rate was still under 30 percent, suggesting that further progress will be needed if Colorado is to meet the 50 percent rate requirement in this or subsequent years. Many of the strategies being implemented by counties are new, and their impact remains to be seen. As one example, many counties are ready to implement stabilization diversion programs, and there are some questions about the impact they will have on both county participation rates and on participant outcomes. The effectiveness of these new strategies is an area that will warrant monitoring over the next several years.

I. INTRODUCTION

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) dramatically changed the nature of cash assistance, replacing the Aid to Families with Dependent Children (AFDC) and Job Opportunities and Basic Skills Training (JOBS) programs with the Temporary Assistance for Needy Families (TANF) block grant. PRWORA imposed stricter work participation requirements on states and placed limits on lifetime cash assistance provided by federal funds. PRWORA also increased the flexibility states have to design their TANF programs, allowing for a great deal of variation in state programs. Colorado's TANF program, Colorado Works, is administered by the Colorado Works Division, Office of Self-Sufficiency, within the Colorado Department of Human Services (CDHS). The state has a long tradition of local control of programs and, as a result, its 64 counties have considerable autonomy in the design and implementation of their Colorado Works programs. This level of county control is largely due to the diversity within the state, and ensures that local policies target the specific needs of residents.

CDHS has funded The Lewin Group and its partners -- the University of Colorado at Denver and the Health Sciences Center (UCDHSC), The Johns Hopkins University's Institute for Policy Studies (JHU), and Capital Research Corporation (CRC) -- to perform an in-depth study of the Colorado Works program. This evaluation effort, initiated in 2005, is aimed at providing administrators with information about program strategies and approaches being used in various counties that others might find useful for improving program implementation, performance, and outcomes. The study's design was developed by the Lewin team in consultation with CDHS officials and an Advisory Committee consisting of representatives of the counties and Colorado's advocacy community.

This report is one of a series of "special topic" reports produced as part of the broader study of the Colorado Works program. The report examines three related topics affecting participation and engagement in the Colorado Works program. They are: (1) Engagement and work participation activities and strategies; (2) Diversion policies among Colorado's counties; and (3) Sanctioning practices observed in Colorado.

In welfare administration, work participation and engagement have long been thought of as key aspects of the path to self-sufficiency. By identifying clients' barriers to employment and engaging them in activities that build labor market skills, welfare programs aim to aid clients in transitioning off of dependence on public assistance. In addition, attention has been refocused on this topic as federal legislative changes under the Deficit Reduction Act of 2005 (DRA) may result in TANF block grant penalties if states do not increase the number of cases they are engaging in their caseload.

The three topics covered in this report cover three key issues that will play important roles in the upcoming focus on program participation. The first, engagement and work participation activities and strategies, examines how counties are engaging clients in meaningful activities that help to prepare them for employment in the work environment. In addition, it reviews strategies being explored by Colorado Works staff at the state and county levels to increase the work participation rate in Colorado and what implications these might have. The second, diversion policies among Colorado's counties, explores programs aimed at helping clients with short-term needs meet long term self-sufficiency and goals. How these individuals interact with Colorado Works is of particular importance as this program grows. The third, sanctioning practices observed in Colorado, reports on the variety of financial sanctions occurring in Colorado and how these grant reductions and case closures affect continuing interactions with Colorado Works.

A. Background on Work Participation, Diversions and Sanctions

In order to set the context for the rest of the report, this chapter presents background information regarding work participation, diversions and sanctions. The discussion examines these program components in both a national context and in the state of Colorado, and pays particular attention to the history of how these topics came to be part of client participation in welfare programs.

1. *Program Activities and the Work Participation Rate*

a. Participation Requirements in the 20th Century

The basis of TANF dates back to the AFDC program of 1935. This program, created as part of the Social Security Act in response to the Great Depression, provided basic cash assistance (BCA) for children of single-parent families, typically widowed mothers. The intent of AFDC was to provide support to needy mothers, while allowing them to stay home and care for their children. As such, there was no work participation component to the program.

Due to the growth in births to unwedded mothers, caseload size, and long-term dependency, open-ended income assistance became increasingly unpopular. Starting in the late 1960's, welfare reform advocates began to focus on adapting income assistance to a welfare-to-work model. This shift incorporated job search, education, training, and other job-related activities into the welfare program, with the intent of encouraging adult recipients to move back into the workforce.

In 1967, Congress created the Work Incentive Program (WIN), which was the first to incorporate work and training programs into welfare program administration. Originally these programs were optional; however in 1971 the federal government mandated that states create work participation requirements for all clients who were not caring for individuals with special needs or did not have pre-school age children. WIN, however, suffered from under-funding and effectively the mandates never went into effect.

The Family Support Act (FSA) of 1988 followed WIN and created a new program called JOBS. This program provided education and job training to welfare recipients in order to help them move towards self-sufficiency. Each month, states were required to serve a specific portion of AFDC recipients through JOBS in work-related activities. Failure to engage the portion of their caseload resulted in possible reductions in federal funding.

In 1996, PRWORA was enacted and AFDC and JOBS were replaced by the TANF block grant. TANF incorporated more stringent work participation requirements not only by increasing the required hours of participation and narrowing the scope of permissible activities, but also increasing the percent of the total caseload that was expected to participate in such programs.

Eventually, states had to fulfill a 50 percent participation requirement for all families and 90 percent requirement for two-parent families in order to avoid financial penalties. For the first year that a state did not fulfill its work participation rate requirement, a 5 percent reduction to the TANF block grant would be applied. Each consecutive year that the state failed to meet the work participation rate, the penalty would increase by 2 percent, with the maximum penalty capped at 21 percent.

An alternative route was also provided to states: they could lower their required participation rates by reducing their TANF caseload. This alternative route, called the caseload reduction credit, lowered the work participation rate from the standard rate by a number of percentage points equal to the percentage by which the overall caseload declined since federal fiscal year (FFY) 1995. For example, a state that reduced its caseload by 40 percent since FFY 1995 would only need to realize a 10 percent work participation rate to meet its required 50 percent all families rate. Additionally, states were given the opportunity to serve some of their welfare recipients through separate state programs outside of TANF with state maintenance of effort (MOE) funding, and these individuals would not be included in the participation rate calculation.

b. The Deficit Reduction Act of 2005 and the Interim Final Rules

TANF's reauthorization through the DRA had major impacts on the status of work participation. While maintaining the 50 percent participation requirement for all families and 90 percent requirement for two-parent families, it reset the base year for calculating the caseload reduction credit from FFY 1995 to FFY 2005. Before this change, many states had benefited from an effective participation requirement of zero due to caseload reductions. In setting 2005 as the base year, the caseload reduction credits became significantly smaller which in turn raised the target participation rates for most states. In addition, DRA required the inclusion of individuals served by separate state programs funded with MOE spending in the participation rate calculation as of FFY 2007. Previously, these families had been excluded from the participation rate calculation.

DRA also focused attention on the wide variation in how states defined the work participation activities under the 1996 welfare reform law.[1] In response, the Federal Department of Health and Human Services (HHS) issued new regulations that clearly defined and specified the allowable activities for each category as well as created a standardized reporting method for hours of activity (see ***Exhibit I.1***). The "interim final" regulations, which were issued on June 28, 2006, went into effect in FFY 2007.[2]

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1 Government Accountability Office, *HHS Should Exercise Oversight to Help Ensure TANF Work Participation is Measured Consistently Across States.* Washington, D.C.: U.S. Government Accountability Office, 2005.

2 HHS, Administration for Children and Families, "Reauthorization of the Temporary Assistance for Needy Families Program, Interim final rule with request for comments," *Federal Register*, June 29, 2006, Volume 71, No. 125.

Exhibit I.1: Interim Final Definitions of Federally Approved Work Activities[3]

Work-Activity	Interim Final Definition
Unsubsidized Employment*	Full- or part-time employment in the public or private sector that is not subsidized by TANF or any other public program
Subsidized Private Sector Employment*	Private sector employment for which the employer receives a subsidy from TANF or other public funds to offset some or all of the wages and costs of employing a recipient
Subsidized Public Sector Employment*	Public sector employment for which the employer receives a subsidy from TANF or other public funds to offset some or all of the wages and costs of employing a recipient
Work Experience*	A work activity, performed in return for welfare, that provides an individual with an opportunity to acquire the general skills, training, knowledge, and work habits necessary to obtain employment
On-the-job Training (OJT)*	Training in the public or private sector that is given to a paid employee while he or she is engaged in productive work and that provides knowledge and skills essential to the full and adequate performance of the job
Job Search and Job Readiness Assistance*	The act of seeking or obtaining employment, preparation to seek or obtain employment, including life skills training, and substance abuse treatment, mental health treatment, or rehabilitation activities for those who are otherwise unemployable. Restricted to six week limit in a year with no more than four consecutive weeks at a given time.
Community Service Programs*	Structured programs in which TANF recipients perform work for the direct benefit of the community under the auspices of public or nonprofit organizations
Vocational Educational Training*	Organized educational programs that are directly related to the preparation of individuals for employment in current or emerging occupations requiring training other than a baccalaureate or advanced degree. Restricted to 12 months in a lifetime.
Job Skills Training Directly Related to Employment**	Training and education for job skills required by an employer to provide an individual with the ability to obtain employment or to advance or adapt to the changing demands of the workplace
Education Directly Related to Employment**	Education related to a specific occupation, job or job offer
Satisfactory Attendance at Secondary School or in a Course of Study leading to a Certificate of General Equivalence**	Regular attendance, in accordance with the requirements of the secondary school or course of study at a secondary school, or in a course of study leading to a certificate of general equivalence, in the case of a recipient who has not completed secondary school or received such a certificate
Providing Child Care Services to an Individual who is Participating in a Community Service Program*	Providing child care to enable another TANF recipient to participate in a community service program

* Core Activity
** Non-core Activity

[3] *Ibid.*

Finally, DRA required uniform methods for tracking and verifying participation. The policy now mandates that daily logs record participation hours for welfare recipients and that the number of actual, not scheduled, hours is counted. Thus, the regulation prohibits agencies from assuming that a person participated during all scheduled hours unless otherwise reported, a practice known as reporting on an exception basis.[4] If states do not comply with this reporting standard, a one to five percent reduction in a state's grant could be imposed as a penalty.

2. Diversion Programs

Diversions are payments designed to prevent reliance on long-term cash assistance and thus encourage self-sufficiency. Historically, diversions have been defined as nonrecurring, short-term benefits to families who have a temporary need that does not require on-going assistance. Clients who receive diversion payments are often precluded from applying for TANF benefits for a specified number of months.

PRWORA made no mention of diversion; however, the ambiguity of the term "assistance" in PRWORA allowed for the creation of diversion by facilitating the later Administration of Children and Families (ACF) distinction between assistance and "non-assistance." This distinction, published by ACF in its 1999 TANF Final Rules, designated "nonrecurrent, short-term benefits" as non-assistance, provided that these benefits:[5]

- Are designed to deal with a specific crises situation or episode of need,
- Are not intended to meet recurrent or ongoing needs, and
- Do not extend beyond four months.[6]

This definition provided states that chose to implement diversion programs with a great deal of flexibility in designing them.

3. Financial Sanctions

A financial sanction is a penalty imposed on TANF clients who fail to meet certain program requirements. Ranging from partial grant reductions to cash assistance termination, such penalties are intended to create deterrents to program non-compliance.

When PRWORA was enacted in 1996, it created the framework for sanctions by directing states to enforce the various requirements that participants in the newly created TANF program must meet in order to receive assistance. PRWORA established two requirements with which most adult participants in the TANF program must comply, or else risk financial sanction. Clients are required to participate in work activities, and cooperate with child support enforcement

4 Previously, states could report scheduled instead of actual hours of participation for the work participation rate calculations.

5 The other types of non-assistance defined by ACF include work subsidies, supportive services provided to families who are employed (e.g., child care and transportation), refundable earned income tax credits, Individuals Development Accounts, transportation services provided by the Job Access and Reverse Commute program, and services such as counseling, case management, peer support, child care referral, transitional services, job retention and advancement services, and other employment related services that do not involve basic income support.

6 Federal Register/Vol. 64, No. 69/ Monday, April 12, 1999/Rules and Regulations.

unless good cause exists.[7] States can be subject to financial penalties if they refuse to enforce penalties on non-compliant clients.

While PRWORA requires states to enforce these two requirements, states have flexibility in how they design and implement sanction policies and policies related to sanctioning. For instance, states have the authority to:

- Define which clients are considered to be exempt from work participation activities and therefore not subject to sanctions related to work activity requirements,
- Define the criteria for non-compliance in work participation and other TANF requirements,
- Assign the reduction in benefit amounts incurred from sanctions, including whether benefits are reduced for the entire family (a "full family sanction"), or just for the non-compliant clients on the case,[8]
- Specify various levels through which sanctions may progress and the duration of the sanction and its levels within prescribed parameters,
- Establish the criteria for curing sanctions and restoring benefits to pre-sanction amounts,
- Create procedures and penalties for subsequent non-compliances after a client has been sanctioned,
- Set the length of time that must pass before a client subject to a full loss of benefits may receive additional assistance,
- Specify additional requirements beyond work participation and child support enforcement in clients' Individual Responsibility Contracts for which TANF clients may be sanctioned,
- Determine how sanction status affects the receipt of Food Stamps and Medicaid.

There is considerable variation between states regarding these policy choices, and a few states, including Colorado, devolve authority to counties to make many policy decisions regarding sanctions.

B. Data Sources

The analysis in this study uses a variety of data sources. Findings specific to Colorado were based primarily on three sources: phone interviews with county Colorado Works directors, administrative data, and unemployment insurance (UI) wage records. National comparisons were drawn from federally reported data from ACF.

The interviews were conducted with Colorado Works county directors in 19 counties during the spring and summer of 2007 (see ***Exhibit I.2)***. Interviews with five counties focused specifically on work participation and engagement, interviews with five counties focused on diversion, and nine interviews covered both subjects. As these topics are interrelated, and were also often

[7] One exception to this is that states may not sanction single parents with children under the age of six who are required to participate in work activities but who cannot find acceptable child care.

[8] States must impose at least the pro-rata reduction for clients not complying with program requirements, but may choose to reduce benefits further.

discussed in relation to sanctioning practices, the majority of the interviews documented important information discussed in each of the chapters of this report, even if the focus was mainly just on one topic. Our analysis was also informed by site visits to county offices conducted in earlier stages of The Lewin Group's study of the Colorado Works program.

Exhibit I.2: Counties Interviewed and Topics of the Interview

	Interview Topic	
County	Work Participation	Diversion
Adams	X	X
Arapahoe	X	X
Conejos		X
Delta	X	
Denver	X	X
El Paso	X	X
Fremont	X	X
Jefferson	X	X
La Plata		X
Larimer	X	X
Lincoln		X
Logan	X	
Mesa	X	X
Montrose	X	
Morgan	X	
Otero		X
Pueblo	X	X
Rio Grande	X	
Teller		X
Total	14	14

Administrative data included information from the Colorado Benefits Management System (CBMS), as well as data on federally subsidized child care from the Child Care Automated Tracking System (CHATS). Data from CBMS covered case, client and payment information for Colorado Works recipients between September 2004 and June 2007. CHATS data were available between September 2004 and September 2006.

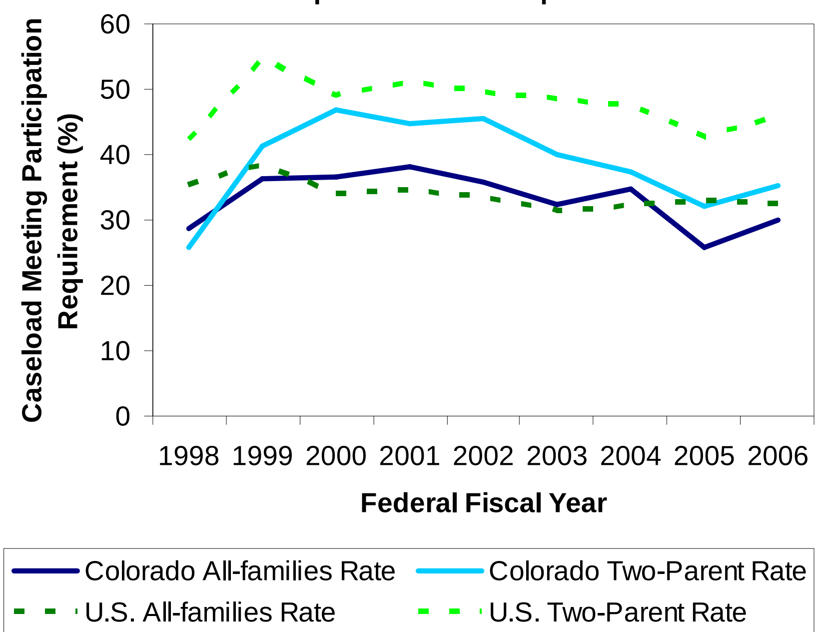
Finally, data collected from the UI wage records provided information on employment and earnings by calendar quarter. The data used covered earnings between September 2004 and March 2007 for Colorado Works recipients.

II. ENGAGEMENT AND WORK PARTICIPATION ACTIVITIES

Work participation requirements have been a major focus of U.S. welfare reform for years. Participation in job training, education, subsidized and unsubsidized employment, and other job-related activities has been thought to reduce dependency on governmental aid and increase employment. Policy-makers believe that holding states and clients accountable for participation in these job-related activities emphasizes both the state's responsibility to promote self-sufficiency as well as the recipient's need to take initiative in improving their standard of living. Over the last few decades, the United States has witnessed a dramatic transformation of welfare from a program once stigmatized by long-term dependency to a program focused on temporary support and employment assistance.

PRWORA put work participation at the center of welfare reform. PRWORA created official requirements for states with regards to work participation by requiring them to have a specific portion of their welfare caseloads in subsidized or unsubsidized work or participating in approved work-related activities for a set number of hours each week. Failure to achieve these rates would cause reductions in the state's TANF block grant. In response to PRWORA, states and localities implemented a wide variety of strategies to increase their participation level and fulfill the requirements.

Exhibit II.1: Colorado's Participation Rates Compared to National Averages



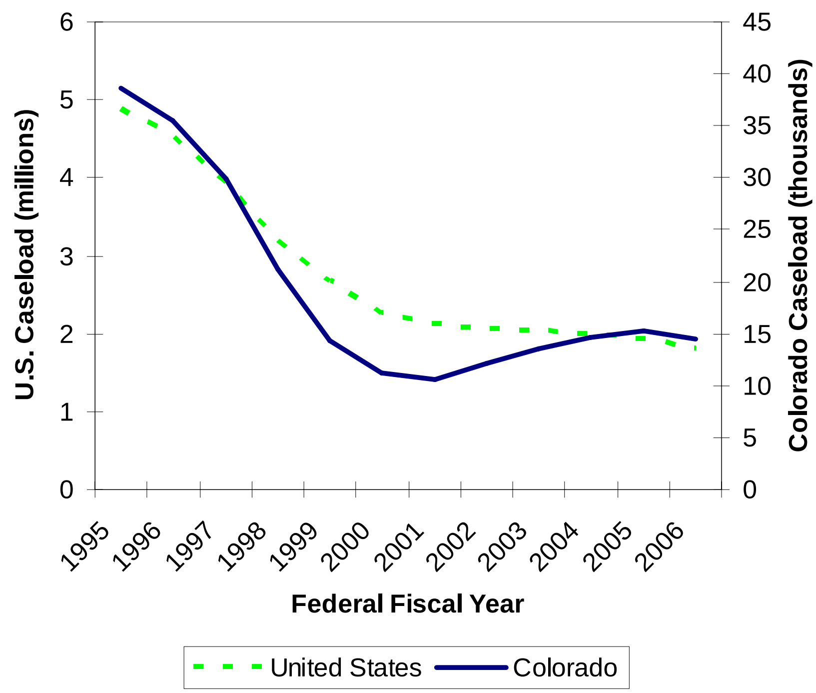
Source: ACF Work Participation Rates

Colorado has consistently achieved work participation rates in line with the U.S. average. Between FFY 2000 and FFY 2004, it exceeded the national average for its unadjusted "All-families" work participation rate (see ***Exhibit II.1***). FFY 2005, however, saw a distinct drop in Colorado's rate, decreasing by close to nine percentage points. The decline in the rate was most likely due to the transition between management information systems, from the Colorado

Automated Client Tracking Information System (CACTIS) to CBMS, which occurred during this year. The transition entailed training case managers on how to use the system, including properly assigning and logging hours for work activities. Compounding this problem, case managers were also forced to focus on troubleshooting various aspects of the transition which may have distracted them from focusing on work participation requirements. As expected, Colorado appears to be rebounding from these in FFY 2006, as its all-families rate increased by 4 percentage points.

Despite the drop in 2005, every year between 1998 and 2006, Colorado has managed to fulfill its work participation rate requirement. To fill the gap between their rate and the required 50 percent, Colorado, like the majority of states, relied on the caseload reduction credit, a provision in PRWORA which allowed states to count the number of cases leaving welfare since FFY 1995 against their participation requirement (see ***Exhibit II.2***). The size of the caseload decline since 1995 in Colorado effectively created a zero percent requirement.

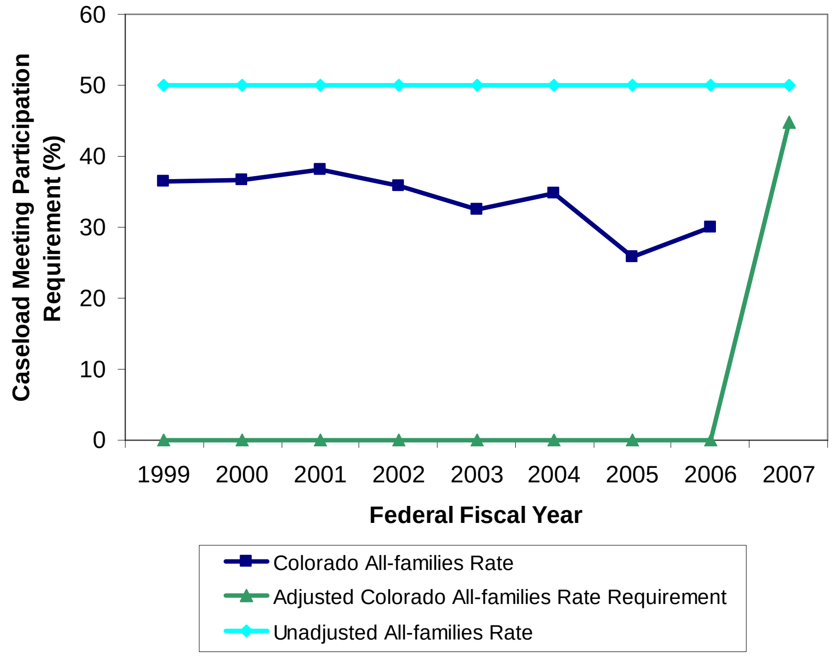
Exhibit II.2: U.S. TANF Caseload Compared to the Colorado Works Caseload



Source: ACF Caseload Data

However DRA, which reauthorized the TANF program through 2010, significantly increased the effective work participation rate requirement. This was accomplished through resetting the caseload reduction credit base year from FFY 1995 to FFY 2005. As a result, the effective work participation rate has risen dramatically and the prior flexibility states experienced in meeting their participation rate requirement has been eliminated. As ***Exhibit II.3*** shows, between FFY 1999 and FFY 2006, Colorado's work participation rate was below the 50 percent non-adjusted requirement, but above their effective requirement of zero percent. In FFY 2007, the new caseload reduction credit rules will take effect, and the effective work participation rate requirement will be likely be 45 percent due to only a five percent drop in the caseload between FFY 2005 and FFY 2006.

Exhibit II.3: Colorado's Participation Rates Compared to the Adjusted Rate Requirement



Sources: ACF Work Participation Rates and Caseload Data; CBMS administrative data

Many states will now face serious challenges in meeting the required work participation rate. In 2005, the Congressional Research Service was commissioned to analyze the gap between the then current state of work participation in TANF and the levels set forth in DRA.[9] According to their findings based on ACF data from FFY 2003, 236,000 families needed to be added to the participation rate nationwide to fulfill the revised participation rate expectations. The feat of achieving this goal required that 28 states increase their participation rate by over 20 percent, of which 10 need an increase greater than 30 percent. According to their estimates, Colorado needed to increase their participation rate by 17 percentage points, meaning the state needed to engage an additional 1,200 families in work activities assuming no change in caseload levels.

Based on data reported by ACF for FFY 2004, Colorado had an average monthly caseload of 14,623 TANF families.[10] Of these, 6,140 families were excluded from work participation requirements due to one of three status conditions: first, child-only family status; second, single parent with a child under the age of one; or third, the case was subject to sanction.[11] Of the remaining 8,483 cases, which were used in the calculation, 2,996 families were considered participating while 5,487 were not participating. The observed participation rate for FFY 2004

9 Gene Falk. "TANF Work Participation Standards: Revising the Caseload Reduction Credit." *Memorandum*. Congressional Research Service. Dec. 19, 2005.

10 ACF Online. http://www.acf.hhs.gov/programs/ofa/particip/indexparticip.htm. See Table 3A from FFY 2004.

11 Under DRA, sanctioned cases may be excluded for a month only if they are currently in sanction status and they have not been subject to sanction for more than three months in the past twelve months. If the sanctioned case meets these requirements yet achieves the participation requirement, they may be included in the calculation. If they do not meet both of the aforementioned criteria the state will lose its option to exclude the case, and they will be included in the participation rate calculation.

was 34.7 percent. If Colorado had achieved the CRS recommended increase of engaging an additional 1,200 families in work activities, the numbers would have roughly balanced out to 4,200 families participating and 4,200 not participating, leaving Colorado with a participation rate of 50 percent.

However, Colorado did not increase the number of families meeting the rate by 1,200 cases in FFY 2004, and instead, by FFY 2005, had observed a 650 case decrease in the number of cases meeting the all-families rate requirements.[12] This factor, coupled with a work-eligible caseload increase of about 500 cases, left Colorado with a 26 percent work participation rate. Despite increases in the all-families rate in FFY 2006 to 30 percent, Colorado's official all-families rate remains low relative to the adjusted rate it will likely have to meet after the re-benchmarked caseload reduction credit goes into effect in FFY 2007.

A. Strategies to increase Work Participation

During the spring of 2007, interviews were conducted with over a quarter of Colorado Works county directors. Most counties selected had been identified as achieving higher than average work participation rates. The interviews documented broad and innovative changes being made by both local and state program administrators in response to the new standards of work participation.

The interviews, in conjunction with reviews of county and state policies and discussions with state officials, served as the basis for identifying current strategies being explored in Colorado to improve the work participation rate.

A wide variety of techniques for increasing the work participation rate were discussed during the interviews. Counties expressed consistent interest in utilizing certain strategies and mixed reactions to others. Overall, the strategies discussed fit into seven broad categories: stabilization diversion, active case management, specialized case management, accountability and monitoring, work supports, incentive payments, and payment refinancing.

At the time of the interviews, some counties were in the process of exploring their options, while others were already implementing their strategies. In both cases, the majority had not yet updated their county policies to reflect current and upcoming changes.

1. County Strategies

a. Stabilization Diversions

Many counties discussed pursuing a stabilization diversion program to improve their work participation rates. A stabilization diversion is a specialized form of diversion wherein new and returning BCA applicants receive up to four months of benefits in the form of a diversion payment. As diversion payments are considered non-assistance, they are not subject to the work activity requirements that normal BCA cases face.

[12] ACF Online. http://www.acf.hhs.gov/programs/ofa/particip/indexparticip.htm. See Table 3A from FFY 2005.

This strategy attempts to address the initial period of "down time" during which it is highly unlikely that cases will have enough hours to fulfill the work participation requirements. Such "down time" may occur because the client may not yet have a regular schedule set up and many hours may be spent in federally uncountable activities such as orientation and assessment. It is the intention of the stabilization program that clients will not have to immediately participate in work activities for the full number of hours needed to fulfill the requirement when first joining Colorado Works. Instead, cases would have an initial ramp-up period during which their activities and hours will not be considered for the rate calculation to accommodate more flexibility in addressing client barriers and building skills to make the client more self-sufficient and work ready. While these cases would not be included in the work participation calculation, they could still be required to participate in orientation and assessments as well as work participation activities.

In addition, instead of pushing case managers to match clients to the first available work activity in order to log client participation hours, case managers could take the necessary time to match their clients to the best-suited activities to help build stronger self-sufficiency. If cases finish their stabilization diversions and transition to the BCA caseload, more time will have been spent preparing them for self-sufficiency and work requirements, which should improve the participation rate.

This strategy, consistently brought up by directors, appears to have the greatest potential to transform Colorado's work participation rate. Analysis of CBMS showed that new cases represented on average 9 percent of the monthly work-eligible caseload in FFY 2006, and close to 75 percent of these cases did not meet the all-families rate requirement during their first three months of assistance.

Although no counties had fully implemented this policy at the time of interviews, half of the counties reported interest in pursuing this approach.[13] Some counties were in the process of exploring their possibilities in terms of how to implement such a program, while other counties were moving forward and preparing to implement the program. Some counties, close to implementing their stabilization programs, discussed unique ideas regarding how to administer a stabilization program. ***Box II.1*** discusses Lincoln County's approach to use the stabilization diversion as a time to focus on intensive assessment and training.

Box II.1: Making the Most of the Stabilization Diversion

Leading up to the launch of their diversion program, Lincoln County has been working with a group of community partners including faith-based organizations, vocational rehabilitation specialists, staff from the state college's extension office, and housing office staff in order to arrange a special intensive training program for clients during their three-month initial stabilization period. Lincoln County would like to take advantage of the stabilization period to provide intensive assessment and training to new cases; such activities often lower the work participation rate since the activities are county-defined.

13 Although no counties have implemented a stabilization diversion program, Logan County has implemented a county-funded general assistance program that covers the first month of benefits for new cases in the form of rent payments in order to exclude the cases from the rate calculation.

For more information on diversion practices in Colorado Works, see Chapter 3 of this report.

b. Active Case Management

In order to have a fully participating caseload, county directors often discussed the importance of quality case management. Counties said that passive case management allows clients to fall through the cracks through either not participating for enough hours in a month or not participating at all. In order to improve program participation, counties reported that their staff must actively focus on the supervision and direction of clients regarding deadlines, requirements and targets. In discussing this theme with county directors, three distinct components emerged: comprehensive client assessment, timely activity placement, and prompt non-compliance sanctioning.

Assessment. Comprehensive assessment aims to understand the unique needs and goals of each applicant in order to effectively engage the client. A thorough assessment should determine a client's employability, employment goals, and service needs. Understanding a client's skills and motivations as well as identifying vital service needs ranging from housing, transportation and child care to mental health services, substance abuse treatment, and counseling can be essential to successful case management.

County staff reported that by identifying clients' barriers, abilities, and goals, staff will be more likely to create a work plan which will be both realistic and fulfilling for the participant. When clients have positive experiences with their work activities, they may be more likely to have consistent and prolonged attendance, which benefits both the client and the work participation rate. In some cases, creating a personalized work plan may entail deciding between different community work experience programs, while for others, it may focus on how a client can overcome a barrier to employment and what forms of participation will be most beneficial to help build self-sufficiency.

The interviews identified many common assessment techniques utilized by Colorado counties. The techniques include using combinations of one-on-one interviews with case managers, the Test of Adult Basic Education (TABE), WorkKeys, KeyTrain, drug screening and mental health exams. Together, these techniques help case managers understand the skill level and employability of clients as well as identify potential barriers to employment. Some counties also discussed their own unique approaches to assessment.

- Logan County maintains regular contact with their partners at work sites specifically for continuing assessment purposes. They reported that clients with substance abuse problems or mental health conditions overlooked by the initial assessment are likely to display symptoms through their behavior on the job. At this point, the county can bring the client back under their supervision and help them work through their barriers to employment. Supporting this system, the county performs an assessment review every six month to a year. In a two-sided, single page document, the case manager must summarize major changes in the client's life, including whether the client has made progress towards alleviating their barriers.
- Rio Grande County has found that it may take more than just a first screening to identify a client's barriers as it takes time to build the client's trust. Their assessment program

focuses on sensitive issues including substance abuse, domestic violence, under-education, and mental health, and the county worries that clients may not initially feel comfortable discussing these issues with their case manager. As a result, the county focuses on creating an open, non-judgmental atmosphere to encourage clients to be as comfortable as possible. In order to make clients feel they can speak freely and honestly about their barriers, all case managers have offices with doors that close in order to keep their conversations strictly confidential and private. In addition, the county allows clients to change their case managers with no questions asked if the clients feel they would be more comfortable working with someone else.

Placement. Placement in work activities is an integral aspect of fulfilling work participation requirements. Counties indicated that certain methods of placing clients are better than others. Some directors focused on the importance of placing clients in activities that match their abilities and interests. As these may be more fulfilling to clients, clients may be more likely to stay engaged for longer periods of time.

- El Paso County has partnered with Goodwill Industries to open a new business center with new vocational certification programs and a wider array of work placements. The center operates a temporary staffing service agency, which gives clients the opportunity for short-term placements in real-world occupations. For those with less work experience or needing to learn appropriate behaviors for operating in a work environment, the center offers a six-week specialized certification program for work adjustment. Additionally, for individuals with developmental and other disabilities, the center provides supported employment opportunities through an on-site workshop to aid with learning important life skills and rehabilitation.
- Rio Grande County gives clients the opportunity to switch between work activities if they feel that they would be happier in another activity. Their philosophy is that clients are more likely to take interest in activities in which they choose to participate, and that staff can then help clients to further pursue their interests.
- Case workers in Pueblo County follow up with the employers of their clients to make sure both the employer and the clients are happy with the placement. If the placement is not working out, staff explore other options for the client.

Other directors put a special focus on finding ways to speed up the process of moving clients into work activities. Prompt placement has the dual benefit of increasing client hours and setting the tone that participation is a core component of the program.

- Freemont County focuses on speeding up the placement process. Frontline staff immediately schedule clients for appointments with case managers after verifying program eligibility. Through connecting new and returning applicants to case managers in this expedited manner, they expect more clients to meet with their case managers and complete individual responsibility contracts.
- Denver County streamlines their assessment process through using a tiered assessment program with the goal of moving clients ready for participation into work activities as quickly as possible. The first tier, Compass, is a one-day assessment program that identifies the activities a client should move into. The county's goal for moving clients directly into work activities after Compass is 80 percent, though this target has yet to be

achieved in practice. The remaining clients participate in the three week Transitions program which focuses on further assessment.

Inevitably, periods of "down time" occur for all welfare cases when they are in between activities. During these times recipients cannot be counted as participants, which results in lower participation rates. To reduce these periods of inactivity and thus increase participation rates, agencies have embraced several strategies. One is the immediate assignment of welfare recipients to activities following the end of current activities or sanction. Flexible program scheduling and structure helps minimize such periods of inactivity. Examples of this strategy include creating open entry and open exit activities or classes and scheduling commonly-used activities with frequent start dates. El Paso, for instance, has created community work experience program (CWEP) placements that are intended to last one day for individuals with little work experience or between activities. Delta County has built make-up slots for work activities into their schedule for situations when clients must be absent. GED programs hold repeat classes on Fridays for individuals who missed a class during the week, and when clients miss the Friday classes, they can participate in a temporary community service placement to make up the hours.

Sanctions. Despite proper assessment and timely placement, clients sometimes will not participate in their program activities. In this situation, prompt financial sanctions can play an important role in addressing non-compliance. National research on sanctioning practices shows that strict enforcement of participation mandates is correlated with higher participation rates. In the National Evaluation of Welfare-to-Work Study (NEWWS), each of the 11 welfare-to-work programs examined was classified as "high enforcement" (i.e., imposing sanctions on more than a quarter of its caseload, on average) or "low enforcement" (i.e., imposing sanctions on less than 5 percent, on average).[14] The high-enforcement programs exhibited higher participation rates than their low-enforcement counterparts. They also showed positive impacts on other welfare goals including employment, earnings, and welfare savings.

In Colorado, three different methods can be used to address noncompliance. First, Colorado has a gradual, full-family sanction policy; three sequential tiers of sanctions can be applied to noncompliant cases. Second, cases who have shown no participation during their first 24 months on TANF can be closed, terminating cash assistance. Third, case closures for demonstrable evidence can terminate cash assistance for a case which has shown a refusal to comply with the parameters of their individual responsibility contract (IRC).

Individuals who face formal sanctions and have not had more than three months in a formal sanction status during the prior 12 months are disregarded from the work participation calculation. Through being disregarded from the calculation, the state is not penalized for their non-compliance with work activities. However, if the non-compliance continues without being addressed and the client has had four or more months in sanction during the previous 12 months, they can no longer be disregarded and are factored into the rate.

[14] Gayle Hamilton, *Monthly Participation Rates in Three Sites and Factors Affecting Participation Levels in Welfare-to-Work Programs*. Washington, D.C.: U.S. Department of Health and Human Services and U.S. Department of Education, 1995

Both forms of case closures, either due to the 24-month rule or demonstrable evidence, affect the participation rate through removing non-compliant cases from the caseload. Given that closed cases are not part of the caseload, they are not factored into the rate calculation.

Counties' preference among and interpretation of the different tools to address non-compliance varied. For a discussion of this variation, see Chapter IV of this report.

c. Specialized Case Management

The Colorado Works caseload is made up of a variety of types of clients: child-only cases, single parent households, two-parent families, individuals applying for Supplemental Security Income (SSI), as well as individuals with substance abuse or mental health problems. Different types of clients in the Colorado Works system often have different goals and different means to fulfill these goals. Two-parent families need to fulfill the rate requirements, but also face issues in finding subsidized child care. Individuals applying for SSI benefits may not be able to participate in work activities as it may jeopardize their SSI application. Individuals with a substance abuse problem may need to work on addressing their addiction before turning to work participation altogether.

As these cases work towards self-sufficiency through different means, some counties have decided to specialize their case managers to serve specific populations. By focusing on the needs of a subset of the caseload, counties expect their case managers to have a better understanding of the issues faced by their clients and enhanced knowledge to provide quality service to the clients.[15]

- In January 2007, Jefferson County shifted its model away from generalized case managers to caseload specialists. In addition to specializing according to population, the county also specializes case managers according to operations and work activities including assessment coordination, education and training, volunteering/community service, employment, stabilization activities for SSI applicants and two-parent families, and non-compliance response. The county still wants clients to be able to participate in multiple activities and so whichever case manager is coordinating the majority of a client's time will handle the case management responsibilities for the client. The county reported that the quality of service has improved since the implementation of specialization as case managers no longer have to juggle knowledge of multiple service areas. Also, staff claimed it is now easier to identify clients with special needs.
- Denver County case managers serve specialized populations. Such groups include one-parent cases, two-parent cases; teen-parent cases; child-only cases; SSI cases; Spanish speakers, and homeless cases. Through engaging specific target populations, case managers are better prepared to address the particular issues faced by their clients.
- Adams County contracts out the majority of its case management to non-profit and community-based organizations. Each contractor is specialized to work with specific populations, such as clients with severe barriers, SSI applicants, and work-ready participants. At intake, the county performs a thorough assessment to evaluate a client's

15 Farrell, Mary and S. Elkin. Serving the Hard-to-Employ in Colorado, The Lewin Group, prepared for Colorado Department of Human Services, June 2006.

strengths and challenges and decides which subcontractors will be best suited to work with the case. The county then will evaluate each contractor according to the goals for the populations (e.g., how quickly SSI applicants are approved for SSI, how many cases are making the work participation rate). The strategy has proven so successful that neighboring Arapahoe County is currently in the process of adopting the Adams model.

d. Accountability and Monitoring

Accountability. Some counties have started to incorporate performance measures on program participation into contracts with staff and contractors. As county administrators focus on meeting the rate, they want to ensure that their case managers are working with them to reach their desired goals. National research suggests utilizing performance standards for local offices and front-line staff in order to encourage higher levels of work participation among clients.[16] In establishing preferred outcomes for recipients, whether defined as number of job placements or target levels of engagement, the progress of case managers can be monitored against the performance benchmarks. Through performance reviews, staff are held accountable to their work, and are encouraged to more effectively engage their caseloads. Additionally, program staff that may need additional training to perform their jobs can be identified.

Throughout the interviews, counties reported using different approaches to performance standards. Some counties reported reviewing work participation rates by the case manager, and openly sharing the results among staff. Many of these counties cited that since the caseload is so varied, it would be difficult to establish a strict benchmark according to the work participation rate. Counties using contracted case management or specialized case management, however, found that incorporating performance measures into program administration occurred naturally (see ***Box II.2***).

Box II.2: Incorporating Performance Measures into Specialized Case Management

Adams County has built monetary bonuses into all of its contracts with service providing agencies for meeting the expected 55 percent work participation rate. In addition, counties with specialized case management often chose to hold case managers or contractors accountable to the goals of their specialized population. While case managers responsible for work-ready clients may be evaluated based on their work participation rates, other case managers working with hard-to-serve populations would be evaluated on their rates of barrier remediation or successful SSI applications.

Monitoring. In order to effectively hold employees and contractors accountable for their performance, close monitoring of participation reports is essential. Many counties discussed utilizing both CBMS as well as their own tracking system to monitor their work participation rates.

- Mesa County has one program staff member who focuses on working with CBMS and other tracking tools to develop work participation reports for the county. Case

[16] Jacqueline Kauff, Michelle Derr, and LaDonna Pavetti. "A Study of Work Participation and Full Engagement Strategies." Washington, DC: Mathematica Policy Research, Inc., September 2004.

managers are able to review their overall caseload rate as well as the individual levels of participation of their clients.

- Denver County utilizes CBMS internally to monitor work participation, but also developed a work participation database for use with its contractors. The contractors report the weekly hours spent in work activities for each client and the database compiles all of the client's hours between the various contractors and generates work participation statistics on a weekly basis.

Through monitoring participants and tracking progress, administrators identify important program outcomes including identification of client nonparticipation and low performing staff or contractors. Close monitoring may encourage clients to consistently attend their work participation activities, which strengthens the effectiveness of programming and increases the total number of actual hours spent in activities. It also may encourage program employees and contractors to actively manage their caseload, which as previously discussed, also contributes to achieving desired work participation rates.

e. Work Supports

All counties agreed that program participation is enhanced by ensuring adequate provision of necessary supportive services. Supportive services that were consistently discussed during the interviews included child care, transportation, and work-related expenses.

Without supportive service provision, the ability of clients to participate in work activities can be severely restricted (see ***Box II.3***). For example, a lack of accessible child care assistance prevents mothers of young children from participating. Clients without any means of transportation cannot get to a work-site without assistance. Employment opportunities which require uniforms and trade tools may be unrealistic for qualified clients who do not have the means to purchase the necessary items.

Box II.3: Making Strong Commitments to Supportive Services

Fremont County discussed how supportive services are a part of their core approach to case management. The county feels that it is vital to utilize supportive services to address any identified barrier prior to moving clients into work activities. For instance, Fremont does not have a public transportation system, and so the county contracts with a taxi company to shuttle participants to activities. County staff reported that without this contract, it would be nearly impossible to expect clients to participate in employment or other work activities.

f. Incentives

In order to provide positive reinforcements to clients, some counties have created incentive programs encouraging model behavior and achievements among clients. Counties embracing this approach indicated that they wanted to create immediate rewards for program participation in order to keep clients on track for long-term goals such as employment and self-sufficiency.

Adams County makes wide use of incentive payments to enhance their work participation rate. Participants can claim $10 on a weekly basis for turning in weekly time sheets on time, $25 also on a weekly basis for turning weekly time sheets on time and meeting their required hours, and $50 per month for meeting their rate requirement for the entire month. Additionally, participants can receive up to $100 per week for time they spend in community service activities above and beyond the required hours they need to fulfill their rate requirement. Clients may also receive payments for finding new work sites as well as having successful transitions from work-sites.[17] In addition, both current and former recipients can receive $5 payments for interviewing with a prospective employer and $10 for following up after a face-to-face interview (e.g., thank-you note, second interview). Lastly, clients may receive a $750 incentive payment for maintaining full-time employment for thirty days after leaving Colorado Works.

Logan County also utilizes a variety of incentive payments. Clients who work for more hours than they are required, who receive their GED or complete college, whose children receive good grades in school, or have perfect attendance rates for their work activities, classes and doctor's appointments are all eligible for incentive payments. The attendance bonus is meant to reward clients who can build routine and structure into their lives, which the county feels helps clients build successful habits.

g. Refinancing Payments

Several counties were interested in refinancing payments to improve their work participation rates. Such an approach allows counties to exclude populations that are not able to meet their work participation requirements from the rate calculation. States remove these individuals from the rate calculation by paying for their TANF assistance through state funds not used for MOE purposes. Only families who potentially could fulfill the rate requirement would face federal work participation requirements and would be included in the rate calculation.

Counties agreed that the participation levels required by federal rates did not make sense for certain portions of their caseload, such as SSI applicants, two-parent families, and hard-to-serve groups. However, in order for this strategy to move forward, counties are waiting on the state to provide them with further guidance. While counties received proposed strategies from the Colorado Works Work Participation Task Force during the winter of 2007, counties have been reluctant to be the first to put this strategy into practice.

2. Other Factors Affecting County Rates

Other factors beyond the control of Colorado Works had major implications for the caseload dynamics, characteristics, and participation rates. Such factors included the local economy, the growing number of clients who do not speak English, and the changing concentration of hard-to-serve clients.

The local socio-economic situation may have the biggest impact on work participation rates. If there are no jobs available, families will stay on the caseload longer, and work experience and employment activities will be harder to arrange. Delta County reported that compared to Colorado as a whole, its population is poorer and older, and its economy is struggling from a

17 A successful transition is defined as meeting one of the following conditions: (1) completing the activity, (2) exiting from the worksite as verified by the supervisor of the worksite, or (3) gaining employment.

lack of employment opportunities. Because of these conditions, the county has struggled to meet its work participation rates.

Pueblo County mentioned that the large share of their the county's caseload who are Hispanic with limited English language skills and low education has made reaching their required work participation rates very difficult. Serving these clients has required the employment of bi-lingual staff and finding work activities where English language skills are not a requirement, which has been difficult. Training activities often require a GED; however, the county reported that many clients first require basic education as they lack the basic preparation required for a GED course.

Lastly, all counties, but particularly those with booming economies, said that the growing concentration of hard-to-serve clients has made reaching the re-benchmarked work participation rates even more difficult. Logan and Mesa both reported that as economic opportunities have grown, work-capable individuals have left the caseload for employment and fewer work-capable individuals have joined the caseload. As a result, a larger share of the clients who remain on the caseload are hard-to-serve.

The 'hard-to-serve' population, which includes individuals with physical and mental disabilities, substance abuse, and other conditions not qualifying for SSI but still impairing their daily lives, is associated with lower participation rates. National research has found that in response to these lower rates, some state programs have tailored their operations to effectively engage these clients. The Employment Retention and Advancement (ERA) evaluation found that TANF recipients in New York whose employability was limited by physical or mental health problems were being assigned to unpaid work experience positions (within their capabilities), job search, and basic education services, while TANF recipients with a substance abuse problem were being assigned to work activities while being provided with intensive case management to promote participation in substance abuse treatment.[18] El Paso County's partnership with Goodwill Industries has also made engaging hard-to-serve clients a priority through administering a supervised workshop to engage clients for rehabilitative purposes.

3. County Reactions to DRA

Counties responded to the renewed focus on work participation with a range of opinions. While some counties were very focused on the rate in discussing their ideas for increasing participation, others felt this emphasis on hours and activities was to the detriment of their clients. These counties believed that the available combinations of federally approved work activities and required hours did not give enough flexibility to case managers to help clients work towards self-sufficiency. As a result, such counties have preferred to continue operations without major restructuring to address DRA.

As discussed above, however, many of the innovative responses that counties are pursuing to address work participation rates stand to benefit the caseload overall. Strategies such as stabilization diversions and refinancing payments may give program administrators more flexibility in how they serve their clients, particularly those with barriers to employment.

18 See Dan Bloom, Jacquelyn Anderson, Melissa Wavelet, Karen Gardiner, and Michael E. Fishman, *New Strategies to Promote Stable Employment and Career Progression*. Washington, D.C.: Department of Health and Human Services, 2002.

Specialized case management, active case management, and accountability might encourage staff and contractors to deliver the best available service to each and every client. Incentive payments and work supports could expand the opportunities available to clients and reward clients for pursuing these opportunities.

B. Descriptive Findings from Data

Data from CBMS was analyzed to examine client characteristics and interactions with the federal work participation rate requirements. This analysis included reviewing payment data, examining client-level demographics, and observing case-level characteristics.

In addition, the dataset collected from CBMS was linked to other state data systems to refine the analysis. Information regarding the receipt of federally subsidized child care was found in CHATS. The child care data were necessary for calculating the two-parent family work participation rate. UI wage records were also linked to the CBMS data to examine employment and wages for Colorado Work recipients over time.

The data analysis sought to answer the following questions:

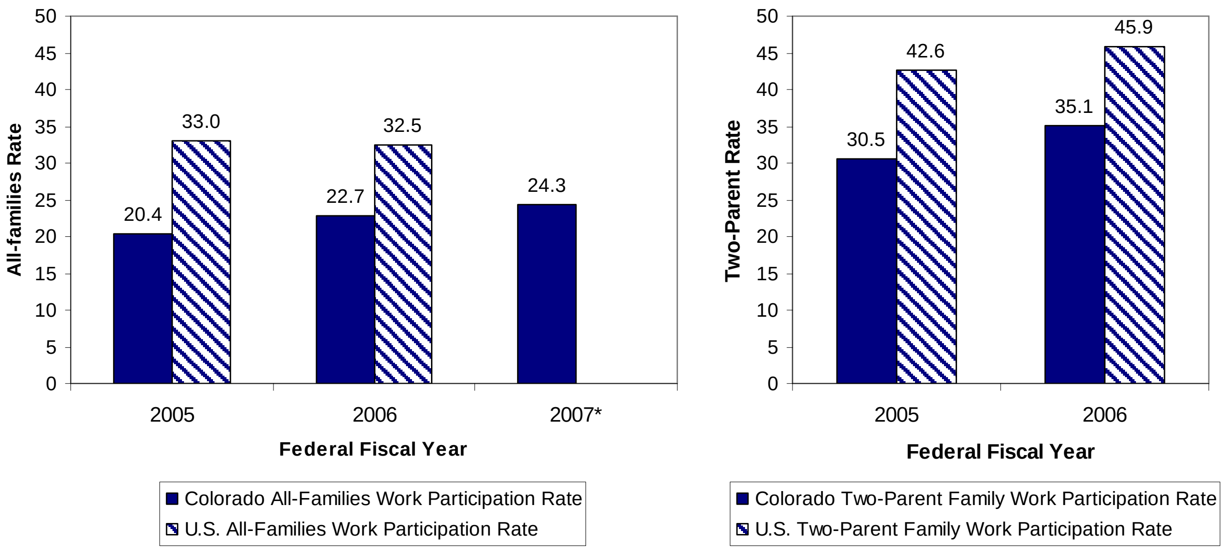
- What is the work participation rate in Colorado for the most recently available data?
- How do the rates calculated from the entire caseload of Colorado Works compare to statistics reported by ACF?
- What are the client characteristics of work-eligible Colorado Works recipients? To what extent are these associated with clients' participation in work activities?
- What work activities are being used, and how do they interact with meeting the rate?
- How long does it take for clients to be engaged in activities, and how long will it take for a client to meet the work participation rate?
- What is the interaction of engagement and/or meeting the rate with leaving Colorado Works? How are these factors associated with employment and earnings?

1. Work Participation Rates

Analysis was performed on data collected from CBMS to analyze the work participation rates in Colorado. This included modeling both the all-families rate as well as the two-parent rate for FFY 2005, FFY 2006 and FFY 2007.[19] ***Exhibit II.4*** compares both Colorado's all-families and two-parent work participation rates in these years against average U.S. rates.

[19] Analysis of FFY 2007 was limited to preliminary findings due to the fact that only data from October 2006 through June 2007 was available. In addition, the two-parent rate for FFY 2007 could not be calculated because child care data for this time period was not available.

Exhibit II.4: Colorado and U.S. All-Families and Two-Parent Work Participation Rates



Source: CBMS administrative data; ACF Work Participation Rates
Notes: U.S. all-families rate for FFY 2007 not yet available; Two-parent rate not calculated due to lack of child care data
* Includes only Federal Fiscal Year Quarters 1, 2, and 3 (October 2006 - June 2007)

In FFY 2005, Colorado had a 20 percent all-families work participation rate and a 31 percent two-parent work participation rate. These rates were below national averages; the overall U.S. all-families rate was 33 percent and two-parent was 43 percent. In FFY 2006, Colorado's all-families rate improved to 23 percent and its two-parent moved up to 35 percent. This improvement brought Colorado's rates closer to the national rates of 33 and 46 percent respectively in FFY 2006. Preliminary estimates of FFY 2007 show continued improvement in Colorado's all-families rate, with a rate around 24 percent.

Box II.4: Calculating the Work Participation Rate

The participation rates presented in this chapter are based on the rules established by DRA.

The work participation rate calculation only includes 'work eligible' adults. This excludes cases headed by relative-caretakers, ineligible aliens, and non-recipient parents receiving SSI. Furthermore, cases disregarded from the calculation due to having a child under the age of one or being in a sanction status without having had four sanctioned months during the previous twelve are also excluded from the work-eligible caseload and the rate calculation.

For the remaining individuals, monthly total hours were used to calculate average weekly hours in activities. Case characteristics were examined to determine the rate requirements for each case. Rates were calculated for each month, and each FFY's rate was determined by averaging the rates from each month in the year.

Box II.5: Comparing Work Participation Rates from ACF and CBMS

As part of evaluating the performance of state agencies administering the TANF block grant, ACF collects data on the caseload served and calculates each state's official work participation rates. Such rates determine if a state will have their block grant penalized in the following fiscal year.

States have the option to submit data on their entire caseload, known as the 'universe', or a sample of about 300 cases drawn randomly from throughout the state. This data is drawn monthly and must be submitted on a quarterly basis, which allows for variation in the cases reviewed if a state elects to submit a sample.

Colorado exercises its right to submit a sample of cases to ACF to determine their work participation rates. Through submitting a sample, the state believes it can save resources and more adequately verify the data reported to ACF.

Rather than duplicate this analysis, this study analyzed the Colorado Works universe in order to review the status of work participation and program engagement in the entire caseload. As shown in ***Exhibit II.5***, analysis comparing the results of the ACF calculations and the findings based on the universe yield similar rates. In FFY 2005 and FFY 2006, the differences in the all-families rates were within 7 percentage points. Moreover, the two-parent rate calculations were within 2 percentage point for both time periods.

Exhibit II.5: Colorado Work Participation Rates according to ACF and CBMS

	Work Participation Rates Reported by ACF		Findings from the analysis of the universe of CBMS	
Federal Fiscal Year	All-Families Work Participation Rate	Two-Parent Family Work Participation Rate	All-Families Work Participation Rate	Two-Parent Family Work Participation Rate
2005	25.8	32.1	20.4	30.5
2006	30.0	35.2	22.7	35.1
2007[a]	-	-	24.3	*

Source: CBMS administrative data
- ACF rates not yet reported
* Analysis not performed because child care data for FFY 2007 was unavailable
[a] Includes only Federal Fiscal Year Quarters 1, 2, and 3 (October 2006 - June 2007)

Both data sources show positive trends in the work participation rate between FFY 2005 and FFY 2006. The all-families rate increased by 4 and 2 percentage points and the two-parent rate has increased by 3 to 5 percentage points.

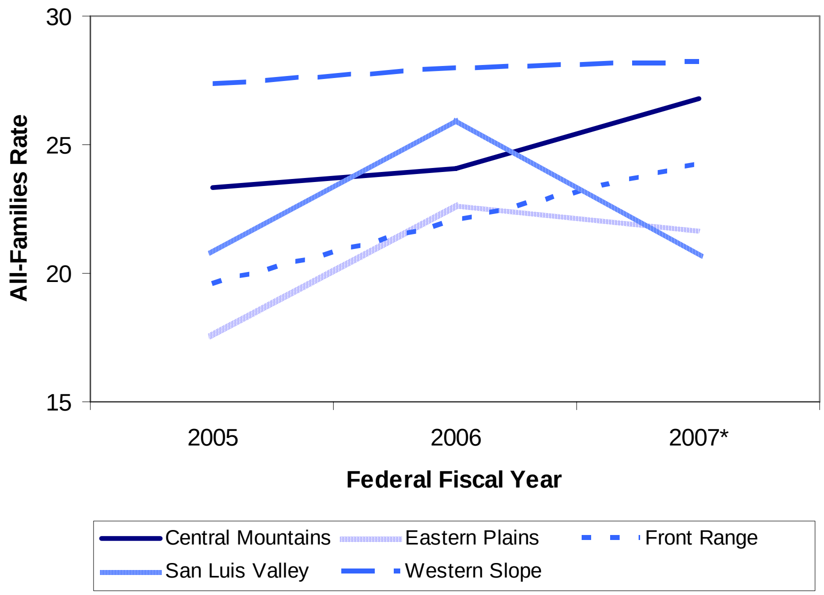
While findings have not yet been released from ACF for FFY 2007, preliminary estimates based on nine months of universe data collected from CBMS show continuing increases in the participation rate. According to this analysis, Colorado had an all-families work participation rate of 24 percent, indicating that Colorado is likely to see more growth in the all-families rate in FFY 2007.

Analysis presented through the rest of this chapter will draw from the universe of data from CBMS rather than the statistics reported by ACF. This is necessary in order to examine rates by region and county as well as other factors associated with participation. Additionally, this will allow analysis to incorporate the most recently available data.

2. Regional Rates

As shown in ***Exhibit II.6***, regional variation in meeting the all-families rate was observed between FFY 2005 and FFY 2007. The Western Slope region led the state in all three years with rates hovering between 27 and 28 percent. Additionally, the Central Mountains as well as Front Range regions showed improvement over the years. The Central Mountains region was at 23 percent in FFY 2005, but has moved up to 27 percent by FFY 2007. The Front Range region was originally at 20 percent in FFY 2005, but grew to 24 percent in FFY 2007. The Eastern Plains region saw strong growth in their all-families rate of nearly 5 percentage points between FFY 2005 to FFY 2006, but this trend was not observed in FFY 2007. The San Luis Valley region, like the Eastern Plains, observed strong growth in their all-families rate in FFY 2006, but appeared to be losing ground in FFY 2007.

Exhibit II.6: Colorado Regional Trends in the All-families Work Participation Rate



Source: CBMS administrative data
Note: FFY 2007 includes only Federal Fiscal Year Quarters 1, 2, and 3 (October 2006 - June 2007)

Counties achieving a 40 percent rate or higher in FFY 2006 included Adams, Cheyenne, Logan, Rio Grande, Sedgwick and Yuma (for a complete list of county rates from FFY 2005, FFY 2006 and FFY 2007 see ***Appendix Exhibit A.1***). Of the mid- to large-sized counties, which had the largest impacts on the state's all-families rate, rates from FFY 2006 ranged from 15 to 43 percent. Arapahoe, Denver and El Paso counties, which had the three largest work-eligible caseloads (close to 1,500 cases in each county), respectively achieved 17, 21 and 25 percent rates.

Estimates of the FFY 2007 all-families rate show notable improvement in some counties (see ***Exhibit II.7***). Cheyenne, Douglas, Moffat, Park, Prowers, and Yuma had growth in their all-families rate of over 10 percentage points. Additionally, Arapahoe, Boulder, Broomfield, Clear Creek, El Paso, Phillips, Washington, and Weld increased their participation rate between 5 and 10 percentage points.

Exhibit II.7: Changes in Counties' All-Families Rate between FFY 2006 and FFY 2007

Change in the All-families Rate	County
Decrease	
Greater than 10 percentage points	Adams, Costilla, Eagle, Larimer, Rio Grande, Sedgwick
Between 5 and 10 percentage points	Delta, Dolores, Grand, Logan, Otero, Teller
Greater than 0 but less than 5 percentage points	Alamosa, Archuleta, Chaffee, Crowley, Fremont, Garfield, La Plata, Lake, Lincoln, Montezuma, Montrose, Morgan, Pueblo
No Change*	Custer, Jackson, Kiowa, Kit Carson, Mineral, Ouray, Pitkin, Rio Blanco, Routt, San Miguel, Summit
Increase	
Greater than 0 but less than 5 percentage points	Baca, Bent, Conejos, Denver, Elbert, Gilpin, Gunnison, Huerfano, Jefferson, Las Animas, Mesa, Saguache
Between 5 and 10 percentage points	Arapahoe, Boulder, Broomfield, Clear Creek, El Paso, Phillips, Washington, Weld
Greater than 10 percentage points	Cheyenne, Douglas, Moffat, Park, Prowers, Yuma

***** Counties with no change have very small caseloads and had no work eligible clients meeting the rate in either year
Source: CBMS administrative data

Arapahoe, Denver and El Paso continued, despite caseload declines, to have the three largest work-eligible caseloads, ranging between 1,000 and 1,200 cases. Each of the three counties saw improvement in their all-families rates in FFY 2007, with Arapahoe at 22 percent, Denver at 21 percent, and El Paso at 30 percent.

3. Rate Requirements and Participation Status

When examining the breakdown of the caseload according to different work participation statuses, it is also important to take into consideration that different families are held to different requirements to make the rate. Depending on a variety of case characteristics, the number of hours a client needs to participate each week may vary. In addition, clients may be restricted by the activities in which they can participate in to fulfil their requirement. The case characteristics used to determine a client's work participation requirements include the number of adults on the case, the age of the adults, the age of the youngest child on the case, and receipt of federally subsidized child care assistance. ***Exhibit II.8*** illustrates the different levels of weekly participation required in order to fulfil the all-families and the two-parent work participation requirements.

Exhibit II.8: All-Families and Two-Parent Work Participation Rate Requirements

Rate Requirement Categories based on Demographic Characteristics	Fulfilling All Families Work Participation Requirement: Weekly Core Hours*	Fulfilling All Families Work Participation Requirement: Total Weekly Hours	Fulfilling Two-Parent Family Work Participation Requirement: Weekly Core Hours*	Fulfilling Two-Parent Family Work Participation Requirement: Total Weekly Hours
Single-Parent Family:				
Youngest child under the age of six	20	20	-	-
Youngest child at or over the age of six	20	30	-	-
Two-Parent Family:				
Not receiving federally subsidized child care	20	30	30	35
Receiving federally subsidized child care	20	30	50	55

Source: PRWORA

* If the parent is a teenager, then participation in a high school or GED program counts as 20 core hours whereas for other parents the time is considered non-core. In addition, teenage parents also have a one-to-one credit of core hours for time spent in education directly related to employment, which is also normally considered non-core.

It should be noted that child-only cases with no work-eligible adult, single-parent families with a child under the age of one, and cases in a sanction status without having had four or more months in sanction during the previous twelve months are disregarded from the work participation rate. These cases are not considered for the calculation unless they are fulfilling the rate requirements according to whichever category described in Exhibit II.8 best fits the family.

Exhibit II.9 shows the breakdown of the Colorado work-eligible caseloads from FFY 2006 and FFY 2007 according to both their rate requirement category and their participation status. Both years result in consistent findings. Close to half of teenage, single-parent cases fulfilled their all-families rate requirements. This was matched by an almost equal number (45 percent in FFY 2006 and 42 percent in FFY 2007) not participating in any federally countable activity without exemption from participation.

Single-parent cases with children under the age of six also had a higher than average percent fulfilling the all-families rate (31 percent in FFY 2006 and 34 percent in FFY 2007). This cohort also had a large portion of the caseload not participating without exemption; this figure was 43 percent in FFY 2006, but had dropped to 38 percent in FFY 2007.

Single-parent families with their youngest child at or over the age of six had substantially fewer cases meeting the rate, with slightly over 7 percent of the cohort meeting the rate requirements in both FFY 2006 and FFY 2007. Instead, more than 92 percent of work-eligible cases were not meeting the rate. While the number of cases not participating and not exempt was consistent with the other single-parent families, a much larger share of cases fell into the last two categories: participating without enough hours to make the rate and not exempt, and exempt from participation. In FFY 2007, 20 percent of this cohort were participating but without enough hours, and 34 percent were exempt from participation requirements.

Exhibit II.9: Participation Status by Differing Rate Requirement Demographic Categories

Rate Requirement Categories based on Demographics	Fulfilling All Families Work Participation Requirement	Fulfilling Two-Parent Family Work Participation Requirement	No Federally Countable Activity Hours Logged, Not Exempt from Requirements	Participating but Without Enough Hours, Not Exempt from Requirements	Exempt from Work Participation Requirements	Caseload Size
Federal Fiscal Year 2006						
Single Parent Family:						
Teenage parent	45.9	-	44.8	5.6	3.6	294
Non-teenage parent with their youngest child under the age of 6	31.2	-	43.1	14.1	11.5	3,659
Non-teenage parent with their youngest child at or over the age of 6	7.2	-	45.9	18.4	28.5	2,512
Two Parent Family:						
Receiving federally subsidized child care	44.2	37.6	9.8	15.7	20.2	77
Not receiving federally subsidized child care	22.1	34.9	36.3	6.6	27.1	819
Total work-eligible caseload	22.7	35.2	43.0	14.4	18.8	7,360
Federal Fiscal Year 2007						
Single Parent Family:						
Teenage parent	48.0	-	41.7	6.6	3.7	295
Non-teenage parent with their youngest child under the age of 6	33.6	-	38.0	14.8	13.6	3,593
Non-teenage parent with their youngest child at or over the age of 6	7.1	-	38.3	20.2	34.3	1,746
Two Parent Families	24.6	*	30.8	7.2	30.5	570
Total work-eligible caseload	24.3	*	37.5	15.4	21.9	6,204

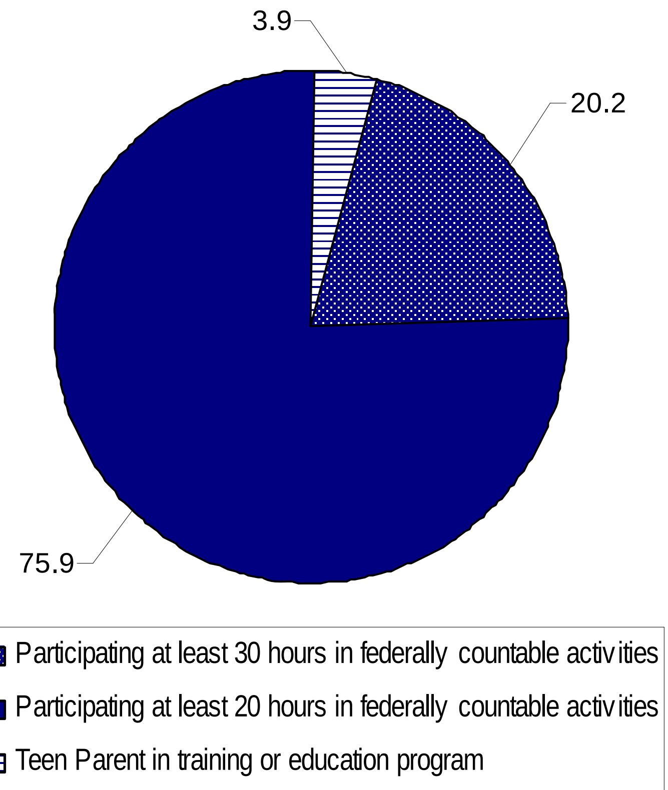
Source: CBMS administrative data
Note: FFY 2007 includes only Federal Fiscal Year Quarters 1, 2, and 3 (October 2006 - June 2007)
* Child care data not available for FFY 2007. Two-parent rate could not be calculated.

Two-parent families exhibited similar trends to the overall average. In FFY 2007, nearly a quarter of two-parent families fulfilled the all-families rate requirement, while the remaining three-quarters did not meet the rate. In FFY 2006, where analysis could determine the receipt of federally subsidized child care payments, two-parent families were subdivided according to whether they had received child care payments. Two-parent families receiving payments had notably higher shares of the cohort of fulfilling the all-families rate (44 percent) and lower shares of the caseload counting against the rate (55 percent).

4. *Cases Meeting the All-families Rate*

The vast majority of cases fulfilling the rate requirements faced the lower participation requirement of 20 hours on average per week (see ***Exhibit II.10***). This cohort accounted for 76 percent of cases meeting the rate requirements in FY 2007. In order to have this level of participation satisfy the requirement, the client must be a single-parent family with a child under the age of six. As these cases consist of single-parents and younger children, they face a lower hour requirement making it easier for them to meet their requirements.

Exhibit II.10: Composition of Cases Meeting the All-families Rate Requirement in FFY 2007[a]



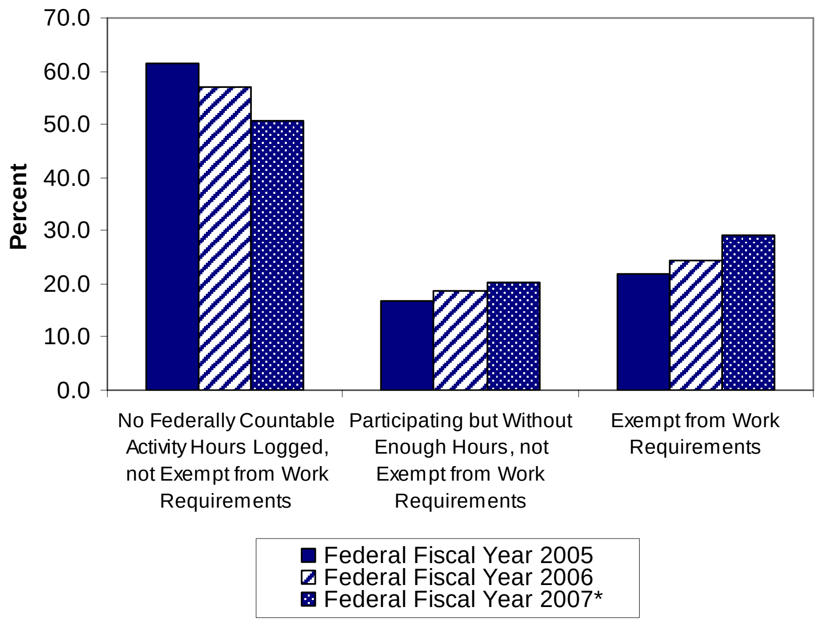
Source: CBMS administrative data
Note: FFY 2007 includes only Federal Fiscal Year Quarters 1, 2, and 3 (October 2006 - June 2007)

The number of clients fulfilling the all-families rate requirement through 30 hours of participation, due to having a youngest child at or over age six or being a two-parent family, accounted for 20 percent of the caseload meeting the rate in FFY 2007. The remaining 4 percent of cases meeting the rate were single, teenage parents who were studying for their high school diploma, completing a GED program, or participating in education directly related to employment.

5. *Cases Not Meeting the Rate*

The distribution of cases not meeting the rate requirements appears to be shifting over time (see ***Exhibit II.11***). The percent not participating in any federally countable activity and not exempt from the work requirements has dropped by 10 percentage points between FFY 2005 and FFY 2007. In FFY 2005, 61 percent of work eligible cases not meeting the rate were not participating and not exempt, while in FFY 2007, only 51 percent remained in this category.

Exhibit II.11: Participation Status for Cases Not Fulfilling the All-families Rate Requirements



Source: CBMS administrative data
Note: FFY 2007 includes only Federal Fiscal Year Quarters 1, 2, and 3 (October 2006 - June 2007)

Cases participating in federally countable activities but without enough hours to fulfill the requirements and cases considered exempt from participation both increased over time. Those participating but without enough hours accounted for 17 percent of the work-eligible cases not meeting the rate in FFY 2005, increasing to nearly 20 percent in FFY 2007. Those exempt from the work requirements also increased, moving from almost 22 percent of the caseload not meeting the rate to 29 percent between FFY 2005 and FFY 2007.

6. *Demographic and Case Characteristics*

Analysis of the demographic characteristics of the FFY 2007 clients according to the different work participation statuses confirms several findings (see ***Appendix Exhibit A.2***). Clients fulfilling the work participation rate were younger, with younger children. Thirty-seven percent of this cohort was between the ages of 18 and 24 years old. Also, 87 percent of this cohort had children under the age of six. Clients participating, but not meeting the requirements and not exempt, were older with older children. Only 27 percent were between the ages of 18 to 24 years, and close to 32 percent were 35 years or older. Forty-one percent of these clients had no children under the age of six.

Cases that had no federally countable hours and were not exempt were generally similar to the overall caseload. ***Exhibit II.12*** shows one factor that distinguished these clients; a slightly higher share of this group (14 percent) had between zero and three months recorded on their TANF clocks. This might indicate that new cases to Colorado Works might need a few months to become engaged in work activities.

Exhibit II.12: TANF Clock among Cases with Different All-families Rate Participation Statuses in FFY 2007*

Demographic Characteristic	Fulfilling All Families Work Participation Requirement	Participating but Without Enough Hours, Not Exempt from Requirements	No Federally Countable Activity Hours Logged, Not Exempt from Requirements	Exempt from Work Participation Requirements
Months on TANF clock (%)				
0 to 3	7.0	10.7	14.2	7.3
4 to 11	28.9	26.3	29.7	21.7
12 to 23	30.3	29.2	27.9	25.2
24 to 48	28.3	28.4	22.6	34.3
48 or more	5.5	5.5	5.5	11.6
Average Monthly Number of Clients	1384	911	2092	1293

* Includes only Federal Fiscal Year Quarters 1, 2, and 3 (October 2006 - June 2007)
Source: CBMS administrative data

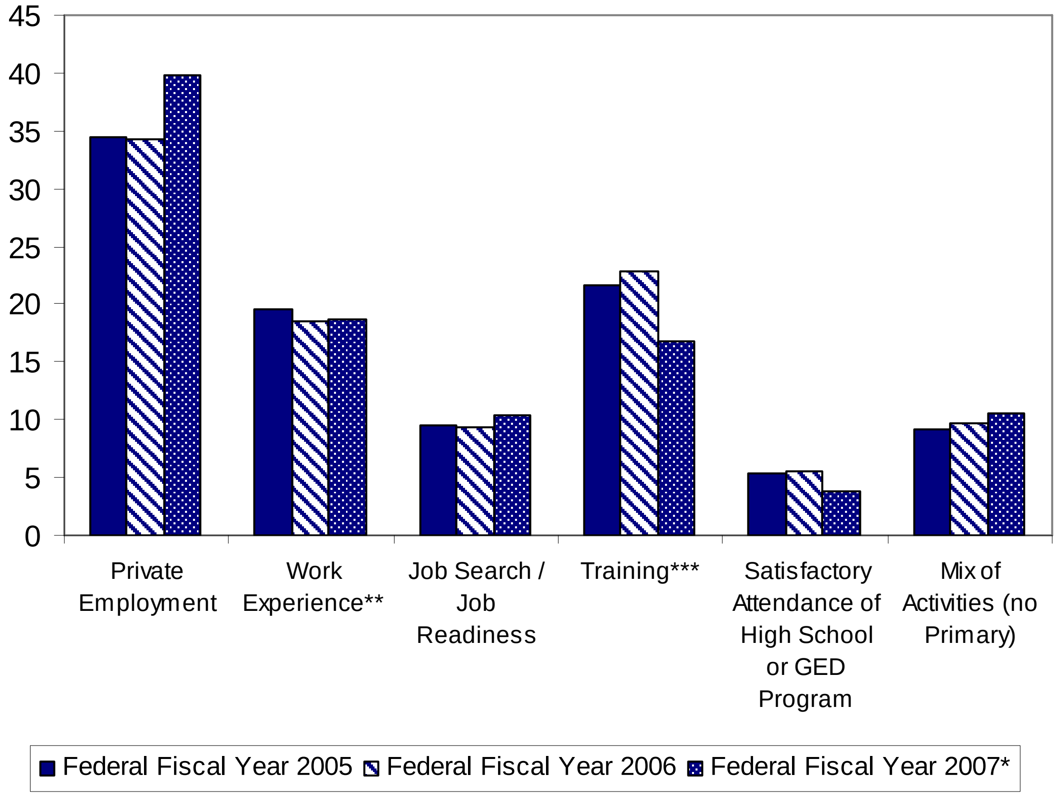
Clients who were exempt from the participation requirements were different from the other cohorts in several regards. First, a higher portion (26 percent) of the clients came from two-parent cases. Additionally, 90 percent of the clients had a reported disability reported in their case file. Lastly, 46 percent of these clients had 24 or more months logged on their TANF clocks.

7. Work Participation Activities

The composition of activities in FFY 2005 was consistent with FFY 2006; however, findings from FFY 2007 show a recent shift in the usage of primary work activities.[20] ***Exhibit II.13*** displays a statewide increase of 6 percentage points in the use of private employment as a primary activity among program participants, both meeting and not-meeting the rate, between FFY 2006 and FFY 2007. While most other activities have remained constant, the use of training activities as primary activities appears to be decreasing, dropping from 22 to 17 percent.

[20] Primary work activities were defined as those in which a client spent at least two-thirds of his or her countable work participation hours, regardless of the total number of hours participating, in a given month.

Exhibit II.13: Primary Work Activities among Participants in FFY 2005, FFY 2006 and FFY 2007*



* Includes only Federal Fiscal Year Quarters 1, 2, and 3 (October 2006 - June 2007)
** Includes Work Experience, Community Service, OJT and Subsidized Employment
*** Includes Job Skills Training, Education Directly Related to Employment and Vocational Educational Training
Source: CBMS administrative data

Cases facing different rate requirements had differing participation patterns among the federally approved work activities (see ***Exhibit II.14***). An almost equal share of participating teenage parents had attending a high school or GED program (30 percent) or private employment (29 percent) as their primary activity. Single, non-teenage parents with their youngest child under the age of six had the highest percent (18 percent) of cases participating in training activities among all of the cohorts. Forty percent were participating in private employment, and 19 percent participated in work experience.

Single, non-teenage parents with their youngest child at or over age six had 37 percent of their participating caseload having private employment as their primary activity. In addition, many cases focused primarily on work experience (23 percent).

Exhibit II.14: Primary Work Activities of Participating Cases with Different Work Requirements, FFY 2007*

Rate Requirement Categories based on Demographics	Private employment	Work experience**	Job search / job readiness	Training***	Satisfactory attendance of high school or GED program	Mix of activities (no primary)
Single Parent Family:						
Teenage parent	28.8	12.0	7.9	12.8	29.5	9.0
Non-teenage parent with their youngest child under the age of 6	40.2	19.4	10.0	18.3	3.0	9.0
Non-teenage parent with their youngest child at or over the age of 6	37.4	22.7	11.2	16.8	1.3	10.5
Two Parent Family:	46.8	10.0	11.8	9.8	2.4	19.2

* Includes only Federal Fiscal Year Quarters 1, 2, and 3 (October 2006 - June 2007)
** Includes Work Experience, Community Service, OJT and Subsidized Employment
*** Includes Job Skills Training, Education Directly Related to Employment and Vocational Educational Training
Source: CBMS administrative data

Overall, two-parent families were focused on private employment (47 percent). In addition, 19 percent of this cohort participated in a mix of activities. This is not surprising for cases receiving child care payments, as both parents are expected to participate in work activities and contribute hours to make the rate, which may not come from the same type of activity.

Exhibit II.15 reports the percent of cases meeting the all-families rate, meeting the two-parent rate (when applicable), participating but without enough hours to meet the all-families rate requirement, and participating but with enough core hours to meet the all-families rate requirement by the participant's primary work activity.

Between 15 and 70 percent of participating cases made the all-families rate depending on the primary activity. Private employment had the highest observed rates at 70 percent of participating cases meeting the all-families rate requirements. Work experience, job search and job readiness, having a mix of activities, and attending a high school or GED program followed with each having close to 50 percent meeting their participation requirements.

Training activities had the highest level of participants not having enough hours to fulfill the work participation rate requirements (85 percent). This category also had the highest level of participants failing their work requirements because they did not log enough core hours (66 percent).

Exhibit II.15: Participation Status among Participants by Primary Work Activity, FFY 2007*

Primary Work Participation Activity	Fulfilling All-Families Work Participation Requirement	Failing to fulfill the all-families rate requirement: Participating but without enough hours	Failing to fulfill the all-families rate requirement: Participating but without enough core hours
Private employment	70.3	29.7	11.5
Work experience**	52.2	47.8	24.2
Job search / job readiness	55.7	44.3	21.7
Training***	14.9	85.1	66.0
Satisfactory attendance of high school or GED program	48.7	51.3	39.3
Mix of activities (no primary)	51.3	48.7	29.1

* Includes only Federal Fiscal Year Quarters 1, 2, and 3 (October 2006 - June 2007)
** Includes Work Experience, Community Service, OJT and Subsidized Employment
*** Includes Job Skills Training, Education Directly Related to Employment and Vocational Educational Training
Source: CBMS administrative data

8. *Time to Engagement*

In ***Exhibit II.16***, new work-eligible clients were tracked for 12 months following their first month of BCA in order to see how long it took for them to become engaged and to meet the work participation rate.[21] Engagement was defined as participation in any recorded activity, whether federally countable or county-defined. During FFY 2006, 26 to 29 percent of new work-eligible cases were engaged in a program activity during their initial month of benefit receipt. An additional 15 to 17 percent were engaged during the two months following the initial month of benefits. Twelve to 14 percent of new cases made the work participation rate during this initial month. During the next two months, 9 to 10 percent of the new cases made the work participation rate.

During the first year of benefit receipt in FFY 2006, 44 to 45 percent of new cases were never engaged and 62 to 64 percent never met the work participation requirement. It should be noted, however, that not all new cases received a full year of assistance. On average, new work-eligible cases only had six to seven months of benefit receipt during the first year. If a new case only remained on the caseload for three months and was never engaged, it would count as never engaged during the first year in this analysis.

Starting in FFY 2007, the percent of cases that were engaged during the initial month and that made the rate during the initial month began to increase. In the latest available data, between April and June 2007, 43 percent of new cases were engaged in the initial month and 20 percent of cases were meeting the rate in their initial month.

[21] For these calculations, new clients are defined by the first month in which they receive a payment (e.g., if a client's first payment is for May, but was paid retroactively in June, the client would be placed into the cohort whose first payment was received in June.)

Exhibit II.16: Time to Program Engagement and Fulfilling the All-families Rate for New Colorado Works Work-eligible Cases By Quarter of Program Entry

	Federal Fiscal Year 2005			Federal Fiscal Year 2006				Federal Fiscal Year 2007		
	Jan - Mar 2005	Apr - Jun 2005	Jul - Sep 2005	Oct - Dec 2005	Jan - Mar 2006	Apr - Jun 2006	Jul - Sep 2006	Oct - Dec 2006	Jan - Mar 2007	Apr - Jun 2007
Months to Engagement										
0	25.3	24.0	25.6	26.0	28.4	29.3	27.9	31.7	40.6	42.6
1	8.5	8.7	11.4	10.0	12.1	10.2	10.4	10.0	11.7	-
2	5.9	5.4	4.6	5.3	5.5	6.0	5.6	5.2	4.7	-
3 to 5	7.1	8.4	7.5	8.2	5.5	6.7	7.8	9.4	-	-
6 to 8	4.3	4.6	3.5	4.2	2.6	3.4	3.8	-	-	-
9 to 11	2.0	2.1	2.1	1.7	1.8	1.7	-	-	-	-
Never engaged in the first year	47.0	46.8	45.5	44.7	44.1	42.7	-	-	-	-
Months to meet the All-Families Rate										
0	12.8	12.4	11.9	11.5	13.9	13.9	13.4	16.1	16.4	19.5
1	4.6	4.1	5.2	4.6	4.9	4.7	4.7	5.1	6.7	-
2	4.2	3.9	4.7	4.7	4.9	5.3	4.8	4.2	5.2	-
3 to 5	7.0	8.5	7.9	8.0	7.4	8.0	7.0	8.3	-	-
6 to 8	4.0	3.9	3.8	4.6	3.2	3.3	4.9	-	-	-
9 to 11	2.9	2.6	2.2	2.3	2.1	2.5	-	-	-	-
Never engaged in the first year	64.4	64.7	64.4	64.3	63.6	62.3	-	-	-	-
Average number of months of assistance in first year of assistance*	6.8	6.9	7.0	6.6	6.4	6.3	-	-	-	-
Total New Cases	3628	2963	2750	2611	2314	1916	1738	1456	1278	1186

*Count includes months of non-restorative basic cash assistance and also one month gaps between payments

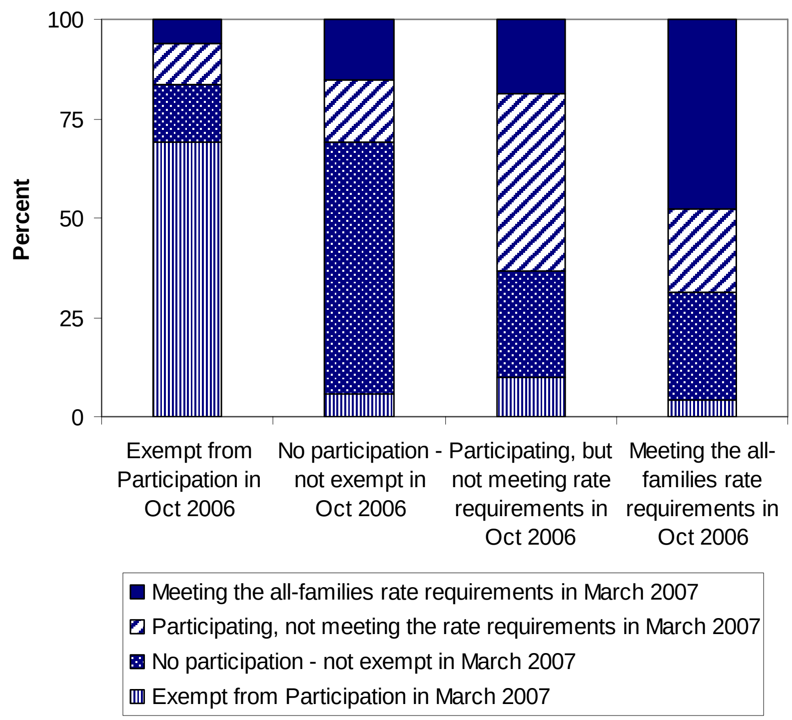
Source: CBMS administrative data

9. *TANF Status after Six Months*

Analysis also examined the association between work participation status in one month and the participation and leaver status six months later. Of work-eligible cases receiving assistance in October 2006, 47 percent were still on cash assistance in March 2007, while 53 percent were no longer receiving BCA. There were higher rates of cases still on assistance in March 2007 among those who were exempt from work participation and those participating but not meeting the rate in October 2006 (55 and 56 percent respectively). Those who were not participating and not exempt in October 2006 as well as those meeting the rate requirements had lower shares of their cohorts (41 and 47 percent) still on assistance in March 2007.

Of work-eligible recipients who continued receiving assistance over six months, the majority remained in the same work participation status (see ***Exhibit II.17***). Over two-thirds of those who were exempt from work participation in October 2006 continued to be exempt in March 2007. Sixty-three percent of those who were not participating in work activities and not exempt remained in this category after six months. Close to half of those participating and meeting the rate as well as those participating and not meeting the rate requirements had the same status after six months.

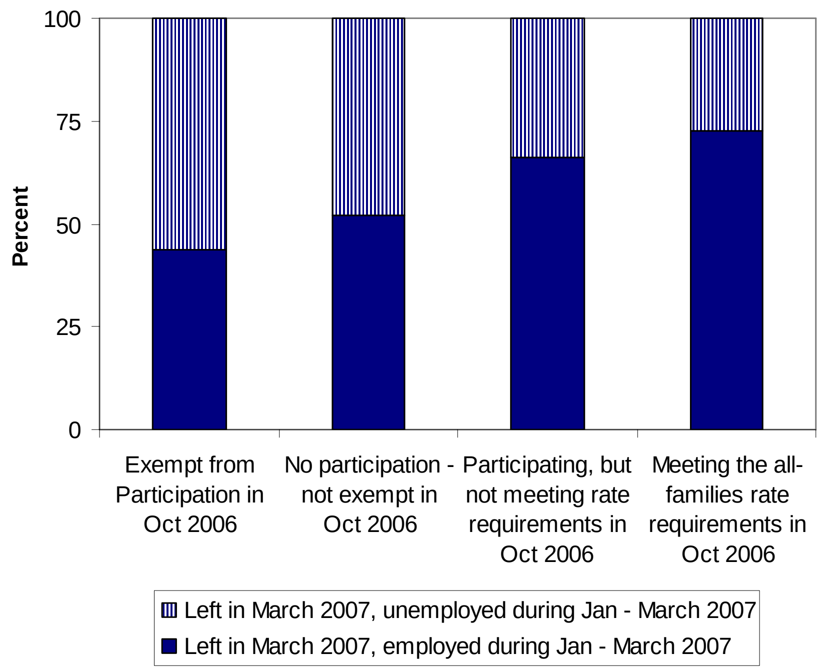
Exhibit II.17: Participation Status in October 2006 and March 2007



Source: CBMS administrative data

Wide variation in employment levels existed according to different work participation statuses (see ***Exhibit II.18***). Of those recipients who were on the caseload in October 2006 but did not receive assistance in March 2007, employment levels ranged from 44 to 73 percent. Those exempt from participation requirements had the lowest rates of leaving with employment at 44 percent. Despite having the lowest rate, this cohort's rate must be interpreted by taking into consideration that these cases had been identified with characteristics that would make them exempt from participation requirements (e.g., having a disability or caring for a disabled family member). Employment levels of those participating and not meeting the rate in October 2006 as well as those participating and meeting the rate were substantially higher at 66 and 73 percent. Only about half of those not participating in any work activity left with employment.

Exhibit II.18: Employment Status in March 2007 of Leavers according to Participation Status in October 2006



Sources: CBMS administrative data; UI wage records

10. Employment and Earnings

Employment and earnings are essential components of the transition to self-sufficiency. ***Exhibit II.19*** shows the labor market outcomes of work-eligible cases on Colorado Works during April 2006. The table tracks employment and wages over four quarters, starting with the quarter in which the client was on Colorado Works.

Overall, employment for work-eligible cases ranged between 50 and 56 percent per quarter. Close to three-fourths of cases were employed at some point during the four quarters, but only 31 percent maintained employment during all four quarters.

Work-eligible cases from April 2006 also realized earnings growth over the four quarters. Statewide averages show earnings among those employed increasing from $2,796 to $3,748 per quarter over the course of four quarters reflecting a 34 percent increase.

Cases meeting the all-families work participation rate requirements showed the highest levels of employment and wages. Employment levels ranged between 61 and 66 percent, with 82 percent achieving employment in at least one quarter and 40 percent maintaining employment throughout all four quarters. This cohort also exhibited the highest earnings in every quarter, with total year earnings over $1,500 above the second highest group.

Those who were participating but not meeting the all-families rate had very similar employment figures as those meeting the rate requirements. Employment levels ranged from 51 to 59 percent, also with 79 percent achieving employment in at least one quarter. Thirty-one percent maintained employment in all four quarters. Their wage progression over the four quarters was the most positive. Despite beginning with earnings at $2,292 in the first quarter, this cohort was earning $3,665 in the last quarter, reflecting a growth of 60 percent.

Those who were exempt from participation had the lowest levels of employment. Their employment levels generally were around 40 percent. Only 57 percent of this group was ever employed during the year and 23 percent maintained employment during all four quarters.

Those who were not participating and not exempt also had relatively low levels of employment. Seventy-two percent of this cohort achieved employment at some point during the year, and 29 percent maintained employment during all four quarters.

Exhibit II.19: Employment and Wages over 4 Quarters among Work-Eligible Colorado Works Recipients in April 2006 by Rate Status

	Employment (%)					
Participation Status	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Any Quarter in Year 1	All Quarters in Year 1
Meeting the All-families Rate Requirements	61.6	65.3	65.5	60.6	82.1	40.0
Participating, Not Meeting Requirements, Not Exempt	50.5	56.4	58.9	58.5	78.7	31.2
No Participation, Not Exempt	48.0	52.9	54.0	50.9	72.2	29.2
Exempt from Participation [a]	37.1	41.0	42.2	40.2	57.4	22.9
All Work-Eligible Cases	50.1	54.8	56.0	53.2	73.7	31.2

	Average Earnings among Employed ($)				
Participation Status	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year 1
Meeting the All-families Rate Requirements	3,119	3,493	3,822	3,955	11,084
Participating, Not Meeting Requirements, Not Exempt	2,292	2,976	3,311	3,665	8,809
No Participation, Not Exempt	2,841	3,231	3,491	3,698	9,480
Exempt from Participation [a]	2,723	3,373	3,594	3,597	9,330
All Work-Eligible Cases	2,796	3,267	3,556	3,748	9,740

Sources: CBMS administrative data; UI wage records.
[a] Exempt due to disability or caring for disabled (in participation rate calculation)

III. DIVERSION POLICIES AMONG COLORADO'S COUNTIES

This chapter examines the use of diversion in the Colorado Works program. The first section of the chapter discusses information about diversion in the state of Colorado, and places Colorado's diversion usage into a national context. The second section presents findings on how counties are implementing diversion programs drawn from interviews of county staff conducted in the spring of 2007 and from analysis of county plans and policies.[22] The final section covers findings from analysis of administrative data on diversion use and the outcomes of diverted families.

A. Colorado Diversion in Context

There is broad variation among states' diversion programs. This section discusses Colorado's diversion program in the national context, describes the key statewide features of diversion, and notes recent federal policy changes that have led many policymakers to pay increased attention to the many possible uses of diversion.

1. Use of Diversions Nationally and in Colorado

The states reporting spending on diversion from FFY 2000 through 2006 are shown in ***Exhibit III.1***.[23] Based on expenditure reporting, in FFY 2000, 23 states had diversion programs. The number of states with expenditures on diversion increased to 29 states by 2003, and by FFY 2006 the number had grown to 33 states.

Of those states that reported diversion expenditures, most states (including Colorado) have maintained a diversion over the six year period. However, two states created diversion programs in earlier years and later eliminated the programs (Georgia and Missouri), while other states have periodically stopped offering diversions only to resume in later years (California and New Jersey). An increased national focus on diversion in recent years can be seen by the fact that several states have added diversion programs in the last couple of years (Alabama, Arizona, Arkansas, Delaware, Illinois, Mississippi, and North Dakota).

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22 Staff from 14 counties were interviewed regarding their diversion policies and practices. An additional five counties which were interviewed on other topics provided some information about their diversion policies. This chapter draws on information from all nineteen counties. Not all counties in the state were interviewed. As such, findings from the interviews should be interpreted as representing a wide variety of counties, but not necessarily as fully encompassing the variation in the state. See Chapter I for more information about data sources (including interviews) used in this study.

23 Figures based on the number of states reporting expenditures in the non-recurring short-term benefits category (Line 6g) of the ACF-196 form (*http://www.acf.dhhs.gov/programs/ofs/data/index.html*).

Exhibit III.1: States with Diversion Expenditures in FFY 2000-2006

State	FFY 2000	FFY 2001	FFY 2002	FFY 2003	FFY 2004	FFY 2005	FFY 2006
Alabama							X
Alaska	X	X	X	X	X	X	X
Arizona							X
Arkansas						X	X
California	X	X	X	X	X		X
Colorado	X	X	X	X	X	X	X
Connecticut	X	X	X	X	X	X	X
Delaware							X
Florida	X	X	X	X	X	X	X
Georgia	X		X	X			
Idaho	X	X	X	X	X	X	X
Illinois						X	
Iowa	X	X	X	X	X	X	X
Louisiana			X	X			
Maine	X	X	X	X	X	X	X
Maryland				X	X	X	X
Massachusetts	X	X	X	X	X	X	X
Michigan				X	X	X	X
Minnesota	X	X	X	X	X	X	X
Mississippi*							X
Missouri	X	X	X				
Montana		X	X	X	X	X	X
Nevada	X	X	X	X	X	X	X
New Jersey	X	X	X	X		X	X
New York		X	X	X	X	X	X
North Carolina	X	X	X	X	X	X	X
North Dakota							X
Ohio	X	X	X	X	X	X	X
Oklahoma		X	X	X	X	X	X
Pennsylvania	X	X	X	X	X	X	X
Texas	X	X	X	X	X	X	X
Utah	X	X	X	X	X	X	X
Vermont	X	X	X	X	X	X	X
Virginia	X	X	X	X	X	X	X
Washington	X	X	X	X	X	X	X
West Virginia		X	X	X	X	X	X
Wisconsin	X	X	X	X	X	X	X
Number of States	23	26	28	29	26	28	33

* Less than $500 in expenditures reported by state

Source: ACF Data/Statistics, http://www.acf.dhhs.gov/programs/ofs/data/index.html

While figures on the number of families receiving diversion by state were unavailable, expenditure data can provide useful information for the comparison of usage trends nationally and in the state of Colorado. ***Exhibit III.2*** illustrates trends in Colorado's overall spending on diversions compared to national spending on diversions.[24] The exhibit also shows diversion expenditures as a proportion of total spending on basic cash assistance and diversion combined. Spending on diversions as a proportion of total BCA and diversion has historically been substantially higher in Colorado compared to the average of other states that have diversion programs (13 percent in Colorado in FFY 2000 compared to 3 percent nation wide). However, between 2003 and 2004, the proportion of spending on diversions in Colorado nearly halved. Comparatively, national diversion spending has increased steadily over time. As of 2006, the proportion of spending on diversions in Colorado was only slightly higher than the rest of the U.S..

Exhibit III.2: Colorado's Trends in Diversion Spending Compared to National Spending

	Colorado		Total U.S.*	
Federal Fiscal Year	Amount Spent on Diversions ($)	% of Total BCA and Diversion Spending	Amount Spent on Diversions ($)	% of Total BCA and Diversion Spending
2000	5,529,874	13.2	141,621,017	3.1
2001	7,652,035	16.3	228,639,548	3.5
2002	11,076,658	17.9	226,914,317	3.9
2003	6,819,474	13.9	254,355,827	4.0
2004	4,321,334	7.8	266,990,664	5.5
2005	3,085,415	4.9	264,200,692	4.1
2006	3,177,689	5.8	290,511,899	5.4

* This figure includes only those states that have diversion payments.
Source: ACF Data/Statistics, http://www.acf.dhhs.gov/programs/ofs/data/index.html

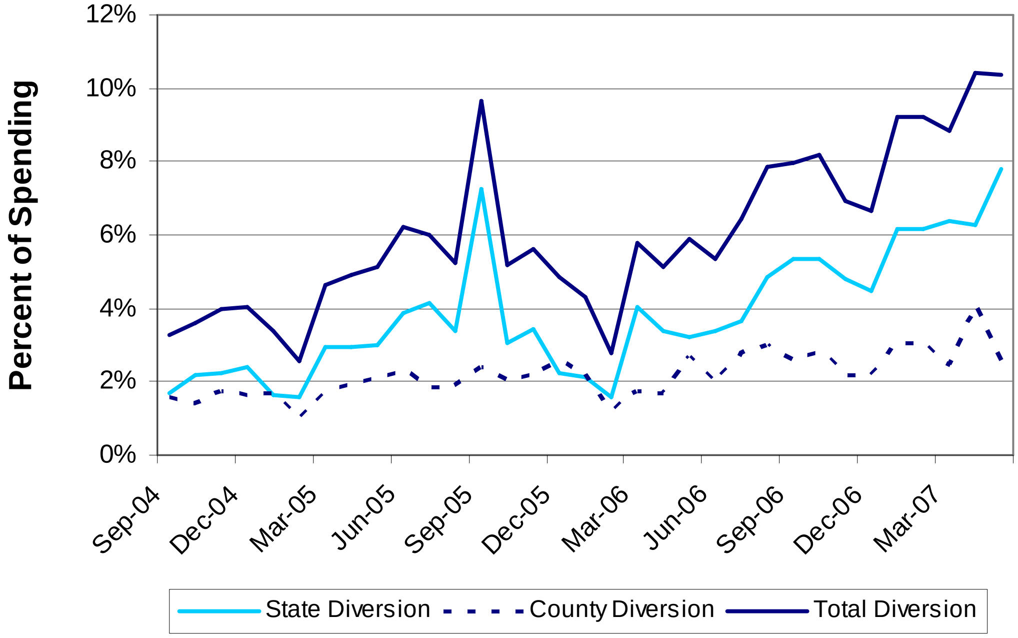
Analysis of administrative data from CBMS provides more detailed expenditure trends for the state of Colorado and covers more recent months than the ACF data. ***Exhibit III.3*** shows monthly state, county, and total diversion spending in recent months as percentages of total spending on BCA and diversion. During the time period between September 2004 and May 2007, Colorado's spending on diversions as a proportion of its spending on BCA and diversion increased from 1.7 percent in September 2004 to over 10 percent in May 2007. Of the two types of diversion, state diversion experienced the largest increase in expenditures, increasing from 1.7 percent of spending on BCA and diversion in September 2004 to nearly 8 percent in May 2007. County diversion expenditures as a proportion of spending on BCA and diversion increased less drastically, from 1.6 percent to 2.6 percent during this period.

The steepest increase in diversion expenditures as a proportion of BCA and diversion spending occurred in September of 2005. During this month, state diversion payments were used to serve evacuees from areas affected by Hurricane Katrina.[25] While diversion expenditures as a percentage of BCA and diversion decreased in the six months immediately following Hurricane Katrina, spending on diversion as proportion of BCA and diversion has been steadily increasing between March 2006 and May 2007.

[24] National spending and proportions of national spending on diversion include only those states offering diversion payments.

[25] For more information on the use of diversion to serve victims of Hurricane Katrina, please see Section C of this chapter.

Exhibit III.3: Colorado Diversion Spending as a Percentage of Total Assistance and Diversion Spending, September 2004 through May 2007



Source: CBMS administrative data

2. *Basic Rules of Diversion in Colorado*

In June of 1997, Colorado statute authorized the use of two different types of diversions: state and county diversions.[26] The statute affirms that state diversion may be given to an applicant if he or she:

- Meets Colorado Works income requirements and is eligible for basic cash assistance,
- Does not need long-term cash assistance or a basic assistance grant,
- Has proven a need for a specific type of item of assistance which may be a lump-sum cash payment for the specific need, and
- Signs an IRC which will describe the expectations for the recipient and the terms of the grant.

The IRC must include an explanation of why BCA is not needed, a description of the specific need(s) for the grant and the specific type(s) of non-recurring cash payment being delivered, the specification of the possible impacts on other assistance including Medicaid, Food Stamps, and child care, and an agreement that the applicant will not seek further assistance under Colorado Works in the county of residence or any other county for a period of time determined by the county.

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[26] Colorado Statute 26-2-707. Accessible online at: http://www2.michie.com/colorado/lpext.dll?f=templates&fn=fs-main.htm&2.0

Diversion payments may not be received simultaneously with a BCA grant. When a diversion payment is received, no time is counted toward the federal time limit, and recipients are not required to assign child support rights to the state as are recipients of BCA.

The Colorado statute allows counties to establish a separate diversion program referred to as county diversion for those applicants not eligible for BCA but meeting all other state diversion grant criteria described above. The benefits and services provided by county diversion must support the purposes of TANF and receipt of any benefit or service is subject to the county policies and the availability of funds. The state requires that county diversion benefits and services be provided only to families with children or women who are pregnant in the third trimester. Counties set the limit on a family's gross income for county diversion eligibility determination, but the family income cannot exceed the $75,000 per year limit set by the state.

Counties have broad authority in designing other features of both their state and county diversion programs. Counties determine additional policies including:

- The amount of the diversion grant that is given to applicants,
- Whether there is a lifetime limit on the number of diversion payments that a client can receive,
- The time period for which clients are ineligible for further assistance after diversion, and
- Whether to allow exemptions for recipients from this waiting time period if it is determined that the recipient is in need of assistance for reasons beyond his or her control.

3. Increased Focus on Diversion Following the Deficit Reduction Act of 2005

As mentioned in Chapter I, DRA requires states to meet effectively higher work participation rates by re-benchmarking the caseload reduction credit and by more narrowly defining what can count in various work activities. Many policymakers and practitioners have suggested an expanded role for diversion in order to meet work participation rates. As diversion historically has addressed one-time, non-recurring needs, it has not been considered assistance and as such, diverted cases have not factored into the work participation calculation. Given this feature of diversion, there have been many proposals involving the expanded use of diversion in order to help counties meet work participation rates.

It is important to note that counties using diversions as a strategy to increase work participation rates often explicitly mandate that diversions not be used if case workers feel it will adversely affect the client. In many cases, counties will only use diversion payments for individuals whom they believe can continue to be self-sufficient after they have received the diversion. In other cases, providing diversion payments may be beneficial because clients' TANF clocks do not advance during months of diversion. In implementing diversion policies aimed at increasing the work participation rate, counties can still be cognizant of client needs and use some of the unique features of diversion to help clients in their journey towards self-sufficiency.

B. County Implementation

This section discusses different county implementation choices regarding diversion. Topics covered include:

- What policies do counties establish in regards to diversion?
- How do counties use diversion?
- Are there particular populations for which diversion is intended or targeted?
- What services are available to diverted families?
- To what extent is there continued contact between Colorado Works and diverted families?

1. County Policies

County policies shaping diversion include benefit levels, income eligibility, limits on the number of diversions clients may receive, the period for which clients are ineligible for further assistance following a diversion, and limitations on what a diversion may purchase.

a. Benefits and Eligibility

Exhibit III.4 shows the number of counties in Colorado offering state and county diversion and describes the various maximum benefits and income eligibility limitations contained in county policies. While all counties offer state diversion, only 57 of Colorado's 64 counties offered county diversion. Furthermore, interviews with county staff revealed that counties with policies authorizing the use of diversion may not actually offer diversions in practice. Some counties establish rules for diversion eligibility in order to keep all of their options open for helping clients, but in practice do not issue or only rarely issue diversions.

The maximum benefit amount for both state and county diversion varied considerably between counties, with roughly 13 percent of counties not specifying a limit. There was less variation in county choice regarding income eligibility limits for county diversion is more limited, with most counties (78 percent) choosing the state defined maximum income limit of $75,000.

Exhibit III.4 State and County Diversion Policy Variation

	State Diversion	County Diversion
Number of counties offering benefit	64	57
Percent of counties offering benefit	100.0	89.1
Maximum income level allowed for a family of three (%)		
$6,200 or less	n/a	1.7
$6,201 – 26,000	n/a	6.9
$26,001 – 37,000	n/a	13.8
$75,000 or no specified limit	n/a	77.6
Maximum payment amount provided for a family of three (%)		
$1,000 or less	9.4	17.2
$1,001 – 1,500	31.3	20.7
$1,501 – 2,000	10.9	12.1
$2,001 – 2,500	17.2	8.6
Greater than $2,500	18.8	25.9
No specified limit	14.1	12.1
Varies	1.6	3.4

Notes: Figures in exhibit assume a family of one adult and two children. "No specified limit" means that no limit was specified in the data provided to the research team. Limits on state diversion are the same as for basic cash assistance.
Source: County plans, 2003 and 2005.[27]

Interviews documented an interesting aspect of eligibility limits. While counties may have specified income eligibility limits in their policies, they may follow different, informal eligibility limits in practice. One county noted that while it had an income eligibility limit of $75,000 for county diversion, it focused its county diversion program primarily on families with annual incomes of less than $20,000. These sorts of informal procedures can shape the operations of diversion policy.

b. Lifetime Limits

In addition to specifying maximum payment amounts and income eligibility limits for county diversions, counties may also elect to establish lifetime limits on either type of diversion. Lifetime limits among the counties interviewed ranged between one and three issuances per lifetime, with a few counties choosing no lifetime limits on some types of diversion.

Some counties mentioned that in addition to lifetime limits, they impose annual limits on state or county diversion. For instance, clients in Denver County may receive a maximum of three state diversions per lifetime and two state diversions per year.

27 Counties must establish a "county plan" describing the aims and rules of their Colorado Works program, and must maintain a set of policies related to their program. Counties periodically update these plans to document changes in program features. At the time of this report, county plans and policies were available from 2005 for some counties and 2003 from others. Figures represent the most recent county plans and policies available for each county.

c. *Period of Ineligibility and Good Cause Exemption*

When clients receive diversion, they typically must agree to remain off of assistance for a given period of time after the diversion. This length of this period, known as the "period of ineligibility" (POI), is determined by counties. Some counties use a set number of months for the POI regardless of the diversion benefit amount. For instance, Adams County has a period of ineligibility of 12 months for diversion, regardless of whether the diversion benefit is $300 or $3,000.

Other counties choose to make the POI related to the diversion benefit amount. For example, in Mesa County, if a client receives a diversion payment equal to three times the BCA monthly amount that the family would otherwise receive, the client will be ineligible to receive assistance for three months. For a single parent family with two children eligible for maximum BCA monthly benefits ($356 for this family size), this would translate into a diversion in the amount of $712 having a corresponding POI of two months, and a diversion in the amount of $1,068 having a corresponding POI of three months.

Counties may set different POIs for state and county diversions, though some choose to have the same POI regardless of the type of diversion issued. The most typical period of ineligibility for *state* diversion is to set the period of ineligibility equal to the number of months of BCA the lump sum payment would be equal to, as described above. The longest POI for state diversion among the counties interviewed was 12 months. The most common POI for *county* diversion was 12 months, though some counties interviewed had POIs as few as four months and others had POIs as long as 24 months.

Most counties have established "good cause exemption" or "hardship exemption" policies related to their period of eligibility. A good cause exemption specifies the reasons for which a client's period of ineligibility may be waived. Examples of good cause exemptions include loss of home to disaster, layoffs from employment, "major life changes", and "extraordinary circumstances." In some counties, case managers may grant good cause exemptions and waive a client's period of ineligibility, while in other counties only program supervisors or directors can grant these returns to assistance.

d. *Eligible Purchases*

Depending on the focus of diversion policies, counties may restrict the types of purchases that can be made with diversion funds. According to interviews with counties, diversion payments are provided for the following expenses:

- Transportation (e.g., vehicle repair, bus passes, gasoline, vehicle insurance)
- Housing (e.g., mortgage payments, rent, housing deposits)
- Utilities
- Work related equipment (e.g., uniforms, business attire, tools)
- Education (e.g. text books, tuition)
- Child care

- Relocation expenses
- Substance abuse treatment
- Counseling

The most common purchases eligible for diversion funding were vehicle repair, payments related to housing, equipment and clothing related to employment, and utilities.

While counties typically have policies regarding what expenses diversion may cover, some counties also have rules explicitly stating expenses for which diversion *cannot* be used. For instance, Larimer County does not authorize county diversion payments for child care or car purchases. In some cases, counties exclude categories of expenses from the list of eligible diversion purchases because they are covered through other programs. In the case of Larimer County, car purchase is not a part of diversion, but BCA clients may be eligible to receive vehicles through a car donation program. In Mesa County, diversions can not be used for car repair or other transportation costs as the county prefers to pay for these as supportive services for BCA families.

2. County Uses

Counties in Colorado use diversions for a variety of reasons. This section describes the different uses and the rationale for each use. It also discusses the many significant changes that counties planned to make to their uses of diversion.

a. Diversion for Employed or Job Ready Clients

The most common use of diversion is to provide payments to clients who are currently employed or whose assessments reveal a strong likelihood of rapid employment. Some counties noted that they only offer diversion to clients who are currently employed, but most counties offering diversion to employed clients also offer diversion to clients who, upon assessment, appear to be job ready.

Factors considered in the job readiness assessment vary by county and may include employment history, education, mental and physical health, and other barriers to employment. The goal of these payments is to assist clients in overcoming short term gaps in employment, or to maintain employment during periods of turbulence. For instance, Conejos County uses diversion to help clients who have become unemployed due to short-term illness or layoffs, and in cases of unanticipated emergency needs, such as home loss.

County diversion normally serves clients who are job ready by definition, as statewide criteria for county diversion require county diversion recipients to be income-ineligible for BCA, which usually means they have some earnings. However, some counties choose to use county diversion for specific purposes rather than serving job ready clients in general, even if their state diversion program are focused on job ready clients in general. For example, Denver County offers a job ready diversion to state diversion clients who face temporary barriers to employment, but uses county diversion exclusively for paying housing security deposits for

Section 8 recipients.[28] However, most interviewed counties that offer job ready and employment related diversion do so using both state and county diversion. Such counties include Adams, Conejos, El Paso, Fremont, Jefferson, La Plata, Lincoln, Mesa, Otero, and Pueblo.[29]

Counties offering this type of diversion occasionally further target specific sub-populations within the group of employed and job ready clients. Mesa County pays special attention to two-parent families during the diversion consideration process. La Plata targets several different sub-groups of applicants, and offers three specialized types of diversion related to rapid employment and job readiness to meet the different needs of these clients, as described in ***Box III.1.***

Box III.1: Three Types of Employment and Job-Ready Diversion in La Plata County

La Plata County places a strong emphasis on diversion. On average, 14.5 percent of La Plata's monthly Colorado Works caseload is composed of diverted families. The county operates five different types of formal diversion, three of which are specifically for employed or job ready clients.

The first is known as "60 day self-sufficiency" diversion. It is a form of state diversion that targets clients who have no immediate prospects for employment, but who will likely be employed within 60 days. The payment amount for this type of diversion is equal to two months of BCA payments. If at the end of the 60 day period the client has not found employment, the client is transferred onto BCA.

The second employment-related diversion in La Plata, also a form of state diversion, focuses on clients who have or will have employment in the immediate future, but need funds in order to make employment feasible. For example, a client may need money in order to buy business attire or to fix a vehicle needed for transportation to employment. Payment amounts can be up to $3,500 for this type of diversion.

Lastly, La Plata offers county diversion for clients who are ineligible for state diversion and working but underemployed (i.e., do not have enough hours of employment to make ends meet), on temporary disability, or pregnant. This program is further restricted to families who have not previously been on Colorado Works.

b. Stabilization Diversion

Diversion for "stabilization" is a relatively new approach being considered by many counties. Stabilization diversion, also known as "intake", "upfront", "initial" or "family stabilization" diversion, is a strategy developed by several state and county officials in response to DRA.[30] Stabilization diversions typically cover a period of two or three months, and are intended to give Colorado Works staff time to address families' barriers during the first few months of Colorado Works before the family goes onto BCA. In effect, this strategy gives case workers the flexibility to work with families to become job ready during the first months of the case without

28 See "Other Uses of Diversion" later in this chapter for more details on Denver's use of county diversion.

29 Delta, Larimer, Logan, Montrose, Morgan, and Rio Grande were not interviewed about this topic, as the focus of their interviews was on work participation strategies.

30 Chapter II discusses the implications of stabilization diversion as a strategy for meeting the work participation rate in greater detail.

counting in the denominator or the work participation rate. Payments for stabilization diversion, unlike many traditional diversions, typically do not require clients to spend the payments on specific purchases. Rather, payments from most stabilization diversion programs currently in development will function similarly to a cash benefit.

Arapahoe, Delta, Larimer, Lincoln, Otero, Rio Grande, and Teller counties planned to implement or test stabilization within a few months of the interviews. Denver and Morgan were considering such policies, but had not yet decided whether to use stabilization diversion.[31] Montrose County has decided to use stabilization diversions on a case-by-case basis for some clients, but not to use stabilization for all new or returning cases.

While the basics of stabilization diversion are similar across counties, details such as who receives stabilization diversion and how the period of ineligibility functions vary:

- In Arapahoe County, stabilization diversion will soon be used for the majority of new and returning families. Arapahoe's new philosophy is to view BCA as a last resort, and unless applicants have mental or physical health problems or are SSI applicants, county procedure will be to divert them from BCA.
- Delta County will be following a model similar to Arapahoe's by providing diversion to almost all new clients who are work-able. Clients in Delta County will receive good cause exemptions during the stabilization diversion, meaning that they will have no period of ineligibility and can return to Colorado Works for further assistance at any time. While Delta's stabilization program will focus on work eligible individuals, the county has begun considering ways to use diversion for special populations including SSI applicants, two-parent cases, and cases with many barriers.
- Otero County will be implementing a stabilization diversion which specifically targets BCA-eligible two-parent households and pregnant single women. These families will be offered lump sum diversion payments equal to either three or six months of BCA, and will face a period of ineligibility equal to the amount of months of BCA for which the diversion is paid. Staff found that two-parent families in the county generally remain on BCA for six months or less before they are able to support themselves. In conversations with other counties, Otero staff learned that many two-parent families in these other counties were able to become self-sufficient within two months. Given the evidence that two-parent families often did not require on-going assistance, Otero County made the decision to divert these clients when possible.
- Lincoln County plans to offer a stabilization diversion that is spread out in three monthly installments rather than a lump sum. The payments will not count against a client's lifetime limit on diversion, and the client will receive a good cause exemption so that she does not face a period of ineligibility. However, clients who fail to comply with the requirements of their diversion IRCs can be sanctioned and face a reduction in their following monthly payments. Non-compliant clients may also have their good cause

[31] While La Plata County's "60 day self-sufficiency" diversion described in Box 3.2 is similar in some ways to stabilization diversion (e.g., diverted clients may later join the BCA caseload), it differs in purpose: the stabilization diversion is intended to get clients ready for work activities before they join the BCA caseload and face work requirements, while the "60 day self-sufficiency" diversion is focused on rapid employment, with the option of joining the BCA caseload as a safety net for those clients not finding employment quickly.

exemption removed, in which case the period of ineligibility becomes active and the family is immediately removed from further assistance until they serve out the period of ineligibility.

Some counties were reluctant to implement stabilization diversion policies for a variety of reasons. A few counties disagreed with the idea of using diversion as a means of helping the work participation rate, claiming that stabilization diversion does not serve the purposes of the TANF program. Other counties were concerned with the impact that expanded diversion may have on client outcomes. For example, one county was afraid that the possible lack of on-going contact between case managers and clients may lead to more child welfare interventions. Another county feared that rather than addressing clients' barriers more quickly, stabilization diversion may lead to simply postponing barrier alleviation during the diversion period.

Another area of concern for some counties was how stabilization diversion would work for particularly disadvantaged clients, such as clients with medical conditions or clients on the SSI track. ***Box III.2*** discusses Montrose County's experience in deciding whether to offer stabilization diversion to some of these special populations.

Box III.2: Montrose County Decides Whether to Use Stabilization Diversion

Montrose County, like many other counties, was concerned about how some special populations might fare if offered stabilization diversion rather than BCA. Clients who are pregnant or those applying for SSI, for instance, are often unable to participate in countable work activities. The county could potentially improve its work participation rate by diverting these clients, but staff members were unsure of whether stabilization diversion would lead to self-sufficiency or make clients worse off than if they had received BCA.

To make an informed decision, county staff tested their stabilization diversion program by offering it to pregnant mothers and SSI applicants in a few selected cases. After reviewing these trials, county program administrators decided that in some instances, diversion could meet the needs of pregnant clients and those on the SSI track. However, in other cases, staff did not feel that stabilization diversion was the best method of helping these populations. The county opted against offering stabilization diversion as the main means of serving these populations, and instead chose to offer stabilization diversion on a case-by-case basis.

c. Post Employment Diversion

When BCA clients leaving Colorado Works for employment are given a diversion to ease the transition to work, this is often referred to as a post employment diversion.[32] Adams, Arapahoe, El Paso, Fremont, and La Plata counties all discussed having this type of benefit. Arapahoe exclusively reserves its county diversion for this purpose. Typically, these payments are not required to be spent on a particular purchase, and instead function more similarly to a cash payment.

32 Post employment diversion differs from post employment incentives, which are often paid out of supportive service funds. For a more detailed description of post employment incentives and employment retention bonuses, please see Chapter II of this report.

- El Paso offers post employment diversion known as "PEA" (Post Employment Assistance), which is a county diversion for families with income up to 185 percent of the federal poverty level guidelines. Case workers can approve PEA up to the amount of $1,000 without supervisor approval.
- Fremont County offers a post employment county diversion to clients leaving TANF if they remain income eligible for county diversion payments (less than $50,000 in family income) and if employment can be verified through data from transitional Medicaid. Clients receive payments at the end of each three month period for which they remain employed. Clients receive $200 at the end of the first three months, $250 if at the end of six months, $300 at the end of nine months, and $350 at the end of the year. The program has a lifetime limit of $1,000.
- In Adams County, post employment diversions are called "withdrawal benefit payments," and consist of large, one-time state diversion payments to address specific needs for clients who staff believe could leave BCA for employment once these needs are met. Examples of need include the purchase of tools related to employment and paying off debts. Adams's program differentiates itself from the other counties discussed in this section in that clients do not need to have employment in order to receive post employment diversion, so long as staff members feel that they are employable. Clients accepting withdrawal benefit payments face a 12-month period of ineligibility, so they must carefully consider whether or not to take the benefit.

d. Other Uses of Diversion

In addition to the three most prevalent types of diversion, counties operate a variety of other diversion programs to assist clients in moving towards self-sufficiency. Family preservation, relocation, and Section 8 diversion all represent uses of diversion which address client needs in highly specific ways.

i) Family Preservation

Some counties allow the use of county diversion for families at risk of a Child Welfare intervention. Family preservation diversion programs provide counties with an additional funding source from which to assist some hard-to-serve and at-risk families, as county diversion funds from the Colorado Works program may be leveraged with Child Welfare resources to provide additional support and services to these families.

Family Preservation diversion programs are typically administered as joint ventures between Colorado Works and Child Welfare. In most cases, staff members from the two programs will meet to share information about client needs and decide what services will best suit clients. Family preservation diversion is usually used to pay for services such as mental health or substance abuse counseling, and many times clients do not know that their services are being paid for with diversion.

The income eligibility limit for Family Preservation is set statewide at $75,000. Therefore, counties that choose an income eligibility less than $75,000 for their County Diversion program must create a separate policy for Family Preservation. Income eligibility must remain congruent throughout a policy.

The maximum benefit amount for family preservation diversion may also be higher than the maximum benefit amount for other uses of county diversion. For instance, Larimer County provides family preservation diversion through what it refers to as its "Family Resource Program." There is no maximum payment amount for these diversions in Larimer, though payments of over $1,000 need supervisor approval. Other county diversions in Larimer have a benefit limit of $1,500 per family per fiscal year.

ii) Employment Relocation

In some situations, it is not possible for clients to find suitable employment in their county of residence, but it may be possible for them to obtain employment in nearby counties or states. To address this reality, a few of the counties interviewed provide diversions to clients who have obtained employment in other communities and need funds to relocate closer to their employer. Conejos, Delta, La Plata, Lincoln, and Otero all mentioned offering diversion for relocation. In each of these counties, clients must be able to provide documentation of employment or an employment offer in order to verify the need for the diversion.

iii) Housing Security Deposits for Section 8 Recipients

Section 8 housing is a federal program which provides rent subsidies for low-income families. While the Section 8 program subsidizes monthly rent, it does not pay for security deposits, which are often required for residence in rental properties. Denver County, which is currently experiencing substantial annual increases in housing costs and cost of living, uses its county diversion program exclusively to pay housing security deposits for Section 8 recipients.

e. Other Programs Resembling or Supplementing Diversion

Some counties offer other forms of assistance that mirror diversion in practice, or that supplement diversions to provide a greater benefit to the client. These programs can provide additional support to ensure that client needs are met. Examples of such programs include the following:

- La Plata County has a General Assistance (GA) program that families may access once per year, and is usually used to pay for needed prescriptions, dental extractions, or utilities. La Plata also has what is known as the Community Emergency Assistance Coalition, which offers a one-time payment of up to $600 to needy clients. Colorado Works staff members often suggest that potential diversion clients consider this option first in order to save their formal diversions for more costly needs. This assistance can be combined with diversion in order to meet particularly large client needs.
- Otero County uses some of its Community Services Block Grant (CSBG) funds to pay for medical costs, prescriptions, or rent assistance for clients.
- Logan County removed certain types of payments from diversion and turned them into supportive services. The county now has a car repair program that can pay clients up to $800 per year that does not count as diversion. The reason for removing such assistance

from traditional diversion programs is to spare clients long periods of ineligibility. Other payments that were previously diversion-specific and are now exclusively available through supportive services include housing and utility assistance.

- As one purpose of TANF is to support community intervention, Teller County has provided a $30,000 grant to a local non-profit organization, "Help the Needy," to provide assistance in the form of emergency services, heating, food, and auto-repair. Individuals receiving aid from this non-profit cannot be eligible for TANF or Food Stamps. The program is administered by a collection of leaders in Teller's faith community. All service providers are volunteers, so there are no administrative costs and 100 percent of aid goes directly to families in need. At the time of the interview, the program had been in place for over five years.

3. Diversion Services and Follow-up

The array of services available to clients after they receive diversion and the extent to which they must maintain ongoing contact with the Colorado Works program may have implications for clients' self-sufficiency and long term success.

a. Ongoing Contact

Few of the counties interviewed for this study required substantive on-going contact between clients and case managers after diversion was granted. While some counties interviewed for this study required that diverted clients return to Colorado Works offices to provide documentation of purchases made with diversion funds, only El Paso reported having extensive follow-up procedures for all diverted clients.

- Staff in El Paso will call clients, make home visits, and offer additional support to diverted clients to make sure that they comply with their IRCs.
- La Plata does not require ongoing contact with all diversion cases, but it does require that diversion clients maintain contact with the county's employment service provider if they are new clients to Colorado Works and face significant barriers or if they are returning for their second diversion.
- Larimer County has de facto contact with many of its state diversion clients, as they are required to complete activities at the local Workforce Center.

As more counties implement stabilization diversion, it is likely that there will be increased requirements of ongoing contact between clients and Colorado Works, as clients are expected to work with case managers to address barriers to employment and prepare for work activities during the stabilization period. However, it remains to be seen whether this increased contact with stabilization diversion clients will also extend to more traditional diversion clients.

b. *Services Available to Diversion Recipients*

Most counties interviewed did not offer extensive services and supportive services to diverted clients. In general, counties tend to offer either no or limited services to diversion clients. The following are examples of limited service offered to diverted clients in several counties:

- Denver offers child care, but no other supportive services to its diverted clients.
- El Paso allows diverted clients to access the Business Center, a career center for clients of the El Paso Department of Human Services, for equipment and materials helpful in the job search process.
- Larimer County does not offer supportive services to county diversion clients, but requires all of its state diversion clients to register with the Workforce Center for employment services.
- In Teller County, clients are eligible for counseling and other supportive services, but the services are "minimal."
- Lincoln County offers job readiness and vocational rehabilitation to diverted clients, but does not offer other supportive services.

Three exceptions to this trend are Conejos, La Plata, and Pueblo counties. Diverted clients in these counties are eligible for almost all of the same services and supportive services as BCA clients. [33] These services are often diverse and multifaceted. For example, diverted clients in La Plata are eligible for Advocacy services, adult education, life skills training, Housing Solutions, substance abuse help, and vocational services, trainings, and education provided by Southwest Colorado Mental Health.

The availability of other services sometimes affects clients' decisions of whether to accept diversion. La Plata County noted that some clients refuse diversion out of fear that they would lose categorical eligibility for Food Stamps and eligibility for Medicaid. In Fremont County, clients occasionally reject diversion assistance over concern of losing supportive services.

C. Descriptive Findings from Data

This section presents characteristics and outcomes of state and county diversion clients obtained through analysis of CBMS data and UI wage records from the Colorado Department of Labor and Employment. This analysis included a review of payment data, client-level demographics, and case-level employment characteristics, with special attention to regional and county variation in diversion issuance and outcomes. Unless otherwise noted, all analysis was conducted on cases receiving benefits during state fiscal year (SFY) 2006, which includes July 2005 through July 2006. The findings discussed in this section do not fully capture trends related to the innovative changes to diversion that many counties were planning described earlier in this chapter, as these new policies had not yet been implemented.

[33] While Conejos offers the full range of services available to diversion clients, they commented that diversion clients rarely need these services, as diversion clients in Conejos are always employable.

The analysis addresses the following research questions:

- What is the average benefit amount provided by state and county diversion?
- How has Colorado's use of diversions increased or decreased over time?
- How many counties utilize diversion? What percent of the caseload receives diversion?
- How do diversion recipients differ from non-diversion recipients?
- How many diversion recipients move on to employment after receipt? How long does it take after receipt to move into employment? Once employed, how long does employment last?
- What are the earnings of diverted families, and how do earnings after diversion compare to earnings before diversion?
- How many diversion recipients return to Colorado Works?
- How many diversion recipients have neither earnings nor continued Colorado Works payments after diversion?

1. Average Benefit Amounts

Exhibit III.5 shows the average and median benefit amounts for state and county diversions issued in SFY 2006.[34] Mean and median benefit amounts for state and county diversions were similar, with county diversion payment amounts slightly higher than state diversion payment amounts. For comparison, the average benefit for state diversion payments ($1,106) is nearly the equivalent of three months of maximum BCA for a single family of three ($1,068), and the average benefit of county diversion is close to four months of BCA ($1,424). There was a wide range in both types of payments, with benefits as low as $35 and as high as $9,644.

Exhibit III.5: Diversion Benefit Amounts, SFY 2006

	State Diversion	County Diversion
Average payment ($)	1,106	1,317
Median payment ($)	996	1,143
Number of payments	1,799	913

Source: CBMS administrative data

2. Trends in Colorado's Use of Diversion

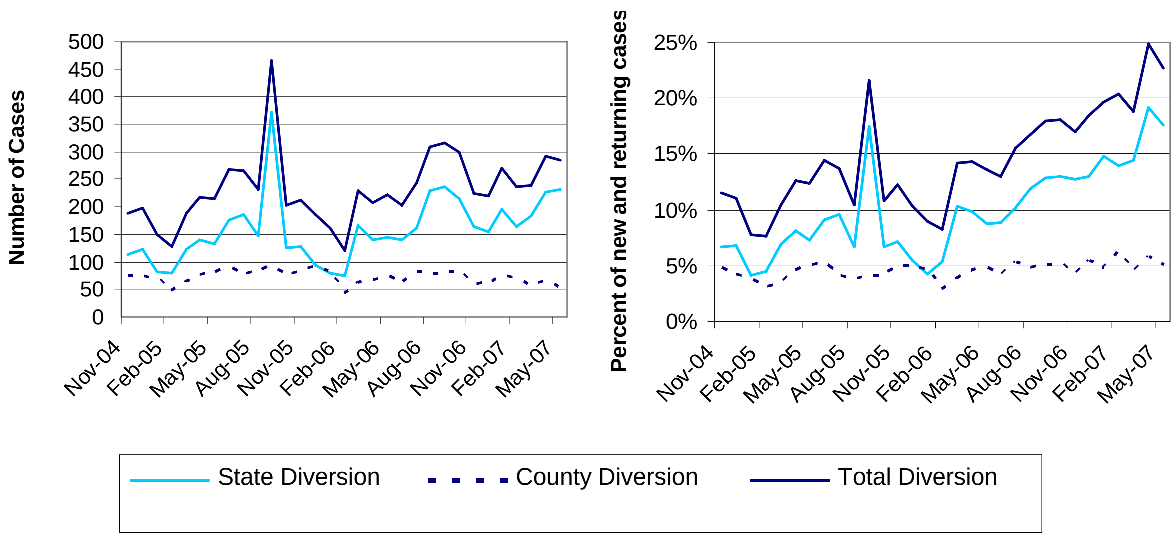
Diversion cases have been making up an increasing share of the Colorado Works caseload due to both an increase in the number of state diversion cases and a decrease in the number of new BCA cases. As ***Exhibit III.6*** shows, the number of diversion cases has been trending moderately upward in recent years. For example, there were 1,324 diversion cases in the five months of 2007 for which data are available (January through May), which was 41 percent higher than in the

[34] In this analysis, diversion payments spread out over a number of consecutive months were summed into a single payment and regarded as occurring during the first month in which the payments occurred. Diversion amounts of less than $20 per month were not included in this analysis.

same months of 2006, and 47 percent higher than in the similar period of 2005. This increase was due to state diversion; the number of county diversions declined slightly over this period.

The increase in the share of new cases receiving diversion payments is larger – doubling over two years – due to a reduction in the number of BCA cases. Over the first five months of 2007, on average 21 percent of new and returning cases were given diversion payments, up from 12 percent in the same period of 2006 and 10 percent in the same period of 2005. In April 2007, diversions made up a bigger share of new and returning cases than at any point covered by our calculations.

Exhibit III.6: Average Number of Diversions Granted per Month and as a Percentage of New and Returning Cases



Source: CBMS administrative data

Though diversion payments have increased overall, diversion issuances fluctuate between November of 2004 and May of 2007. Some of this variation may be due to cyclical or seasonal effects, while other fluctuations may be due one-time events. For example, in September of 2005, state diversion issuances reached a peak of 372 cases, representing a 225 case increase in state diversion from the previous month. State diversion cases decreased sharply in the following months. This sharp one-month increase in September and subsequent decrease in the number diversions was a result of Hurricane Katrina. When evacuees from New Orleans and the surrounding areas in need of temporary assistance arrived in Colorado, they were primarily served through state diversion. This approach of using diversion payments for Katrina victims was promoted by the federal Administration for Children and Families in an October 2005 memo to state administrators.[35]

[35] See ACF Program Instruction, October 11, 2005 No. TANF-ACF-PI-2005-06, "Using Federal TANF and State MOE Funds for Families Affected By Hurricane Katrina"

3. County and Regional Use and Variation

The use of county and state diversions varies considerably among Colorado's 64 counties, with some counties not issuing any diversions in SFY 2006 and others issuing diversion to as much of 63 percent of their average monthly new and returning cases (see ***Appendix Exhibit A.3*** and ***Appendix Exhibit A.4*** for detailed tables). In summary, during SFY 2006:

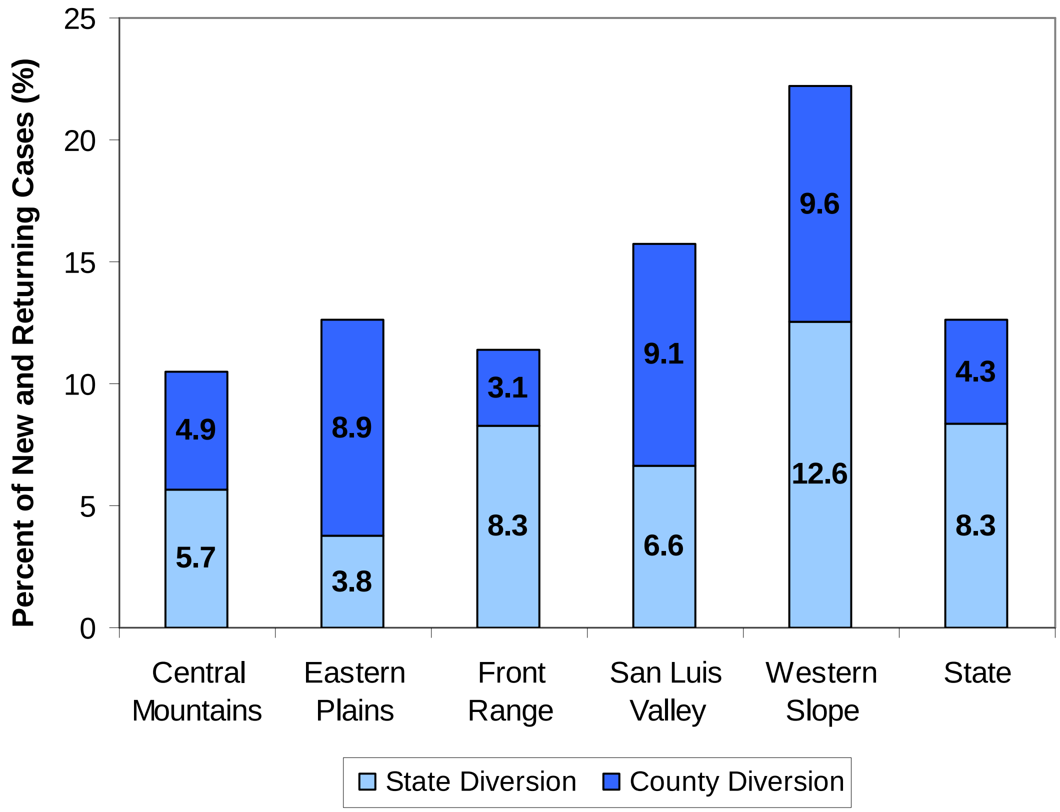
- 42 counties (66 percent) made state diversion payments
- 38 counties (59 percent) made county diversion payments
- 49 counties (77 percent) made either state or county diversion payments

The 15 counties with no state or county diversion payments mostly had small average monthly caseloads (roughly 35 cases or less), though one exception, Montezuma County, had an average monthly caseload of 113 cases.

At 63 percent, La Plata County had the greatest use of diversions as a percentage of new and returning cases. Other counties with large-to-medium sized caseloads that have diversion cases representing a significant percentage of average monthly caseload include Conejos (55 percent), Lincoln (51 percent), Teller (38 percent), Otero (29 percent), Mesa (25 percent), and El Paso (23 percent).

There was also variation in regional trends in diversion usage. ***Exhibit III.7*** displays regional trends in diversion issuances to new and returning families, broken out by state and county diversion. The Western Slope had the overall highest issuance of diversion as a percentage of new and returning cases, at 22 percent, and also had the highest issuances of state and county diversion as a percentage of new and returning clients (10 percent and 13 percent, respectively). This high use of diversion was driven primarily by Mesa and La Plata counties. The Central Mountains had the lowest issuance of diversion to new and returning cases. The Eastern Plains issued the least amount of state diversion to new and returning clients (4 percent) and the Front Range had the lowest issuances of county diversion for such cases (3 percent).

Exhibit III.7: Regional Variation in Diversion Usage, SFY 2006



Source: CBMS administrative data

4. Demographic Characteristics of Diversion Recipients

Exhibit III.8 provides demographic characteristics of adult Colorado Works recipients for clients receiving state or county diversion during SFY 2006. The exhibit also shows the demographics of the average monthly BCA caseload for comparison. Key findings from analysis of these characteristics include:

- A higher share of state and county diversion recipients have more than one adult on their cases, at 37 percent and 47 percent, respectively, compared to only 20 percent of BCA recipients.
- The percentage of recipients who are female is slightly lower among state diversion (76 percent) and county diversion (70 percent) recipients than among BCA recipients (85 percent).
- County diversion recipients are more likely to be married (24 percent) than either state diversion recipients (15 percent) or BCA recipients (9 percent).
- BCA recipients tend to be younger than diversion recipients and to have slightly younger children. However, all three groups of recipients have similar numbers of children.

Exhibit III.8: Demographics of Adult Colorado Works Clients, SFY 2006

Characteristic	State Diversion	County Diversion	Average Monthly BCA Caseload
More than one adult on case (%)	37.1	47.4	20.0
Female (%)	75.6	70.4	84.9
Marital Status (%)			
Never married	78.1	64.6	79.4
Married	14.6	23.9	11.3
Other	7.4	11.6	9.3
Age (%)			
18-24 years	23.8	20.2	33.9
25-34 years	44.9	41.4	38.1
35 years or more	31.2	38.5	28.0
Number of children on the eligibility unit (%)			
None*	2.7	2.0	3.4
One	37.4	36.2	42.2
Two	34.1	36.3	30.3
Three or more	25.7	25.5	24.1
Age of youngest child (%)			
Under 1 year	19.7	18.9	22.4
1 to 3 years	31.1	30.8	36.5
4 to 5 years	14.4	12.5	11.1
6 years or older	34.8	37.7	30.0
One or more disabilities (%)	5.1	5.2	17.6
Months on TANF clock (%)			
0	53.6	58.2	1.0
1 to 3	11.1	6.1	15.6
4 to 11	15.8	17.0	31.0
12 to 23	10.0	10.3	26.1
24 to 35	5.0	4.9	14.1
36 to 47	2.6	2.2	7.5
48 to 59	1.8	1.1	3.8
60 or more	0.1	0.2	0.8
Total Adults	2,106	1,115	12,011

Source: CBMS administrative data

- BCA recipients are more likely to be disabled, with more than three times as many disabled recipients as a proportion of the average monthly BCA caseload than this same proportion of diverted clients.
- Diversion clients have considerably fewer months on their TANF clocks. Over half of diversion clients have zero months on their TANF clocks. Many (65 percent of state

diversion clients and 64 percent of county diversion clients) have three or less months on their TANF clocks, compared to 17 percent of BCA recipients.

5. Employment Outcomes

a. Employment Rates

Employment rates for diverted families before, during, and after diversion are presented in ***Exhibit III.9***. Clients receiving state diversion are most likely to be employed during the quarter after diversion (63 percent), while clients receiving county diversion are most likely to be employed during the quarter of diversion. This is logical, as county diversion clients must be income-ineligible for BCA, and therefore have higher incomes than state diversion recipients, who must be income-eligible for BCA.

While diversion clients tend to have the highest employment rates during or directly following the quarter of diversion receipt, by the third quarter after diversion their employment rates are roughly the same as the third quarter *before* diversion. Due to the variation in diversion programs and their target populations across counties, it is difficult to interpret these results.

Exhibit III.9: Employment of Diverted Families by Quarter, SFY 2006

	Families receiving state diversion	Families receiving county diversion
Employed in the quarter (%)		
Three quarters before diversion	50.8	74.0
Two quarters before diversion	50.6	75.4
One quarter before diversion	51.5	81.8
Quarter of diversion payment	59.0	85.8
One quarter after diversion	62.7	82.7
Two quarters after diversion	59.9	77.3
Three quarters after diversion	56.2	73.3
Number of families	1,702	845

Sources: CBMS administrative data; UI wage records

Exhibit III.10 shows when diverted families were first employed following diversion. Both types of diverted families show relatively high employment rates within the first year after diversion, at almost 80 percent for state diversion clients and 93 percent for county diversion clients. County diversion families were much more likely to be employed during the quarter of diversion, at 86 percent versus 59 percent for state diversion clients. This is logical, given the higher income eligibility thresholds for county diversion.

Findings from state diversion employment outcomes indicate that families receiving state diversion are most likely to obtain employment during the quarter of diversion (59 percent statewide) or during the quarter immediately following (14 percent statewide) than county diversion families. County diversion employment outcomes suggest that clients are also most likely to be employed during the quarter of diversion (86 percent), and that 7 of the remaining

14 percent not employed during the quarter of diversion gain employment at some point during the subsequent three quarters.

Regional variation among the post-diversion employment outcomes of diverted clients paints a mixed picture. The Front Range, which has the highest employment rate during the first year after diversion for county diversion (94 percent), has the lowest rate of employment for state diversion families (77 percent), over 6 percentage points lower than the next lowest region. The first quarter employment of state diversion clients is also lowest in the Front Range at 56 percent. This region drives the statewide average, as it has by far the largest caseload of state diversion families.

Exhibit III.10: Percent of Diverted Families Gaining Employment by Quarter, SFY 2006

	Employment in one or more of the first three quarters after diversion	First employment in quarter of diversion	First employment within one quarter	First employment within two quarters	First employment within three quarters	Diversion Caseload Size
<u>State Diversion</u>						
State of Colorado	79.7	59.0	14.4	3.6	2.7	1,702
Central Mountains	84.6	70.5	12.8	0.0	1.3	78
Eastern Plains	89.7	71.8	12.8	5.1	0.0	39
Front Range	77.4	56.0	15.1	3.2	3.2	1,303
San Luis Valley	84.2	65.8	7.9	7.9	2.6	38
Western Slope	88.4	69.3	12.0	5.8	1.2	241
<u>County Diversion</u>						
State of Colorado	92.7	85.8	3.9	1.4	1.5	845
Central Mountains	88.2	76.5	5.9	5.9	0	34
Eastern Plains	87.5	83	1.1	3.4	0	88
Front Range	93.9	87.3	4.4	0.9	1.3	455
San Luis Valley	90.2	84.3	3.9	2	0	51
Western Slope	93.6	85.7	3.7	0.9	3.2	217

Sources: CBMS administrative data; UI wage records

b. Earnings Outcomes

Exhibit III.11 displays the earnings of diverted Colorado Works families in the three quarters prior to diversion, the quarter of diversion, and the three quarters after diversion. It also shows the total annualized earnings of diverted families before diversion and the nine months following diversion.[36]

Families tended to have the highest earnings on average in the third quarter after diversion for state diversion clients ($2,308) and in the first quarter after diversion for county diversion clients

[36] At the time of this report, earnings data was only consistently available for a window of three quarters following diversion. Annualized earnings for both the year before diversion and the year after diversion were calculated using earnings in the three quarters prior to diversion and the three quarters following diversion, respectively. Earnings in the three quarters were averaged and then multiplied by four in order to created annualized earnings.

($4,026). Overall, diverted families have relatively low earnings both before and after diversion. Both county and state diversion recipients on average had higher earnings during the third quarter after diversion compared to the third quarter before diversion.

The total earnings for both types of diverted families were higher in the nine months following diversion than in the nine months preceding. County diversion families experienced an average increase of 8 percent, from $14,491 to $15,661. State diversion families experienced an even greater average increase of 12 percent in earnings, from $7,732 to $8,672. These findings do not address the issue of whether diversion accounts for this increase in earnings, but they do show that on average, diverted families had higher earnings in the quarters directly following diversion than in the quarters before.

Exhibit III.11: Average Earnings of Diverted Families by Quarter, SFY 2006

	Families receiving state diversion	Families receiving county diversion
Average earnings* in the quarter ($)		
Three quarters before diversion	2,014	3,477
Two quarters before diversion	1,884	3,562
One quarter before diversion	1,901	3,829
Of diversion	1,290	3,969
One quarter after diversion	1,922	4,026
Two quarters after diversion	2,274	3,931
Three quarters after diversion	2,308	3,789
Average annualized earnings before diversion ($)	7,732	14,491
Average annualized earnings after diversion ($)	8,672	15,661
Number of families	1,702	845

* Earnings include zeroes for those families that have no employment
Sources: CBMS administrative data, UI wage records

c. *Employment Stability*

Another aspect of employment well-being is employment stability. In this analysis, employment stability is measured as having no gaps in employment during the three quarters following diversion. ***Exhibit III.12*** displays the employment stability of diverted families who were employed in the quarter of diversion. The exhibit tracks the number of families with no gaps in employment between the quarter of diversion and the three quarters following diversion.

Gaps in employment increased steadily for both state diversion and county diversion at around 10 percent of families experiencing their first gaps in unemployment each quarter. The one notable exception to this trend was during the first quarter after state diversion, in which 18 percent of state diversion families experienced their first quarter without employment after diversion compared with 8 percent for county diversion families.

By the end of the three quarters, 60 percent of state diversion families had not experienced a quarter without employment. County diversion families fared slightly better, with 73 percent of families having no gaps in employment during the first three quarters after diversion.

Exhibit III.12: Employment Stability of Diverted Families with Initial Employment in the Quarter of Diversion, SFY 2006

	Families employed during month of state diversion	Families employed during month of county diversion
No gaps in employment between quarter of diversion and:		
First quarter after diversion (%)	81.9	91.9
Second quarter after diversion (%)	71.4	81.7
Third quarter after diversion (%)	60.3	72.8
Number of families employed during quarter of diversion:	1,004	725

Sources: CBMS administrative data; UI wage records

6. Returns to Colorado Works

Exhibit III.13 shows how many families receiving state diversion and county diversion returned to Colorado Works for either BCA or additional diversions during the first year after diversion. Overall, two-thirds (66 percent) of state diversion families and 83 percent of county diversion families did not return to Colorado Works for additional assistance within the first year after diversion. The rate of return for state diversion clients is thus 17 percentage points higher than the rate of return for county diversion clients.

Twenty-one percent of state diversion clients returned to Colorado Works during the first quarter after diversion, with smaller numbers returning in subsequent quarters. Similarly, the majority of county diversion families who return to Colorado Works do so within the first quarter after diversion (10 of the 17 percent of families who returned for further assistance).

Exhibit III.13: Return to Colorado Works in the Year Following Diversion, SFY 2006

	Families Receiving State Diversion	Families Receiving County Diversion
Did not return (%)	65.9	83.1
Returned during first quarter after diversion (%)	21.0	9.6
Returned during second quarter after diversion (%)	6.0	3.4
Returned during third quarter after diversion (%)	4.0	1.6
Returned during fourth quarter after diversion (%)	3.1	2.3
Number of families	1,738	864

Source: CBMS administrative data

7. *Diverted Families with No Earnings and No Further Colorado Works Benefits*

The final measure used to examine the outcomes of diverted families is to determine how many diverted families have neither earnings nor benefits from Colorado Works in the quarters following diversion. ***Exhibit III.14*** displays how many diverted families fall into this category by quarter, and how many diverted families fall into this category for all of the first three quarters following diversion.

The percentage of state diversion families with no earnings and no Colorado Works benefits was between 28 percent and 36 percent in each quarter after diversion. The percentage of county diversion families with no earnings and no Colorado Works payments was slightly lower, ranging between 16 percent and 24 percent per quarter.

For both types of diverted clients, the percentage of diverted families with no earnings and no additional Colorado Works benefits increased each quarter by a rate of around four percentage points per quarter. By the end of the third quarter, 17 percent of state diversion families and 9 percent of county diversion families had no employment and no additional Colorado Works payments for the entire nine months following diversion.

Exhibit III.14: Diverted Families with No Earnings and No Colorado Works Benefits by Quarter, SFY 2006

	Families receiving state diversion	Families receiving county diversion
No earnings and no Colorado Works payments in:		
The first quarter after diversion (%)	28.0	15.6
The second quarter after diversion (%)	31.4	20.6
The third quarter after diversion (%)	35.9	23.9
All three quarters directly following diversion (%)	17.2	9.2
Number of families employed during quarter of diversion:	1,702	845

Sources: CBMS administrative data; UI wage records

It is unclear what is happening to these families. Gaps in what is covered by the employment data used for analysis (UI wage records) may account for some of these families. For instance, this data does not cover individuals who are self-employed, certain types of government employment, and some additional categories of employment. In addition, the employment data exclusively covers employment in the state of Colorado, so individuals who move from the state and gain employment would not be included. It is also possible that some diverted clients may gain assistance through SSI or other programs following diversion, which would not be recorded in Colorado Works data. Finally, clients may have income support from family, friends, and community members that is not captured in administrative data. In any case, comprehensive outcomes for these individuals are not available. The experiences of leavers will be a future topic covered by the Colorado Works evaluation.

IV. FINANCIAL SANCTIONS IN COLORADO WORKS

A variety of financial sanctions exist in the Colorado Works system. From partial grant reductions to cash assistance termination, penalties are used to deter program non-compliance. By establishing these negative incentives, programs encourage clients to adhere to Colorado Works rules and requirements, and expect levels of engagement across the caseload to increase. This chapter examines three types of financial penalties that are currently being used in Colorado Works: formal sanctions, 24-month case closures, and case closures for demonstrable evidence.

A. Definitions

Sanctions. Formal sanctions address three types of program non-compliance: (1) Failing to comply with the terms and conditions of an IRC, (2) Failing to cooperate with Child Support Enforcement, or (3) Having dependent child(ren) living in the home who are not immunized. The analysis here focuses on the first category, failing to comply with an IRC, which encompasses participation-related sanctions; however, the discussion of the rules of formal sanctions applies to each of the three categories.

The state establishes three progressive levels of sanctions.

- The first sanction is 25 percent of the assistance unit's cash grant for a period of not less than 1 month, but not more than 3 months. It remains in effect until cured (i.e., the recipient participates in work activities or complies with other IRC, child support enforcement, or immunization requirements). Sanctions not cured by the end of the sanction period progress to the second level sanction.
- A level two sanction is 50 percent of the assistance unit's cash grant for a period of not less than 1 month, but not more than 3 months. Second level not cured by the end of the sanction period progress to the third level.
- A third sanction results in the termination of cash assistance for a period of not less than 3 months, but not more than 6 months. If a participant reaches the third sanction level, all subsequent sanctions are lever three sanctions.

Sanctions apply to all ongoing cash assistance sources, including BCA and other assistance. However, sanctions do not have any effect on an individual's eligibility for Medicaid or Food Stamps in Colorado. A case may only be given one sanction per type (work activities, immunization, child support) per sanction period. While the sanctions must be applied progressively, they are applied at the individual level, rather than the case level. If, for example, both parents in a two-parent family are not complying with their IRC, then the family may automatically advance to a tier two sanction.

In order to continue receiving assistance once a participant has been sanctioned, he or she must *cure* the sanction. If a participant requests a cure for a work participation sanction, he or she must first serve out the length of his or her sanction, and then have an IRC which specifies the activity or activities that must be completed in order to return to compliance as well as the time frame in which the activities must be completed. Successful cures for sanctions become effective from the date on which the cure is requested by the participant. Sanctions may not be cured retroactively.

Some counties absolve their clients of sanctions after the client has cured the sanction. When a client, who has cured his or her tier one sanction, receives another sanction later on, the client does not immediately start at level two, but instead begins again at level one. Other counties have chosen to implement sanctions in the same way as a three strike policy. In these counties, once a client has crossed the threshold of a first tier sanction, despite the fact that he or she cured his or her last sanction, the next sanction level will always be level two. The state interprets the rule on sanctions to require the second type of treatment (i.e., that once an individual has been sanctioned at level one, the next sanction will be imposed at level two, and so forth). The state is considering a rule change to help clarify that requirement.

Colorado Works participants may only be sanctioned if *good cause* does not exist. Good cause is defined by counties and does not constitute an *exemption* from work participation rates or time limits. If it is determined that good cause does exist, then the participant is not required to participate in work activities and may not be sanctioned for failure to do so. This extends to Colorado Works participants that have children under age six unable to obtain child care due to a lack of appropriate child care within a reasonable distance from the person's home, a lack of available or suitable child care by a relative or other person, or a lack of appropriate and affordable child care arrangements within the rate structure defined in the approved county child care rate plan.

Twenty-four Month Case Closures. Rules set by the Colorado Department of Human Services mandate that clients participate in program activities in order to receive cash assistance. Specifically, the regulations state that "a parent or caretaker relative receiving assistance as an adult is required to engage in work activities as defined [by the state] when he/she is determined ready to engage in work or once he/she has received assistance for twenty-four (24) cumulative months, whichever is earlier."[37] Despite the fact that the rule allows non-work ready clients a longer period of time to begin program participation, there is still the expectation that they will engage in program activities eventually.

With regards to the 24-month policy, work activities are defined as both the 12 federally countable activities as well as "any other work activities designed to lead to self sufficiency as determined by the county."[38] Through this broad definition, counties are given authority to design programs aimed at increasing self-sufficiency through alternative means rather than solely the federal requirements. As a result, the 24-month case closure rule is designed to build engagement in program activities whether such activities focus on meeting the work participation rate or remediating barriers to employment.

Case Closures for Demonstrable Evidence. In addition to using sanction policies and 24 month case closures, counties can choose to close cases for failure to comply with their IRC. The IRC stipulates the responsibilities of both the county and the participant and the terms under which the participant may receive assistance under Colorado Works. With the appropriate level of

37 Colorado Works Regulations, Volume of Income Maintenance (9 CCR 2503-1).

38 Ibid.

detail documenting specific aspects of program participation in the IRC, counties can pursue case closures for non-compliance.

Like the formal sanction policy regarding IRC violations, case closures for demonstrable evidence of IRC non-compliance are used to address issues with engagement and participation. If the client refuses to participate in training, education, or other activities (as specified in the IRC), then they may be refused BCA for a minimum of one month or terminated from the grant entirely. *Refusal to participate* is meant to be a technical term requiring clear documentation of what constitutes participation and how refusal is measured and documented. It is meant to be detailed in order to protect clients from case closures who may not participate due to no fault of their own (i.e., good cause).

Refusal can include either an affirmative statement by the participant or demonstrable evidence in which the participant has not engaged in any activity agreed to in the IRC. This might happen if a client declares that he or she is unwilling to participate in an activity. A participant who completes an IRC and agrees to participate, but attends sporadically, can be sanctioned, but the case should not be closed according to guidance provided by the state.[39]

Both forms of punitive case closure result in a termination of BCA but do not have any effect on an individuals' eligibility for Medicaid or Food Stamps.

B. County Authority

Counties in Colorado have a great deal of flexibility in designing how sanctions are implemented as well as which types of penalties are used in practice.

For instance, counties not only establish the reasons for imposing a sanction against cases, they also determine the good cause provisions for not sanctioning clients and how good cause is established.[40] Counties determine the number of months cases must spend at each level of formal sanctions before progressing to the next tier of sanctions, within the parameters set by the state. ***Exhibit IV.1*** shows the choices selected by the counties. The vast majority of counties apply the minimum period – one month – for the first sanction. For the second sanction, a little over half of the counties apply sanctions of two to three months, compared to a minimum of one month. By the third sanction, about half of counties apply the minimum period of three months, and about half apply the maximum of six months.

39 See CDHS Letter, #TCW-02-13-A, dated December 4, 2002.

40 Sanctions are not supposed to be issued until the county has determined that good cause does not exist.

Exhibit IV.1: Minimum Number of Months for Sanction

Minimum Length of Sanction	Percent of Counties*
Level 1	
1 month	93.7%
2 months	3.2
3 months	3.2
Level 2	
1 month	44.4
2 months	27.0
3 months	27.0
4 months	1.6
Level 3	
3 months	49.2
4 months	1.6
6 months	49.2

***** Out of all 64 counties.
Source: County plans, 2003 and 2005.

Counties also have flexibility in regards to the 24 month closure policy. Through creating county-specific activities, local administrators can define what should and should not constitute program participation. While some counties have decided to define program participation as only participation in federally countable activities, the majority of counties consider attending other program components including assessment, barrier remediation, non-countable training and county-defined work activities as participation in the Colorado Works program, and so such cases would not be subject to closure after 24 months of assistance.

Counties also have broad authority to determine when to pursue case closures for demonstrable evidence. Every recipient of BCA under Colorado Works is required to sign an IRC. The IRC lays out the broad requirements a client has agreed to fulfill in order to continue receiving assistance. Usually the IRC will include general agreements regarding participation in work activities. Clearly documented failure to fulfill the mutually agreed requirements of the IRC creates grounds for an immediate case closure which terminates cash assistance. Through writing in the details of the components of a work plan into the IRC (e.g. client will attend orientation at Goodwill Services on July 1, 2007), repeated non-compliance with work activities without good cause can be used as grounds for case closure.

Given the extra work required to document non-compliance, some counties choose to pursue case closures for demonstrable evidence only in the most extreme cases of non-compliance. Other counties, however, choose to create very detailed IRC's in order to be able to pursue a case closure for demonstrable evidence in all cases of non-compliance.

Research has not clearly identified the value of complete termination of benefits over partial termination models, and counties had opinions supporting both sides of the issue.[41] The majority of counties interviewed reported that they use both sanctions and case closures. For

41 Dan Bloom and Don Winstead, *Sanctions and Welfare.* Welfare Reform and Beyond Brief #12 Washington, D.C.: The Brookings Institution, 2002.

example, Denver County reviews individual and family history when determining whether to employ sanctions or case closures. Montrose County also uses both practices and for each emphasizes establishing time frames for necessary participant action in order to evaluate client behavior.

Counties that preferred case closures over traditional sanctioning cited that it was better for both the county and for the client. If the client takes corrective action to address the noncompliance, they can be immediately reinstated at the full grant amount after reapplication. Also, if the clients do not address the noncompliance, they will not lose a month from their TANF clocks while getting a reduced grant, as would occur in a formal sanction. The practice is beneficial for counties as it sends a stronger message to clients to fulfill their work plan responsibilities, and also guarantees that if a client is non-compliant with their work plan, they will remain out of the participation calculation.

Jefferson County stopped using sanctions in October 2006, and instead transitioned to solely focusing on case closures for demonstrable evidence. The county reported that this method can get a client's attention more quickly and allows the client to immediately reapply for TANF or diversion. Conversely, sanctions may not make as strong of an impression on the client and the client may have to endure multiple months of reduced benefits before being able to cure their sanction status.

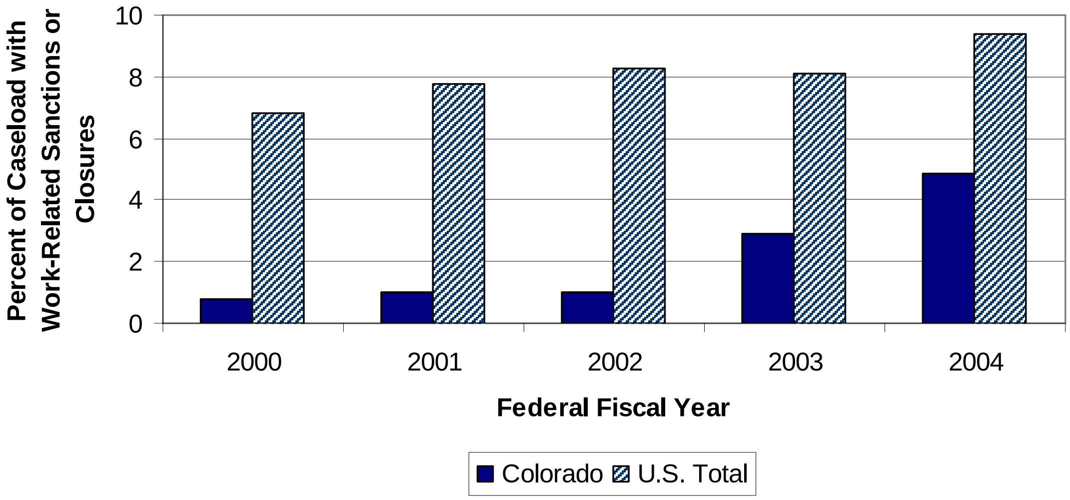
Adams County also ceased administrating sanctions, and now only closes cases for demonstrable evidence. However, they have developed a hybrid system where clients do not immediately have their cases closed. Instead, the county utilizes a three strike policy, where clients receive strikes for recurring tardiness, failure to follow staff instructions, or general non-compliance with the IRC. These strikes are permanent, and stay with the individual for life. After the second strike, a tri-county nurse will make a home visit to try and assess the client's mental health. For clients who continue non-compliance through their third strike, their case is put on probation for a month after which it is closed.

While most preferred one practice to the other, a select group of counties abstain from financial penalties altogether. While Mesa County, for example, still uses sanctions, they see sanctions as a last resort. Instead, all cases at risk of sanction are sent to one of two senior case managers who work extensively with the clients in order to bring them back into compliance.

C. Data Findings

In comparison to national averages, Colorado has traditionally exhibited low levels of work-related sanctioning and case closures (see ***Exhibit IV.2***). Between FFY 2000 and FFY 2002, Colorado observed around 1 percent of its caseload exhibiting a work-related sanction or closure. This was substantially lower than the national averages, which ranged between 7 and 8 percent of the U.S. caseload. However, beginning in 2003 and continuing into 2004, Colorado began to increase the number of participation-related sanctions and closures, increasing to 3 percent and then to 5 percent. While a slight increase in the overall U.S. sanction rates was also observed during this same time period, this increase was at a slower pace than observed in Colorado.

Exhibit IV.2 Colorado versus U.S. Sanction Levels, FFY 2000 – FFY 2004



Note: Work-related sanctions and closures included grant reductions and case closures with a reason code of "work-related sanction." Despite the availability of 2005 data from ACF, FFY 2005 was omitted due to the fact that the transition to CBMS appears to have affected the reporting reasons for grant reductions and closures, leaving high percentages of closure reasons of "Other."
Source: ACF Characteristics and Financial Circumstances of TANF recipients

According to analysis of data collected from CBMS, sanction levels appear to be receding from their peak in 2004. On average in SFY 2006, only 4 percent of monthly work-eligible cases had a work-related sanction or case closure (see ***Exhibit IV.3***). Close to 3 percent came from formal sanctions, with the majority (1.2 percent) being level one sanctions. An equal share of twenty-four month case closures and case closures for demonstrable evidence were witnessed, with both representing half a percent of the work-eligible caseload.[42]

Exhibit IV.3: CBMS Average Monthly Sanction and Closure Rates, SFY 2006

	Work-Related Sanction Level 1	Work-Related Sanction Level 2	Work-Related Sanction Level 3	Any Work-Related Sanction	Twenty-four Month Case Closure	Case Closure for Demon-strable Evidence	Work-Eligible Caseload Size
Colorado (%)	1.2	0.7	0.9	2.8	0.5	0.5	9,222

Source: CBMS administrative data

Exhibit IV.4 displays results from the analysis of the demographic characteristics of sanction recipients and shows both variation in traits among different types of sanctions as well as variation between sanction recipients overall and the average Colorado Works caseload. Characteristics of clients facing financial sanctions differed somewhat from the characteristics of the average monthly adult BCA caseload. The one difference consistent across all types and

42 The transition to CBMS during state fiscal year 2005 may have contributed to lower rates of sanctions. In the process of the transition, many reasons for grant reductions and closures were either not entered correctly or not entered at all because of confusion experienced by case managers with the system.

levels of financial sanctions was that financially sanctioned clients tended to have more children than clients in the average monthly BCA caseload. Thirty-three to 45 percent of financially sanctioned clients had more than two children, compared with only 24 percent of clients in the general caseload.[43]

Exhibit IV.4: Demographic and Case Characteristics of Sanctioned Individuals, SFY 2006

Demographic Characteristic	Sanction Level 1	Sanction Level 2	Sanction Level 3	Twenty-four Month Case Closure	Case Closure for Demon-strable Evidence	Colorado Works Average Monthly Caseload
Family Type (%)						
One-parent family	77.7	82.7	80.8	83.3	81.8	81.7
Two-parent family	22.3	17.3	19.2	16.7	18.2	18.3
Gender (%)						
Female	79.1	83.8	84.0	87.3	83.9	85.0
Male	20.9	16.2	16.0	12.7	16.1	15.0
Marital Status (%)						
Never married	78.5	81.6	78.2	81.7	83.2	79.2
Married	13.7	10.3	14.4	10.5	11.0	11.4
Divorced or Separated	7.8	8.1	7.4	7.8	5.8	9.3
Age (%)						
18-24 years	40.4	37.7	35.4	22.1	37.0	33.6
25-34 years	35.0	35.5	42.5	44.9	37.0	38.3
35 years or more	24.4	26.8	22.1	32.9	26.1	28.1
Number of children on the eligibility unit (%)						
None*	0.1	0.0	0.3	0.0	1.4	3.2
One	32.1	32.4	27.4	26.2	34.3	42.3
Two	33.1	30.7	31.5	29.3	31.0	30.4
Three or more	34.7	36.9	40.8	44.5	33.3	24.2
Age of youngest child (%)						
Under 1 year	27.5	27.4	24.8	14.1	21.7	22.4
1 to 3 years	38.6	36.3	38.6	36.5	39.8	36.6
4 to 5 years	9.7	10.1	12.4	13.3	8.6	11.1
6 years or older	24.2	26.3	24.2	36.1	29.9	29.9
One or more disabilities (%)	16.1	18.7	18.0	18.1	11.7	17.7
Total Caseload	708	358	868	526	571	11,957

Source: CBMS administrative data

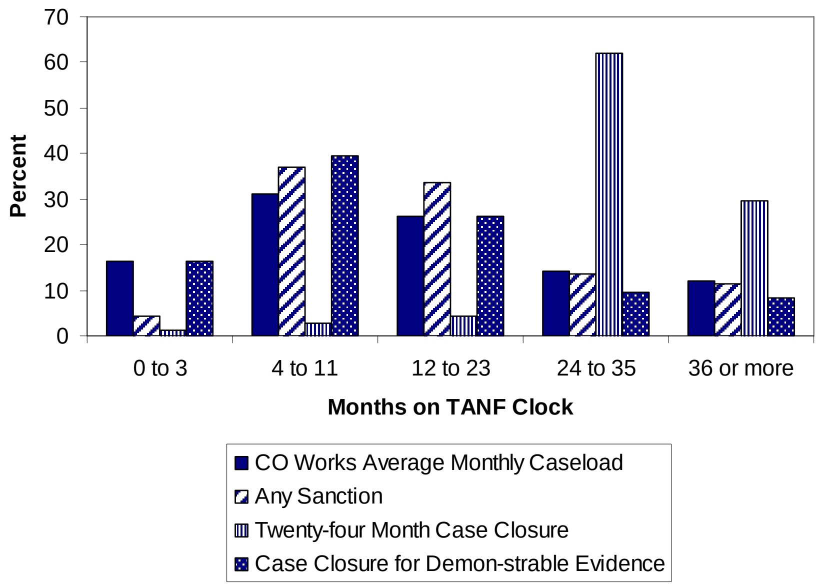
When compared with the overall caseload, clients facing formal work-related sanctions tended to be younger and have less time on their TANF clocks, and were less likely to have a youngest child over the age of five. Clients experiencing level one sanctions were slightly more likely to be on two-parent cases than clients experiencing other levels of sanctions and those in the overall caseload.

[43] This percentage was highest among clients in cases closed for 24 months of non-participation, at 45 percent.

Clients whose cases were closed for 24 months of non-participation were slightly older than the general caseload, and were substantially more likely to have a youngest child over the age of five. Clients on cases closed for demonstrable evidence tended to be younger than the average monthly caseload, and fewer of these clients tended to have a reported disability (12 percent compared with 18 percent of the overall caseload).

The greatest variation appeared in the number of months that had been logged on the client's TANF clock (see ***Exhibit IV.5***). Adults with formal sanctions showed a high concentration of clients with between 4 and 23 months on their TANF clocks. Individuals with twenty-four month case closures were heavily weighted towards having over 24 months logged on their TANF clock. Adults that had cases closed for demonstrable evidence generally had fewer months on their TANF clocks, with the majority (56 percent) having under 12 months logged.

Exhibit IV.5 Months on the TANF Clock by Different Financial Penalty Types, SFY 2006



Source: CBMS administrative data

Demographic differences between different sanction types might be due to a variety of issues. Different demographic characteristics may lead to receipt of one type of sanction over another. However, the difference could also reflect the demographic differences of counties focusing on the different strategies.

Exhibit IV.6 shows the progression that cases made from one level of formal sanctions to the next. Statewide, 40 percent of cases with a level one sanction during SFY 2006 moved on to receive a level two sanction within twelve months. Additionally, 51 percent of cases with a level two sanction during SFY 2006 progressed to a level three sanction within twelve months.

Exhibit IV.6: Formal Sanction Progression, SFY 2006

	Of Cases with Level 1 Sanctions, Percent that progress to Level 2 within the 12 months	Number of Cases with Level 1 Sanctions	Of Cases with Level 2 Sanctions, Percent that progress to Level 3 within the 12 months	Number of Cases with Level 2 Sanctions
Colorado (%)	40.4	1,031	51.2	586

Source: CBMS administrative data

The percent of cases that returned to Colorado Works for additional BCA after their case had been closed is displayed in ***Exhibit IV.7***. Cases closed for demonstrable evidence had the fastest return to Colorado Works with 18 percent of cases receiving additional assistance within three months. This category also had the highest rate of return to Colorado Works within one year of closure (33 percent). Cases closed because of the twenty-four month rule had the lowest rates of return to Colorado Works. Only 12 percent of this cohort returned within three months and 18 percent returned within six months.

Exhibit IV.7: Return to Colorado Works by Types of Closed Cases, SFY 2006

Reason for Case Closure	Return to Colorado Works within 3 months (%)	Return to Colorado Works within 6 months (%)	Return to Colorado Works within 1 year (%)	Total Closures
Level 3 Sanction	16.0	23.6	29.5	770
24-Month Non-participation	11.9	18.4	27.3	479
Demonstrable Evidence	18.3	23.3	32.6	515

Source: CBMS administrative data

Employment levels, as captured in UI wage records, were examined to see how cases fared after closure. ***Exhibit IV.8*** shows employment outcomes after case closure. Nearly half of cases with any type of closure had employment during the quarter of the closure. Close to 60 percent of cases with any type of sanction-related closure had employment within one quarter of the closure, while about 70 percent were employed within three quarters of their closure.

Exhibit IV.8: Employment Outcomes after Case Closure, SFY 2006

Reason for Case Closure	Employed during Quarter of Closure (%)	Employed within 1 Quarter (%)	Employed within 2 Quarters (%)	Employed within 3 Quarters (%)	Total Closures
Level 3 Sanction	47.1	58.1	66.6	69.7	770
Month 24 Non-participation	50.9	60.1	69.3	72.4	479
Demonstrable Evidence	50.9	61.7	70.1	72.6	515

Source: CBMS administrative data

APPENDIX

Exhibit A.1: County Participation Rates in FFY 2005, FFY 2006, and FFY 2007*

	Federal Fiscal Year 2005		Federal Fiscal Year 2006		Federal Fiscal Year 2007*	
County	Fulfilling All-Families Work Participation Requirement	Fulfilling Two-Parent Family Work Participation Requirement	Fulfilling All-Families Work Participation Requirement	Fulfilling Two-Parent Family Work Participation Requirement	Fulfilling All-Families Work Participation Requirement	Fulfilling Two-Parent Family Work Participation Requirement**
Adams	33.7	47.8	43.2	72.6	33.0	-
Alamosa	14.7	22.6	20.7	28.0	16.6	-
Arapahoe	16.7	26.3	17.0	26.7	22.0	-
Archuleta	0.0	0.0	7.8	0.0	7.3	-
Baca	4.2	0.0	11.9	32.4	15.2	-
Bent	9.1	4.3	18.2	66.7	22.2	-
Boulder	8.7	14.5	14.9	27.7	20.1	-
Broomfield	35.6	63.6	36.1	37.5	45.5	-
Chaffee	7.3	14.3	6.2	0.0	4.0	-
Cheyenne	0.0	0.0	53.5	-	100.0	-
Clear Creek	11.0	0.0	13.0	33.3	19.6	-
Conejos	9.8	16.1	15.0	24.4	16.7	-
Costilla	13.7	15.6	16.2	7.7	6.1	-
Crowley	11.7	16.9	22.6	39.6	18.2	-
Custer	4.0	0.0	0.0	-	0.0	-
Delta	15.8	18.5	29.7	56.1	24.5	-
Denver	16.8	18.5	20.8	24.9	21.2	-
Dolores	0.0	0.0	6.3	0.0	0.0	-
Douglas	0.0	0.0	3.0	4.7	13.9	-
Eagle	5.6	0.0	32.2	30.0	14.6	-
El Paso	27.4	55.7	25.3	49.6	30.3	-
Elbert	0.4	0.0	10.3	26.8	13.2	-
Fremont	36.8	67.0	37.4	75.4	37.0	-
Garfield	47.7	58.3	35.9	33.3	34.4	-
Gilpin	0.0	0.0	0.0	0.0	2.3	-
Grand	1.4	0.0	7.3	0.0	0.0	-
Gunnison	15.7	28.6	32.7	35.3	34.0	-
Hinsdale	0.0	-	-	-	-	-
Huerfano	4.8	6.0	3.7	0.0	7.9	-
Jackson	13.2	5.9	0.0	0.0	0.0	-
Jefferson	13.7	19.3	16.7	17.5	20.3	-
Kiowa	0.0	0.0	0.0	0.0	0.0	-
Kit Carson	5.5	0.0	0.0	0.0	0.0	-
La Plata	22.2	28.9	20.5	43.9	20.0	-
Lake	32.6	0.0	19.3	40.0	18.8	-
Larimer	23.7	31.6	28.5	37.4	16.9	-
Las Animas	19.0	35.2	19.7	27.8	21.5	-
Lincoln	7.9	0.0	6.0	0.0	5.4	-
Logan	28.2	51.8	40.4	59.4	30.5	-
Mesa	33.0	62.5	31.0	48.8	32.9	-

Exhibit A.1 (Continued): County Participation Rates in FFY 2005, FFY 2006, and FFY 2007*

County	Federal Fiscal Year 2005		Federal Fiscal Year 2006		Federal Fiscal Year 2007*	
	Fulfilling All-Families Work Participation Requirement	Fulfilling Two-Parent Family Work Participation Requirement	Fulfilling All-Families Work Participation Requirement	Fulfilling Two-Parent Family Work Participation Requirement	Fulfilling All-Families Work Participation Requirement	Fulfilling Two-Parent Family Work Participation Requirement**
Mineral	0.0	-	0.0	-	-	-
Moffat	16.8	33.3	12.9	20.0	27.8	-
Montezuma	17.2	10.0	20.0	15.8	19.1	-
Montrose	28.7	41.0	32.5	53.7	31.3	-
Morgan	30.5	37.5	29.5	41.6	27.3	-
Otero	25.3	41.6	23.0	42.0	13.4	-
Ouray	0.0	-	0.0	-	0.0	-
Park	22.8	34.8	9.8	0.0	20.6	-
Phillips	0.0	0.0	0.0	0.0	5.9	-
Pitkin	0.0	-	0.0	-	0.0	-
Prowers	4.5	1.4	18.9	6.9	31.4	-
Pueblo	20.7	29.1	29.4	39.9	29.3	-
Rio Blanco	0.0	-	0.0	-	0.0	-
Rio Grande	32.5	49.1	42.6	63.2	32.3	-
Routt	0.0	0.0	0.0	0.0	0.0	-
Saguache	23.8	23.5	31.0	25.0	32.0	-
San Juan	-	-	-	-	11.1	-
San Miguel	0.0	-	0.0	0.0	0.0	-
Sedgwick	32.1	-	42.2	0.0	0.0	-
Summit	0.0	0.0	0.0	0.0	0.0	-
Teller	28.3	33.3	19.9	27.8	13.5	-
Washington	21.3	50.0	25.0	0.0	32.1	-
Weld	28.7	28.2	26.8	29.2	35.7	-
Yuma	19.6	23.1	39.8	37.5	61.4	-
State	20.4	32.8	22.7	35.1	24.3	-

* Includes only Federal Fiscal Year Quarters 1, 2, and 3 (October 2006 - June 2007)
** Not calculated because child care data was unavailable for FFY 2007
Source: CBMS administrative data

Exhibit A.2: Demographic and Case Characteristics of Colorado Works Recipients by Work Participation Status in FFY 2007*

Demographic Characteristic	Fulfilling All Families Work Participation Requirement	Participating but Without Enough Hours, Not Exempt from Requirements	No Federally Countable Activity Hours Logged, Not Exempt from Requirements	Exempt from Work Participation Requirements	Disregarded from the Participation Calculation
Family type (%)					
One-parent	80.7	83.1	84.1	74.5	97.8
Two-parent	19.3	16.9	15.9	25.5	2.2
Gender (%)					
Female	86.7	86.7	86.1	76.6	96.4
Male	13.3	13.3	13.9	23.4	3.6
Disabled (%)	12.3	0.0	0.0	89.7	15.1
Marital Status (%)					
Never married	80.3	80.6	80.7	67.8	88.8
Married	12.2	10.8	10.8	19.6	5.9
Divorced, Separated or Widowed	7.5	8.6	8.5	12.6	5.4
Age (%)					
18-24 years	36.7	27.0	30.3	11.7	53.5
25-34 years	43.6	41.3	40.6	33.9	35.3
35 years or more	19.6	31.7	29.0	54.4	11.2
Number of children on the eligibility unit (%)					
None**	0.5	2.4	4.7	2.2	0.2
One	32.8	35.2	35.9	35.8	33.8
Two	31.8	32.7	29.7	31.0	31.0
Three or more	34.9	29.7	29.7	31.0	35.0
Age of youngest child (%)					
Under 1 year	26.6	6.5	5.3	5.8	83.9
1 to 3 years	46.2	41.2	44.4	27.2	10.7
4 to 5 years	14.2	11.1	15.0	12.1	1.6
6 years or older	13.0	41.2	35.2	54.9	3.8
Average Monthly Number of Clients	1384	911	2092	1293	1094

* Includes only Federal Fiscal Year Quarters 1, 2, and 3 (October 2006 - June 2007)
Source: CBMS administrative data

Exhibit A.3: Diversions Granted by County, SFY 2006

County	State Diversion	County Diversion	Total Diversions	Average Total Monthly Caseload*
Adams	45	87	132	755
Alamosa	21	0	21	168
Arapahoe	226	1	227	2,239
Archuleta	1	1	2	24
Baca	0	0	0	20
Bent	5	0	5	43
Boulder	3	0	3	450
Broomfield	5	0	5	42
Chaffee	2	0	2	28
Cheyenne	1	0	1	3
Clear Creek	2	10	12	16
Conejos	13	46	59	56
Costilla	0	0	0	35
Crowley	0	9	9	47
Custer	0	0	0	7
Delta	1	7	8	94
Denver	114	33	147	2,938
Dolores	0	0	0	5
Douglas	6	0	6	88
Eagle	1	14	15	35
Elbert	3	5	8	43
El Paso	738	68	806	2,662
Fremont	62	15	77	203
Garfield	0	12	12	57
Gilpin	4	3	7	8
Grand	0	0	0	11
Gunnison	0	5	5	17
Hinsdale	0	0	0	2
Huerfano	5	9	14	75
Jackson	0	0	0	4
Jefferson	161	104	265	1,451
Kiowa	0	0	0	9
Kit Carson	3	1	4	14
Lake	0	0	0	16
La Plata	90	83	173	100
Larimer	7	146	153	773
Las Animas	3	6	9	126
Lincoln	9	14	23	24
Logan	3	8	11	78
Mesa	150	106	256	572
Mineral	0	0	0	2
Moffat	2	0	2	41
Montezuma	0	0	0	113
Montrose	1	6	7	106

Exhibit A.3 (Continued): Diversions Granted by County, SFY 2006

County	State Diversion	County Diversion	Total Diversions	Average Total Monthly Caseload*
Morgan	1	12	13	159
Otero	16	34	50	157
Ouray	0	0	0	1
Park	1	0	1	20
Phillips	0	0	0	13
Pitkin	1	0	1	3
Prowers	0	1	1	130
Pueblo	52	16	68	1,035
Rio Blanco	1	3	4	7
Rio Grande	0	1	1	91
Routt	3	5	8	7
Saguache	4	5	9	37
San Juan	0	0	0	0
San Miguel	0	0	0	2
Sedgwick	2	1	3	3
Summit	1	7	8	8
Teller	11	22	33	40
Washington	0	2	2	7
Weld	16	0	16	390
Yuma	0	5	5	24
State	1,796	913	2,709	15, 730

* Total monthly caseloads include BCA and diversion cases.
Source: CBMS administrative data

Exhibit A.4: Diversion as a Percent of New and Returning Cases, SFY 2006

County	State Diversion (%)	County Diversion (%)	Total Diversions (%)	Average Monthly New and Returning Cases*
Adams	6.8	12.5	19.3	55
Alamosa	9.2	0.0	9.2	19
Arapahoe	3.7	0.0	3.8	238
Archuleta	0.0	9.1	9.1	3
Baca	0.0	0.0	0.0	2
Bent	15.8	0.0	15.8	4
Boulder	0.5	0.0	0.5	42
Broomfield	7.8	0.0	7.8	5
Chaffee	6.3	0.0	6.3	3
Cheyenne	0.0	0.0	0.0	1
Clear Creek	5.6	30.6	36.1	4
Conejos	9.9	44.6	54.5	8
Costilla	0.0	0.0	0.0	3
Crowley	0.0	14.2	14.2	5
Custer	0.0	0.0	0.0	1
Delta	1.0	4.4	5.5	12
Denver	3.5	1.0	4.6	234
Dolores	0.0	0.0	0.0	1
Douglas	5.5	0.0	5.5	11
Eagle	1.0	17.6	18.7	6
Elbert	0.0	2.0	2.0	6
El Paso	21.2	2.1	23.3	257
Fremont	9.0	2.4	11.4	25
Garfield	0.0	2.6	2.6	7
Gilpin	25.0	18.8	43.8	2
Grand	0.0	0.0	0.0	2
Gunnison	0.0	16.7	16.7	2
Hinsdale	--	--	--	0
Huerfano	2.7	8.8	11.5	7
Jackson	0.0	0.0	0.0	2
Jefferson	8.7	5.6	14.3	144
Kiowa	0.0	0.0	0.0	1
Kit Carson	9.4	6.3	15.6	2
Lake	0.0	0.0	0.0	3
La Plata	31.7	31.1	62.8	22
Larimer	0.6	14.1	14.8	79
Las Animas	1.1	4.6	5.7	12
Lincoln	23.0	27.5	50.5	4
Logan	2.0	8.6	10.7	8
Mesa	18.8	6.3	25.1	57
Mineral	--	--	--	0
Moffat	5.8	0.0	5.8	4
Montezuma	0.0	0.0	0.0	13
Montrose	0.5	3.1	3.5	15

Exhibit A.4 (continued): Diversion as a Percent of New and Returning Cases, SFY 2006

County	State Diversion (%)	County Diversion (%)	Total Diversions (%)	Average Monthly New and Returning Cases*
Morgan	0.5	5.9	6.4	16
Otero	10.3	18.4	28.7	13
Ouray	0.0	0.0	0.0	1
Park	3.3	0.0	3.3	2
Phillips	0.0	0.0	0.0	2
Pitkin	50.0	0.0	50.0	2
Prowers	0.0	0.4	0.4	13
Pueblo	4.1	1.8	5.9	75
Rio Blanco	5.6	22.2	27.8	2
Rio Grande	0.0	1.0	1.0	9
Routt	10.0	27.5	37.5	2
Saguache	7.5	7.7	15.2	4
San Juan	0.0	0.0	0.0	1
San Miguel	0.0	0.0	0.0	1
Sedgwick	50.0	25.0	75.0	1
Summit	3.1	31.3	34.4	3
Teller	11.8	26.3	38.1	7
Washington	0.0	6.3	6.3	2
Weld	2.7	0.0	2.7	44
Yuma	0.0	5.9	5.9	5
State	8.4	4.3	12.6	1,527

* Average monthly new and returning cases include BCA and diversion cases that did not receive Colorado Works payments in the previous two months.
Source: CBMS administrative data