

Local Implementation of TANF in Five Sites: Changes Related to the Deficit Reduction Act

Final Report

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The opinions expressed and conclusions drawn in this report are the responsibility of the authors and do not represent the official views of the Administration for Children and Families or other U. S. Department of Health and Human Services agencies.

I. INTRODUCTION

A. Background

In 2006, the Lewin Group and its subcontractor, the Nelson A. Rockefeller Institute of Government, assessed and reported on recent adaptations made by local offices in managing Temporary Assistance for Needy Families (TANF) programs. This assessment sought to provide a clear picture of recent changes implemented by local program managers to improve performance, several years after the initial wave of change brought about by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). Under contract to the U.S. Department of Health and Human Services (DHHS) Administration for Children and Families (ACF) the study team visited local sites in five states, interviewing staff and management in TANF and other local offices that provide services for TANF clients. The results of the field work and analyses were published in January 2007.

As field work for this study was progressing, TANF was reauthorized under the Deficit Reduction Act (DRA) of 2005. The legislation and related regulations included several provisions that strengthened the program's work participation requirements. The new requirements:

- Expanded the categories of adults included in the state work participation calculation by adding families receiving assistance in separate state programs (see Box 1 for more details);
- Modified the base year used in computing the caseload reduction credit (See Box 1);
- Defined what constitutes work activity by specifying federal definitions;
- Included a standard for documenting work hours; and
- Added a new penalty for failure to establish or comply with work participation verification procedures.

The combination of changes under the DRA and the implementing regulations will likely make achieving the work participation requirements more challenging for some states.¹ In particular, the change in the caseload reduction credit's base year from 1995 to 2005 has meant that many states have had to increase the percentage of clients engaged in work-related activities in order to meet those requirements. Until the DRA, the steep caseload declines that occurred during the late 1990s and later had the effect of substantially reducing the percentage of clients required to participate, for many states effectively eliminating the requirement altogether (reducing the required percentage to zero). While caseload reduction is still considered in the computation of the work participation rate, its effect is more limited because recent caseload declines, while continuing in many states, are not of the same magnitude as those following

¹ At the time that this report was completed, data were not yet available on states' performance relative to the participation rate requirements for the period after the DRA and related regulatory changes became effective.

passage of PRWORA. (States can increase the caseload reduction credit by spending in excess of their maintenance of effort level.)²

Box 1: Work Participation Requirements

The work participation requirements for all families and two-parent families (50 percent and 90 percent, respectively) were not changed by the DRA. However, the legislation and the federal regulations (interim final rule) changed the work rate structure in two key ways.

First, individuals not previously subject to work participation requirements were added to the work participation rate calculation. Work-eligible individuals, according to the regulations, includes two types of adults:

- Adults receiving assistance in a TANF-funded program as well as those receiving assistance in a separate state program that counts towards the maintenance of effort (MOE) requirement. Prior to October 1, 2006, families in a separate state program were not included in the work participation rate.^a
- Certain non-recipient parents living with children receiving assistance. This does not include child-only cases in which children live with other non-recipient relatives. An individual is also excluded from the work-eligible population if she or he: is ineligible for assistance due to immigration status, receives Supplemental Security Income (SSI), or is a minor parent who is not the head of the household or spouse of the household head.

However, parents caring for a child or family member with a disability who were previously counted in calculating the work participation rate can now be excluded from both the numerator and the denominator of the computation.

Second, the DRA modifies the caseload reduction credit. Prior to the DRA, a state's work participation rate was reduced by the number of percentage points by which its caseload fell, with 1995 serving as the base year. Starting on October 1, 2006, adjustments to the work participation rate will be based on caseload reductions after 2005.

In addition, the DRA added requirements related to verification and supervision of client participation in work-related activities. Beginning in October 2006, states and local jurisdictions were also required to bring their TANF programs into compliance with regulations published by ACF implementing and further defining the requirements of the DRA.

^aNot all states had separate state programs prior to DRA. Many states that did have separate state programs moved cases into solely state-funded programs. Clients in solely state-funded programs are not included in the computation of the work participation rate.

Although the field work for the initial study was completed after the DRA was enacted, local office operations had not yet been affected by the statutory and regulatory changes.

Nevertheless, it was expected that once state program officials had time to study and react to the changes, local management practices, such as operational strategies, organizational structures, staff training and reporting systems, would be affected. As a consequence, ACF asked the Lewin Group and the Rockefeller Institute to return to the original study sites to determine the nature of changes brought about by the DRA. The site visits were conducted in mid-2007, in all cases approximately one year after the initial site visits.

² Section 261.43 Subsection (b) of the final rule "allows a State to exclude from the caseload reduction credit calculation cases on which the State has spent "excess MOE," that is, MOE in excess of the amount it needs to meet its MOE requirement." This subsection was largely unchanged from the original TANF regulations. However, due to state interest in this provision, the final DRA rule contained language on the methodology for calculating excess MOE. For additional information, see the final rule, available on-line at <http://a257.g.akamaitech.net/7/257/2422/01jan20081800/edocket.access.gpo.gov/2008/08-455.htm>.

B. Study Methodology

Through on-site visits, reviews and follow-up discussions with state and local staff, the original study explored how the TANF program was operating at the local sites, both in terms of bureaucratic structures and program practices.³ Thus, it was not necessary to gather basic information regarding these factors during the subsequent round of visits. Instead, these visits focused on how the program had changed since the initial round of site visits, either as a consequence of the DRA or otherwise. In a departure from the local focus of the original study, the team also gathered documentation regarding state-level policy and procedural changes. The project team met with state officials, in most cases at the state capital, in order to better understand how the program had changed, the strategies that states were implementing to address the new requirements, and also to determine whether additional changes were planned. *Exhibit 1* summarizes the state and local agencies responsible for the TANF program in each study state.

Exhibit 1: TANF Program Responsibility

| State (Local Area) | TANF Program | State Agency | Local Agency |
|------------------------|-----------------------|--|---|
| Arizona (Phoenix) | Cash Assistance | Department of Economic Security (DES) Family Assistance Administration (FAA) (TANF eligibility) DES Employment Administration (contracts with private employment service providers) | FAA staff (TANF eligibility) MAXIMUS staff (DES Employment Administration contractor for employment services) |
| Georgia (Macon) | TANF | Department of Human Resources | Bibb County Division of Family and Children Services |
| Missouri (Kansas City) | TANF | Department of Social Services Family Support Division (TANF eligibility) Department of Economic Development Division of Workforce Development (DWD - employment services) | Local DSS Office Full Employment Council (DWD contractor) |
| New Jersey (Newark) | Work First New Jersey | Department of Human Services Division of Family Development (DFD) (TANF eligibility) Department of Labor and Workforce Services (employment and training services) | Department of Citizen Services (TANF eligibility) Department of Economic Development, Training and Employment (employment and training services) |
| Wisconsin (Milwaukee) | W-2 | Department of Workforce Development (DWD) | UMOS (Region 4, DWD contractor) |

³ The findings from the original study are available on-line at:
http://www.acf.hhs.gov/programs/opre/welfare_employ/local_impl/index.html

One caveat is in order. The site visits occurred in the spring and summer of 2007 when the interim final rule was in effect. On February 5, 2008, DHHS published the final rule implementing changes in the TANF program included in the DRA. The final rule changed several policies included in the interim final rule that were the subject of comments by state and local staff.

C. Structure of the Report

This remainder of this report is divided into the following sections:

Section II summarizes changes in policies and practices that occurred since the 2006 site visits. Included are DRA-related changes adopted at the state level, DRA-related changes initiated at the local level, and changes that were not made in response to the DRA but are expected to have an effect on the work participation rate.

Section III describes issues and challenges that were reported by state and local officials as resulting from the DRA.

Section IV describes factors expected to affect the likelihood that states will meet the work participation rate. This includes limitations related to state program policies and management structures.

Section V offers conclusions from this study.

Section VI describes areas of potential future research.

II. POST-DRA CHANGES IN POLICIES AND PRACTICES

This section describes the changes that have occurred or are planned in each of the study states. The first subsection documents the changes that state- and local-level staff indicated were adopted specifically to address one or more provisions of the DRA. Most of these changes were initiated at the state level. The second subsection explores the changes that occurred coincidentally with the implementation of the new DRA policies and procedures, and may in fact help states achieve the DRA-related goals, but were under consideration and/or adopted prior to passage of the DRA.

Except where otherwise noted, state officials were not prepared to quantify the effects of the changes on the participation rate. In most cases, this was due to the fact that the changes were only recently implemented, or had not yet been implemented. In other cases, a number were implemented simultaneously, making it difficult to isolate the effects of individual changes.

A. Changes Specific to DRA

1. *Changes Adopted at the State Level*

The project team observed a number of changes related to the DRA initiated at the state level. State-level staff in all five study states are providing guidance to local offices on how to track and document client work activities per the state's work verification plan. Additionally, some states adopted policies to divert more cases from TANF, make it easier to start the sanctioning process, move clients to solely state-funded programs, advise local offices on how to work with clients that have been difficult to engage in the past, suggest to local offices how to engage clients in core activities, expand earned income disregards, or upgrade data systems. These changes in policies and practices are described below.

Monitoring work participation. State-level staff in all five study states noted that they provided guidance (in writing, through training or both) on how to track and document client work activities per the state's work verification plan. The Wisconsin Department of Workforce Development (DWD), for example, was conducting training across the state at the time of the site visit. DWD issued a memo to local W-2 agencies that provided instructions and case examples for documenting work participation, verifying participation, and for supervising activities, among other topics.

Additionally, two states upgraded data systems or adopted innovative uses of data to better monitor work participation. New Jersey developed a statewide electronic client participation tracking system (E-Time). As of August 2007, vendors input hours of client attendance directly into the system. In preparation for rolling out the system, the Division of Family Development distributed standardized time sheets to service providers to record hours of clients' attendance in required activities. One result of the use of the standardized time sheets was that the percent of clients sanctioned statewide increased from an average of 9 percent to 12 percent and up to 20 percent in some counties.

State-level staff in Arizona use statewide databases to find unreported work participation. Specifically, the databases – the State Directory of New Hires and Unemployment Insurance

wage records – provide information on whether current and former cash assistance clients are or were working in unreported, unsubsidized employment (e.g., a client may be working in unsubsidized employment but failed to notify her or his caseworker). If staff get a “hit”, they follow up with the employer to verify the work. If the client had been working, the work participation rate is adjusted accordingly. State staff estimate that this data mining will increase the work participation rate 2-3 percentage points each month.

Expanding diversion policies or criteria.⁴ Two states changed their diversion policies after the initial round of site visits. In Arizona, the criteria for diversion were expanded in an effort to increase the number of diverted cases (see Box 2). State staff noted that diversions can steer potential clients away from a “welfare mindset.” They pointed out that the average length of a spell on cash assistance (as it is called in the state) is 10 months, but that recidivism levels are high, so that the average time spent on cash assistance across spells is much longer. Diversion policies seek to prevent an initial entry onto cash assistance and thus a cycling on and off of benefits. The new diversion provision took effect in September 2007. Because the provision was only recently implemented, DES staff indicated that there had not been sufficient time to collect data, but that initial reports suggest an increase in diverted cases each month.

Box 2: Diversion Policy in Arizona

Prior to April 2007 when the new policy was adopted, only cash assistance applicants who met the following criteria could be considered for diversion: clients were required to (1) have a job or a job offer in hand and (2) have needs of less than \$1,000.

The state changed both of these criteria. Now diversions can be granted to applicants who expect to find a job within three months of receiving the diversion. Applicants with needs that exceed \$1,000 can also be considered if supportive services now provided by the state, such as housing and transportation assistance, will fill the gap.

According to Department of Economic Security (DES) staff, the Department's commitment to reduce the cash assistance caseload resulted in this proactive approach to improve the option of diverting cash assistance applicants from long-term assistance. State legislation enacted in 2007 broadened the diversion option to a larger population. DRA was the driving force behind this change; diversions are expected to contribute to the caseload reduction credit. However, its passage dovetailed with actions already underway. DES adopted the initial diversion policy as a way of changing the welfare culture—that is, to divert those who can avoid getting into the system through employment, thus changing the mindset of the role of cash assistance. DES questioned why the previous version of the diversion program was not effective and determined that the low diversion take-up rate was due to the way the law was drafted. That is, candidates for diversion had to have a job offer and could not have needs that exceeded \$1,000. DES worked with the legislature to update the law to make it more flexible. Candidates are now screened to determine if they have work experience within the past 12 months or education that would suggest they could find employment within 90 days. Staff also screen for barriers that could affect the candidate's ability to work.

In another change, screening for diversions and processing the paperwork are no longer the responsibility of state Employment Administration staff. Employment and case management services were privatized across the state. Now, eligibility workers (who are state employees) and TANF Service Coordinators (TSCs, also state employees) share the responsibility for screening clients for diversion and providing employment and supportive services to diversion recipients. The rationale for the change is that diversion is an eligibility function, not an employment one.

⁴ Diverting potential clients from receiving regular monthly payments can benefit a state in that it can increase the caseload reduction credit and thus decrease the percentage of clients required to participate in work-related activities.

The diversion policy also changed in Georgia, although, as discussed further below in Section II.B, the change was related to a re-engineering of the TANF program (called TANF Phase II) and not DRA-specific.

Changing sanction policies and procedures. Three states made changes, or considered changes, in their sanction policies. Two of these states streamlined the sanction process to make it simpler and strengthen sanctions for failure to participate in work activities. In New Jersey, legislation simplified the sanction process. The adult's portion of the grant will be withheld the first month, the full family grant will be withheld the second month and the case closed the third month. A single 10-day notice starts the process. To cure the sanction, the client will be required to participate in an assigned activity for 10 days before the sanction is lifted. The state expects that once this policy is rolled out (it was undergoing an internal review process at the time of the site visit), it will increase the state's participation rate.

Arizona also streamlined the sanction process. As noted in the previous project report, the state revised its sanction process in 2002 as the result of a lawsuit that alleged unfair and arbitrary sanctioning. Clients had only to state their intent to comply with work participation rules to avoid sanctioning. Staff noted that it was difficult to sanction any client under this policy and, as a result, sanctions were not an effective tool to encourage participation in work activities. The policy was changed in April 2007 and was expected to be implemented in January 2008. Clients will be required to demonstrate an intent to comply with program rules, such as participating in work activities, or be subject to sanction. Staff hope that work participation will be more enforceable and that sanctions will motivate clients to comply.

Finally, Missouri considered a full-family sanction for failure to participate in work activities. The state tabled the policy while it assesses the effect of an immediate engagement policy (see below). State staff noted that the advocacy community expressed strong concerns about the full-family sanction.

Moving clients to solely state-funded programs. New Jersey and Georgia provide or will soon begin providing to some TANF clients assistance under non-TANF solely state-funded programs that are not counted toward the maintenance of effort requirement. New Jersey has begun to move clients with long-term health-related problems to such a program, as the state had done previously for two-parent families. According to state staff, in the first month after the change, over 6,000 cases were moved to the solely state-funded program. These clients were no longer counted in the state's work participation rate, and, as a result, the participation rate increased by 4 percent. Georgia is currently taking steps to fund two-parent families through a solely state-funded program.

Targeting hard-to-employ clients and engaging them in work activities. Three states are focusing on a segment of their caseload that has been difficult to engage in work activities due to disability. Two are providing guidance to local offices on how to engage this population. One state is creating a Supplemental Security Income (SSI) advocate service to help clients with disabilities apply for federal disability benefits.

Wisconsin state staff drafted a “best practices” memo for local W-2 agency staff that included information on how to work with W-2 Transition (W-2T) clients with barriers to employment.⁵ W-2T is the most common placement in the state. Within this caseload are a diverse set of individuals: those with short-term disabilities, those with alcohol and other drug addictions and/or mental health placements, and those with significant disabilities who are on the SSI track. The state has long provided guidance to W-2 agencies on barriers screening, including development of a screening tool, but local agencies had discretion as to placement of clients in work activities in line with local labor market conditions and client needs. Following passage of the DRA, state instructions became more directive. The memo suggested actions that could affect the first two sub-groups: those with short-term disabilities and those with alcohol and other drug addictions and/or mental health placements. For example, W-2 agencies can implement motivational techniques in the assessment process. Instead of explaining that the formal assessment is used to determine how many hours a person can work, the case manager could emphasize the use of the assessment to determine what accommodations can be provided and which supportive services are needed to help the participant engage in activities. The Department of Workforce Development (DWD) is also revising the Medical Capacity Form (used by physicians) and assessment policies to ensure that they clearly communicate the employment focus of W-2. In addition, DWD suggests that local W-2 agencies coordinate with the Vocational Rehabilitation (VR) agency in their area to ensure that clients with disabilities access VR supports. Moreover, VR can help with work-related placements (e.g., supported employment).

New Jersey also revised the form sent to physicians to gather information about limitations on clients’ ability to work as a consequence of a medical condition. The change is intended to elicit more specific information regarding the types of activities in which clients can engage. Local offices are encouraged to question whether there are appropriate employment activities for clients with medical limitations rather than accept blanket statements that clients cannot work.

Finally, Georgia is in the process of providing SSI advocacy services statewide to assist TANF clients with disabilities to access federal SSI benefits. The local site in Macon had been using a contractor to provide such services for some time; the state office was moving to expand this practice throughout the state.

New methods to engage clients in core activities. All five states are focusing attention on engaging clients in core activities. A common practice, for example, is to ask local offices to review the individual work plans for the clients in their caseloads to ensure that they are participating in the required number of hours each week as well as the appropriate number of *core* activity hours (see Box 3).

⁵There are four W-2 placement tiers. W-2T is for individuals who are not ready for any of the other tiers. Participants must have a formal assessment. Based on the results of the assessment, participants may be assigned up to 28 hours per week in W-2T activities and up to 12 hours in education and training. Work training activities include community rehabilitation programs, volunteer activity, activities similar to Community Service Jobs (CSJs) but with more supervision, and, if approved by the case manager, detoxification, mental health activities, counseling, and caring for a family member.

Box 3: Work Activities—Core and Non-Core

Single parent families must participate for an average of 30 hours per week to be counted in the work rate. Two-parent families must participate for either 35 hours per week or 55 hours per week, depending on whether or not they receive federally funded child care. Core activities can count towards any participation hours. Non-core activities can count only after the participant has completed at least 20 hours of core activities in a given week. The interim final rule implementing the DRA also defines each work activity.

Core activities are:

- Unsubsidized employment
- Subsidized private-sector employment
- Subsidized public-sector employment
- Work experience
- On-the-job training
- Job search and job readiness assistance (for up to six weeks in a fiscal year of which no more than four can be consecutive; also includes life skills training, substance abuse treatment, mental health treatment and rehabilitation activities, unless the state meets the definition of a “needy state”⁶)
- Community service program
- Vocational educational training
- Providing child care services to an individual who is participating in a community service program

Non-Core activities are:

- Job skills training directly related to employment
- Education directly related to employment, for recipients without a high school diploma or equivalent
- Satisfactory attendance at a secondary school or in a course of study leading to a GED, for recipients without a high school diploma or equivalent

One state, Missouri, will soon implement changes in policy and practice in order to engage clients more quickly in work activities. The state has adopted an “immediate engagement” policy in which TANF applications are not considered complete until the applicant has met with staff at the employment services provider. The impetus for the immediate engagement policy was the failure of a large number of TANF clients to attend the employment services orientation and subsequently participate in work activities. As the previous report indicated, Department of Social Services (DSS) local offices provide eligibility services while DWD contractors provide employment services and case management. Under the immediate engagement policy, which is expected to go into effect in January 2008, applications are not considered complete and processed by DSS until the applicant meets with the employment services contractor and develops an individual employment plan. In addition to the immediate

⁶ States that meet the definition of a “needy state” for purposes of the contingency fund may count these activities for up to 12 weeks, of which no more than 4 may be consecutive. In addition to the needy State trigger, there is an unemployment trigger.

engagement policy, the state staff is providing guidance on one specific core activity. In an effort to increase the number of community service program placements available to clients, DSS and DED issued a directive to local TANF offices and employment services providers to create work slots in their offices.

Wisconsin DWD issued a “best practices” memo in July 2007 that provides guidance to W-2 agencies on the new TANF work participation regulations and a number of strategies that can help prepare clients for employment and engage them in work and training activities to the fullest extent possible (see Box 4).

Box 4: Wisconsin Best Practices

DWD suggests that agencies providing or making referrals to work experience or job skills training assign as close to 25 hours per week as possible so if a client misses a few hours she or he will still meet the 20 hour core requirement.

In terms of job skills training, the memo suggests focusing on programs designed for the local labor market and that emphasize high growth, high demand occupations. For example, the memo recommends local W-2 agencies:

- Design a training program in response to an employer request to hire a specific number of individuals;
- Design a training program for jobs currently in high demand;
- Work with training providers such as technical colleges and workforce development boards to customize an existing training program for W-2 participants; and
- Link to high demand pre-apprentice and apprentice programs.

The memo also suggests tailoring work experience sites and job skills training to the interests and skills of clients, noting that they will be more likely to participate if the activities are interesting and meaningful.

Finally, the memo recommends finding work sites that are flexible—for example, that allow participants to make up hours on alternate days.

Expanding income disregards. One study state changed its earned income disregard following the DRA. New Jersey previously disregarded 100 percent of earned income in the first month and 50 percent in subsequent months as long as the client was eligible for cash assistance. The client had to be working 30 hours per week to qualify. Beginning in May 2007, this policy changed. Now, 75 percent of earned income is disregarded for Months 2 through 6. Moreover, clients need to work only 20 hours per week to qualify.⁷ An intended consequence of this policy is that the number of working clients on the caseload increased. Because the TANF grant in New Jersey is fairly low (\$424 per month for a family of three), under the previous policy, a client working full time or nearly full time would likely become ineligible for benefits soon after

⁷ The decrease in hours per week to qualify for the earned income disregard was not initially proposed by the Division of Family Development. The 20-hour provision was suggested by client advocacy groups and ultimately adopted by the state. The policy also closely tracks the federal requirement that 20 hours of the 30 hour per week participation requirement must be in a core activity, such as unsubsidized employment. To be counted as meeting the federal requirement, a client would have to participate the full 30 hours per week, though the additional 10 hours could be in an activity other than employment. Families with a child under age 6 need only participate an average of 20 hours per week.

the first month of work. The new policy has a positive effect on the state participation rate because the number of clients in a core activity grew.⁸

2. Changes Adopted at the Local Level

Local offices, while having less discretion in developing policies and practices to increase the work participation rate, took a number of actions to boost the rate. This includes creating specialized staff positions or units, developing new processes to engage clients in activities, improving methods to monitor performance, and designing ways to align work activities with client needs and skills. Each is described below.

Creating specialized staff positions. Two local-level offices took steps to assign specialized staff to monitor participation. The Milwaukee and Phoenix offices developed units dedicated to tracking work participation. In both offices, the stated goal was two-fold: to closely monitor work participation and ensure that missed hours were carefully documented and reported to case managers, and to free-up case managers' time so they could focus on working with clients rather than monitoring and verifying activities. In Milwaukee, the local office (UMOS) developed a tracking unit comprised of five staff and one supervisor. The unit notifies case managers if clients are not participating. This decision was made by UMOS and affects its two W-2 offices in Milwaukee. Staff at the local office visited spoke positively about this change, noting that case managers and monitors alike can now focus on their core functions more easily. The office supervisor stated it was too soon to determine the effect of the specified roles on the work participation rate.

The MAXIMUS-operated office in Phoenix uses a MAXIMUS-wide scheduling and work verification unit to track participation, notify case managers if clients are not participating in assigned activities, and to schedule appointments between clients and case managers.

A third local office, Kansas City, created specialized case management positions. New clients will be assessed for barriers to employment. Those with extensive barriers will be assigned to the most experienced case workers.

New local processes to engage clients. Four local offices adopted new case processing techniques post-DRA.

Essex County (Newark) took steps to more quickly identify cases with significant barriers to employment. Employment specialists now perform a "social assessment" to detect barriers early in the eligibility cycle. The county also recently let contracts for service providers to perform additional in-depth assessments for clients with low Test for Adult Basic Education (TABE) scores. The expectation is that the new assessments will help in the placement of clients in appropriate work activities.

In Kansas City, the employment services contractor, the Full Employment Council, is developing a new intake system that will be operational when the immediate engagement

⁸ Staff acknowledged that the downside of this policy is that months in which clients receive payments will count against their lifetime limit, months that might better be conserved for some point in the future when they have little or no income.

policy begins (January 2008). Applicants will attend a group orientation, which will include a module that explains the TANF program and the client's responsibilities. Applicants will be assessed for barriers and placed in one of the following categories: few barriers, some barriers, extensive barriers. Case managers are assigned to clients based on these categories. As noted above, the most experienced case managers will work with clients with extensive barriers.

In Phoenix, MAXIMUS developed a streamlined intake process. New clients no longer attend a group orientation. Instead, a specialized unit schedules new clients (see above) for a two-hour one-on-one session with their case managers. The meeting covers program rules, testing/assessment of skills and interests, and development of the work plan.

Finally, in Milwaukee, W-2 case managers and job coaches now conduct intake jointly so that the coaches have a better sense of the skills and interests of their clients. Coaches also work more closely with UMOS's on-site job developers to ensure that job sites are appropriate given the work skills, interests and needs of their clients.

Improved local efforts to monitor performance. The local office in Newark is monitoring the individual performance of its case managers (employment specialists). In 2007, the county employment office began to issue "report cards" to the case managers that include the participation rate of clients in their caseloads. The report cards are used as a management tool for analyzing office- and individual-level performance. For example, the tool is used to identify high performers who can then share promising practices with other staff. It also emphasizes the importance of the participation rate to the case workers. Staff in the local office report that the "silent message" is to meet or exceed 50 percent participation.

In Milwaukee, UMOS is beginning to track participation at the W-2 office, large work sites and large education providers through a biometric technology that scans client thumb prints. Clients press their finger on a special pad when they enter and exit a work site, school/learning center, or the local office (e.g., for job search and other office-based work activities). In this way, the tracking unit will know how many hours they were on site each day. This innovation was directly related to the DRA and the need to get accurate work participation information quickly. The technology will be deployed at all but the smaller work sites. Box 5 provides additional information about the system.

Box 5: UMOS Participation Reporting System

According to UMOS, the biometric system automates the management, collection, and posting of hours in real-time. The steps are as follows:

- UMOS enrolls the participant, enters the user profile and registers the participant's finger print. During the finger print scan, the technology performs calculations based on specific points on the scan plate. The result is a numerical value that is kept in the database. Actual prints or print images are NOT recorded. The print cannot be reproduced.
- Participants present their PIN number and press their finger to the scan pad clock in and out of their activity. The PIN and time stamp are registered with the application and database servers.
- UMOS staff generates participant time reports showing data as defined in TANF requirements.

Aligning work activities with client needs/skills. The local office in Milwaukee has taken steps to ensure that clients are placed in appropriate activities. As noted above, the state issued a “best practices” memo on how to work with hard-to-employ clients (i.e., those in the W-2T caseload). The local office, in partnership with other Milwaukee W-2 agencies, contracted with the Milwaukee Center for Independence, which specializes in working with people with disabilities. MCI’s services include assessments of clients and development of work sites. Local office staff are also reaching out to the medical community concerning completion of the medical capacity form in order to clarify whether participants truly cannot work or if they can participate in activities with appropriate supports and accommodations.

Also in line with the state’s best practice memo, the local office developed a new assessment tool for Community Service Job (CSJ) placements to determine occupational interests, aptitude and skill deficiencies. (CSJ is another W-2 placement tier.) This tool is used to guide work experience placements. The local office also developed Bridge Training for CSJ participants who have identified interests but need to build skills prior to a placement.

Finally, as described above, Newark and Kansas City developed processes to identify cases that need extra assistance (e.g., have multiple barriers to work). Following assessments, case workers meet with clients and assign them to activities suited to their needs and abilities.

Exhibit 2 summarizes key post-DRA changes by the level of government that initiated the change.

Exhibit 2: State and Local Post-DRA Changes by Entity that Initiated Change

| | State | | | | | Local | | | | |
|---|---------|---------|----------|------------|-----------|---------|-------|-------------|--------|-----------|
| | Arizona | Georgia | Missouri | New Jersey | Wisconsin | Phoenix | Macon | Kansas City | Newark | Milwaukee |
| Monitoring Work Participation | Δ | Δ | Δ | Δ | Δ | | | | | |
| Data System Upgrade/Data Use | Δ | | | Δ | | | | | | |
| Diversion Expansion | Δ | Δ | | | | | | | | |
| Changes to Sanction Policies or Procedures | Δ | | Δ | Δ | | | | | | |
| Moving Clients to Separate State Programs | | Δ | | Δ | | | | | | |
| Targeting Hard to Employ | | Δ | | Δ | Δ | | | | | |
| Engaging Clients in Core Activities | Δ | Δ | Δ | Δ | Δ | | | | | |
| Income Disregard Expansions | | | | Δ | | | | | | |
| Creating Specialized Staff | | | | | | Δ | | Δ | | Δ |
| New Local Process to Engage Clients | | | | | | Δ | | Δ | Δ | Δ |
| Efforts to Improve Performance Monitoring | | | | | | | | | Δ | Δ |
| Aligning Work Activities with Client Needs/Skills | | | | | | | | Δ | Δ | Δ |

B. Coincidental Changes

A number of states and local offices implemented changes in policies and practices that were not driven by the DRA but occurred at approximately the same time. This includes the privatization of services, the addition of services, the creation of new client placement options, and the development of new data systems.

Privatization of case management and employment services. In Arizona, changes associated with the DRA occurred while the state was rolling out a privatized system for providing employment and case management services. The state contracted with MAXIMUS and Arbor Education and Training to provide services in Maricopa County (Phoenix area) and the balance of the state, respectively. DES is using a combination of incentives and penalties to encourage the contractors to engage participants and meet the work participation rate (see Box 6).

Box 6: Arizona Contractor Penalties and Incentives

Penalties: DES included shared liability in contracts for employment-related services. If the state is penalized by the federal government for failing to meet its work participation rate, contractors will be required to share financially in the penalty. Bidders had to demonstrate that they had assets in reserve to cover potential penalties.

This policy grew out of a recommendation from the state Auditor General that DES require its contractors to cover any financial liability that would result from performance deficiencies (e.g., the state being sanctioned for failing to meet the work participation rate). DES incorporated this concept into its contracts. With passage of the DRA (which happened during the RFP process), this requirement took on a new level of significance and is one of the strategies that the state is using to not only guarantee work participation rate performance but also to ensure the DRA requirements are being met. In addition to requiring that the contractors assume financial liability for failure to meet the work participation rate, contractors are also required to cover financial liability imposed on the state by the federal government (in the form of a sanction) for failure to implement TANF verification plan requirements.

In addition to shared liability, contractors must meet the work participation rate quarterly for all families and two-parent families or they are penalized a dollar amount per client (\$5). The penalty is assessed on the next quarter's administrative costs. If data related to clients' employment subsequently brings the rate up to an acceptable level, the penalties will be reversed at the end of the Federal Fiscal Year.

Incentives: Contractors can receive incentives in three areas:

- If 85 percent or more clients are engaged in a countable work activity—or a non-countable activity that moves a family toward its employment goals—for 10 or more hours per week;
- If the contractor's caseload declines 25 percent or more during a quarter due to clients' engagement in verifiable unsubsidized employment that lasts at least 90 days. (State staff thought this incentive was achievable due to the high level of caseload churning);
- If recidivism rates are less than 25 percent for clients the contractor had worked with in the previous year.

These incentives can be paid even if the contractor is also being penalized for failure to meet the work participation rate.

State-level staff described the principal concern associated with the DRA as implementing changes while the state was rolling out a privatized system for providing employment and case management services. Many state Employment Administration staff began seeking other job opportunities as soon as it was clear that the system would be privatized. Thus, for several months in 2007, local offices were operating with minimal employment and case management staff. Among other problems, this made it difficult to verify client participation in work activities.

Additions to TANF services. Since the previous site visit in March 2006, Georgia instituted a number of changes to the TANF program designed to reduce the caseload and assist TANF and post-TANF clients to remain employed and advance to higher-paying jobs. The package of benefits is known as TANF Phase II. Box 7 describes key provisions.

Box 7: New TANF Services in Georgia

Diversion. The state instituted the Employment Intervention Service (EIS) program, which provides a one-time, lump-sum payment equal to four months of TANF payments. Available only once in a lifetime to clients who are temporarily unemployed (a client who has a job, but is currently not working) or employed at the time of application or soon thereafter, receipt of EIS precludes TANF eligibility for 12 months.

Post-TANF Benefits. The state created the Work Support Program, which provides Work Support Payments (WSP), Transitional Support Services (TSS), and job coaching. A client who becomes employed and moves from the rolls can receive \$200 per month, support services such as transportation assistance, and other work supports for six months. During a second six-month period, the client can receive \$100 per month, but no other work supports. Child care is also provided during the 12 months, and can continue subsequently, depending on the client's income. For up to 12 months the state provides a job coach (a contracted worker) to help with the transition from TANF to work and help the client move to higher-paying employment. Contractors can receive benchmark payments based on the length of job retention. The payment varies, with a potential maximum of \$2,300 if a client retains employment for six months. (The state gives local administrators flexibility to set amounts in contracts for these services, with none of the contracts thus far reaching the maximum set by the state.)

Missouri is also funding intensive case management services. The Department of Social Services (which handles the eligibility side of the TANF program) set aside \$3 million in 2007 to serve families that were sanctioned. Local areas could apply for funding. In Kansas City, the Local Investment Commission applied for \$1.1 million. Should LINC receive the funds, staff will make referrals to and fund service providers in the area, among other activities. While this set-aside is only for one fiscal year, local staff hope that similar funding will become available annually.

New client placement option. In Wisconsin, state staff created a new placement for W-2 recipients: Community Service Job – Job Search. As indicated in the earlier report, there are four W-2 placement tiers: Unsubsidized Employment (no cash grant but case management services), Trial Job (no cash grant, but the employer pays wages that are subsidized by W-2), Community Service Job (\$673 per month), and W-2 Transition (\$628 per month). Previously, applicants without jobs but who were deemed to be job ready were placed in unsubsidized employment. However, this changed recently after two clients sued the W-2 agency, stating that they were financially harmed because they received no cash grant while searching for a job. The court ruled in their favor and the Department of Workforce Development responded by creating the new job search placement. Rather than creating a new tier, the job-search activity was added to the CSJ tier: CSJ-Job Search. Clients in this position are expected to attend structured job search activities daily, follow up on job leads, and meet with their case managers regularly.⁹ The state expects that these participants will have a positive effect on the work participation rate because they are employable and will likely be engaged 30 to 40 hours per week. Previously they would not have counted toward the participation rate because they would not have received a cash grant.

⁹ W-2 agencies were instructed to assign 40 hours of intensive job services during the first two weeks of placement and 30 hours of intensive services thereafter. Agencies are to reassess the appropriateness of the placement after 60 days.

New data systems. In Missouri, the Department of Workforce Development is replacing the information system used to manage cases and provide state-level data for all programs within DWD’s jurisdiction, including the TANF work program. The local TANF office and DWD contractor dislike the current system, Toolbox, because it does not provide real-time information needed by program managers. The new system, Toolbox II, is expected to provide easier access to timely management information.

Exhibit 3 summarizes the concurrent changes adopted by states.

Exhibit 3: Coincidental Changes

| | State | | | | |
|---|---------|---------|----------|------------|-----------|
| | Arizona | Georgia | Missouri | New Jersey | Wisconsin |
| Privatize Case Management and Employment Services | Δ | | | | |
| Additions to TANF Services | | Δ | Δ | | |
| New Client Placement Option | | | | | Δ |
| New Data Systems | | | Δ | | |

III. CHALLENGES TO STATE PROGRAMS RESULTING FROM THE DRA

This section describes a number of issues/challenges that were reported by state and local officials as a consequence of the DRA and implementing regulations.

A. Activities that Count Towards the Participation Rate

Staff in all five of the states expressed varying levels of concern with aspects of federal policy related to the activities that count for the purpose of determining the participation rate, particularly the designation of education-related activities as non-core. Often these concerns were cited as DRA-related changes. In fact, the emphasis on employment-related activities is not a direct consequence of the DRA or the implementing regulations. Education-related activities have been considered as non-core since PRWORA. However, the need to increase the number of clients who satisfy the participation requirement has meant that certain longstanding federal policies, such as the emphasis on employment, have become challenging for some states and local areas. (This issue is addressed in the conclusions section of this paper.) For example, in Missouri, staff at the state and local level expressed significant concern that the federal emphasis on a work-first approach does not fit well with the needs of many TANF clients, who they believe lack sufficient education to compete in the job market (e.g., in the Kansas City region, 42 percent do not have a high school diploma). Staff noted that under the federal definitions of countable work activities, job skills training directly related to employment, education directly related to employment, and satisfactory attendance at a secondary school or in a course of study leading to a GED – are non-core activities. In order for a client to satisfy the participation requirement, she or he must participate at least 20 hours in core activities in order for education and training activities to also be counted.

In Wisconsin, state-level staff expressed concern that the state may not meet the work participation rate. A regulatory change involving clients who stay at home to care for a disabled child or family member had an unexpected effect on the state's participation rate. Under W-2, these clients were considered to be engaged in community service. Under the DRA regulations, the definition of community service does not include caring for a family member. In addition, these individuals are no longer counted in the work participation rate computation (neither in the numerator nor the denominator). From the state's perspective, this negatively affects the participation rate because this subset of the caseload were "winners" – that is, they could be counted on to participate for the full amount of hours each week and bolstered the work participation rate. Thus, even though these clients are now considered to be exempt from participation requirements, removing them from the computation has the effect of significantly lowering the state's participation rate, rather than being a "wash", as state staff had initially thought.¹⁰

¹⁰ For most states eliminating this group of clients would increase the work participation rate. However, because Wisconsin counted members of this client population as participating in a work-related activity, removing them entirely from the computation is expected to negatively affect the state's participation rate.

B. Verification and Supervision of Work Activities

State and local staff did not describe the verification and supervision requirements in the DRA and the federal rule as problematic. While these requirements have resulted in changes in local procedures, staff seemed to be generally accepting of them. That is not to say that there were no concerns expressed regarding the new requirements. In New Jersey, staff and managers indicated that the extra time and effort needed to satisfy verification requirements was limiting the time that staff could spend actually working with clients. In Wisconsin, state staff said that one local W-2 agency estimated it would have to reduce the caseloads for case managers from 60 to 40 to make time for verifying work participation.

One reason these requirements were not characterized as overly burdensome by local staff may have been that the effects had not been felt in the local offices involved in the study. As noted above, at two of these offices – Milwaukee and Phoenix – a dedicated unit was handling verification, reducing the impact of the requirement on other staff. In Newark, E-Time and other changes had only recently been implemented. In Kansas City, the state’s verification plan was not yet in effect. In Macon, close monitoring and tracking of client activities was in place before the DRA.

C. Counting Hours of Participation

State and local staff expressed concern with federal policies regarding counting hours of participation in employment-related activities. Their concerns related to two issues: counting actual versus scheduled hours and the treatment of absences. A number indicated that federal policy related to these issues was too restrictive. Ironically, the policies described in the interim and final rules are actually *less* restrictive than pre-DRA policy. According to federal staff, before the DRA, states were required to report actual, not scheduled hours of participation, and there was no allowance for holidays or other absences.¹¹

Counting actual, not scheduled, hours of participation. Two states – Missouri and New Jersey – previously reported work participation rates based on scheduled hours of participation, rather than the actual hours that clients participated in scheduled activities. While the requirement to report actual hours of participation is not new, the DRA-related emphasis on verification of work-related activity has resulted in changes in the way these states are calculating the participation rate, the net result of which is a decrease in the work participation rate. In addition to the direct effect on the participation rate, the change in reporting also affects how staff deal with the requirement. In Kansas City, local managers indicated that moving from a focus on the “engagement rate” (scheduled hours) to the actual hours of participation will be a “big cultural change.”

Limit on the number of holidays. State officials in Georgia and New Jersey indicated that the federal limit on the number of holidays (10) that clients may be absent from employment-related activities for the purpose of receiving credit under the federal rule does not align with

¹¹ For example, states can now excuse clients for 10 holidays per year. Before DRA, there was no provision for holidays. In addition, federal regulations now provide for an additional 80 hours per year of excused absence that can be used to cover additional holidays. An alternative is to schedule clients for a few more hours during the month to make up for time missed on a holiday.

the number of holidays recognized in the state. In both cases, the state recognizes 13 holidays. Staff indicated that it is not practical to schedule work-related activity on holidays because state offices and many service providers, as well as schools, are closed.

Limit on the number of other absences. A related concern, one that was repeated by most states, related to federal rule that limited the number of days that clients could be absent from scheduled activities when counting hours of participation. State staff in Wisconsin noted that clients often have good reasons to miss work activities (e.g., children with behavior problems need to be taken out of school, legal or housing issues arise). The regulations limited the number of days an individual could miss activities and still have the hours missed with good cause count towards participation. The issue also arose in conversations with staff in New Jersey. Although New Jersey continues to require clients to engage in 35 hours of activity per week, staff noted that the policy of limiting excused absences to 2 per month and 10 per year and eliminating from the participation rate computation's numerator clients whose attendance falls below the federally required level is more rigorous than those for state and county employees.¹²

¹² Site visits for this study took place prior to the publication of the final DRA rule on February 5, 2008. The final rule changed the policy related to excused absences, and now permit states to provide up to 80 hours of excused absences per year for each client (no more than 16 per month), as well as 10 holidays per year, when counting hours of participation. In addition, the final rule made other changes, such as including education in pursuit of a post-secondary degree within the definition of vocational education.

IV. MEETING WORK PARTICIPATION RATES: ADDITIONAL FACTORS LIMITING STATES' ABILITY TO MEET FEDERAL REQUIREMENTS

At the time of the site visits only staff in Georgia were confident they would meet the work participation rate for 2007. The research team explored state program policies and management structures, such as bifurcated program structures, that may negatively influence whether a state will meet the federal participation rate and other requirements.

A. Separation of Eligibility and Employment-Related Responsibilities

In Missouri and New Jersey, responsibility for TANF functions is bifurcated in the sense that eligibility-related functions are the responsibility of one state agency, whereas employment-related functions are the responsibility of a different state agency. Issues that were described in the initial report for this study, such as communication problems, appear to be continuing in one of those states, Missouri. On the other hand, the two states in the study in which both functions reside within the same agency, Georgia and Wisconsin, did not report similar problems. In a fifth state, Arizona, the separation of responsibility is not between two separate state agencies, but rather between the state (eligibility functions) and contractors (employment-related functions). In this sense, it is similar to Missouri. As this is a new development for most of the state (a pilot has been in operation for a number of years) it is not clear whether the arrangement will be relatively trouble-free.

An example of the type of challenge that appears to be exacerbated by the separation of responsibility between state agencies was reported by the local employment services provider in Kansas City. Staff indicated that transfer of client-related information from their office to the local eligibility office, and vice versa, is slow because information must travel first from their office to the state Department of Workforce Development, then to the state Department of Social Services, and finally to the local TANF office (and the other way around.) Because local employment services staff do not have access to FAMIS (the state's TANF information system), changes in client circumstances that should have an impact on staff activities (e.g., case closure) go undetected, causing frustration and delays.

B. Delays in Implementing Changes Related to the DRA

Although federal requirements resulting from the DRA and the implementing regulations were effective October 2006, a number of the changes in policy and procedures described above were not implemented until well into 2007. Thus, in many cases, the effects of changes that the states have made or will implement will not affect the participation rate until well into the Fiscal Year 2008 reporting period or later. For example, the change in the earned income disregard was piloted in New Jersey in May 2007. Others changes had not yet been implemented at the time of the site visits, but were expected to occur in the near future. The "immediate engagement" policy in Missouri and the revised sanction policy in New Jersey are not expected to be implemented until January 2008. Other changes are still in the planning stage. For example, Missouri DSS is waiting to see if Congress reduces the two-parent work participation rate to 50 percent. If such legislation is passed, DSS would likely leave two-parent families in the work participation rate. If not, the state will explore moving these families to a solely state-funded program.

V. CONCLUSION

While the limited number of states in the follow-up study preclude sweeping conclusions about the TANF program and changes related to the DRA, it is nevertheless useful to summarize patterns found in the study, as they suggest some hypotheses about what is relevant to the nation as a whole.

States are focusing on the work participation rate. It was clear from the conversations that states are focused on and concerned about meeting the work participation rate requirements, particularly in the absence of large caseload reduction credits that enabled many states to easily meet the federal requirement before the DRA. States adopted a number of policies that either increased the work participation rate numerator (those engaged in activities), or reduced the denominator (those who are counted in determining the work participation rate).

In terms of increasing the number of clients involved in activities, one state (Missouri) adopted an immediate engagement model. In addition, Missouri, along with New Jersey and Wisconsin, developed policies and practices to identify and engage clients deemed hard to employ (e.g., screening clients for barriers and developing work plans that align activities with client needs and skills). Two states – Arizona and New Jersey – adopted stronger sanction policies to encourage clients to participate in work activities.

The primary policy to reduce the work participation rate denominator was moving clients into non-TANF programs. Georgia and New Jersey have taken steps to either move clients to solely state-funded programs or to help them apply for Supplemental Security Income.

Despite the adoption of new policies and procedures, only one state was confident it would meet the work participation rate in 2007. However, at the time of the site visits, state staff did not indicate that the states expected to use excess maintenance of effort funds to exclude cases from the caseload reduction credit calculation. Thus, it is possible that the concern that the states would fail to meet the requirement will be mitigated through this mechanism.

DRA and the implementing regulations focused attention on previously existing policy issues. The DRA drew attention to policy areas related to scheduled versus actual hours of participation, scheduled absences and holidays, and the treatment of education-related activities for work participation rate calculations. In many states, these were described as changes in policy. In fact, these issues pre-dated DRA, but rose to the surface as prior federal policy was reiterated and clarified in the regulations implementing the DRA.

As described above, prior to the DRA, the caseload reduction credit significantly reduced the target participation rate for most states. Changing the base year, which reduced the effect of the credit, directed attention to all of the policies related to counting client participation, some of which were affected by the DRA and the implementing regulations, as well as other policies that had been in effect for years but perhaps went unnoticed. A minimal participation rate target might well have permitted state staff to become less conversant over time with federal policies, which only became clear with the renewed focus on client participation due to the DRA. (For example, for the states in the study, in 2006 Arizona had the highest all-families

participation rate target after adjustment for the caseload reduction factor – 11.6 percent. Three of the study states had a target rate of 0 percent for that year.)

One pre-DRA policy that became an issue for at least two of the study states is the reporting of scheduled, rather than actual, hours of participation. Federal policy since PRWORA required states to report actual hours of participation, yet at least two states had been reporting scheduled hours. That this was considered a change in federal policy by staff in these states indicates that there was a misunderstanding that predates the DRA.

A related issue involves federal policy on scheduled absences and holidays. According to federal staff, before the DRA, there was no allowance for missed hours of participation for either scheduled absences or holidays. Nevertheless, because the interim final rule provided uniform limits on the number of holidays and other absences for purposes of determining the participation rate, some state and local staff believed that federal policy had become more restrictive, when in fact it was less so.

Another example of how the change in the caseload reduction rate caused states to revisit pre-existing policy issues involves how education is treated in terms of being counted toward the participation rate. As described above, state and local staff in Missouri objected to the federal emphasis on employment-related activities, as opposed to educational activities. This was not so much of an issue when the state's 2006 adjusted participation rate standard was 2.8 percent. While the DRA and implementing regulations focused attention on the types of activities that could be counted toward meeting the participation rate requirement, and also which activities are considered core and non-core in the calculation, the emphasis on employment was not new. It was part of the 1996 welfare reform legislation.

Changes initiated primarily at the state level. Within the five study states, the modifications adopted have focused on, for the most part, state-level policies. While the study was originally intended to address management practices and innovations at the local level, the follow-up visits included site visits and phone interviews with state-level officials in all of the study states. It was clear from interviews with these officials, as well as the information gathered at the local sites, that changes in TANF programs in response to the DRA and the federal regulations were initiated primarily at the state level.

Changes are incremental in nature. Looking across these five study states, there have been few major changes in their programs when compared with policies and processes that were in place during the first round of site visits. Basic program philosophies, agency responsibilities, and many of the essential program processes, particularly on the eligibility side, remain relatively unchanged. Even Arizona's TANF program, which recently privatized employment-related functions throughout the state, looks much the same as it did during the initial site visit in 2006.

This observation is important when viewed in the context of where these states rank in terms of reported work participation rates and therefore the increases in both the levels of participation and the number of participating clients needed to meet post-DRA 50 and 90 percent requirements. The states in the study that, based on pre-DRA participation levels (and without the advantage of the caseload reduction credit), are most challenged to meet the required participation level have not fundamentally altered program policies and practices. In Georgia, where the participation rate was sufficient before the DRA to satisfy the new requirements,

changes have been modest, as might have been expected. But even in the four other states in the study, which needed to substantially increase client participation, the changes that have been made at the time of the second round of visits or that will soon be implemented are somewhat limited and may not result in increased countable participation that will meet the new requirements.¹³

Why the programs have not undergone much change, even where they are not likely to meet the new performance requirements, is an interesting and important question, though one not asked or answered in this research. State programs continue to reflect major differences in program philosophy, which may be supported by a state's political culture as well as by the bureaucratic environments in which the programs operate. Perhaps the continuity of agency responsibilities, including the institutional division between employment and social service agencies in most of these states, has contributed to the stability of their TANF programs.

In sum, the changes adopted by states in response to the DRA have tended to be incremental — that is, they are not of the same order of magnitude as those that followed PRWORA. States are making modest changes designed to strengthen program management rather than engaging in large-scale reform. Future analyses may determine whether these observations apply more widely and over a longer period of time.

¹³ According to the Office of Family Assistance, the all families participation rate for each study state in FY 2006 (not including the caseload reduction credit) was: Arizona (29.6 percent), Georgia (64.9 percent), Missouri (18.7 percent), New Jersey (29.2 percent), and Wisconsin (36.2 percent). <http://www.acf.hhs.gov/programs/ofa/particip/2006/tab1a.htm>.

VI. FUTURE RESEARCH

This report documents the initial responses of a limited number of state and local welfare officials to the DRA. Once the post-DRA participation rate performance has been calculated for states, considering both the factors that will affect the computation, such as caseload reduction and expenditures in excess of the maintenance of effort level, as well as actual state performance, it would be interesting to return to these states to see if additional changes have been made or are being considered.

The findings also suggest additional areas of study. If ACF or another interested stakeholder was to conduct a systematic study of all 50 states and the District of Columbia, the following issues should be considered:

- States cannot afford to carry clients in the work participation rate denominator if they are not participating. What are states doing to engage non-participants? The limited sample of states suggests a range of options, including guidance memos on promising practices to local offices, stronger sanction policies or renewed efforts to implement policies already on the books, or efforts to remove hard-to-employ clients from the denominator (e.g., through creation of solely state-funded programs, the application of sanctions leading to case closure, or SSI advocacy).
- Are states radically transforming their programs or making marginal changes? The findings from this study suggest states are, for the most part, not making large-scale changes. However, a number of states, including some in this study, are in real danger of not meeting the work participation rate. Based on ACF projections related to the number of additional countable participants that states would need to meet the requirement, the states in this study were not among the states with the most significant challenges.¹⁴ What are those states doing to bolster their rates? Are there plans for future changes? Are states waiting for final regulations or a new Congress that could make changes? Or are states simply resigned to taking cuts in their block grants?
- Are states using data to a greater extent in the post-DRA environment? For example, are they mining databases to find clients who are in unsubsidized employment? Are they closely monitoring the work participation rates associated with local offices or even individual workers? Are state and local managers using data to monitor trends on a monthly basis?
- Is there a relationship between management structure of state and local programs and performance? As described in the previous report, some states and local offices have bifurcated structures in which eligibility services are housed in one department or agency and case management and employment in a different department or agency. It would be interesting to explore whether states in which program management resides in the same agency have stronger performance than those in which management responsibilities are divided across not just staff but agency jurisdictions.

¹⁴ ACF's projections, at http://peerta.acf.hhs.gov/pdf/Public_WPR.pdf, indicate that none of the study states were among the approximately 20 states that needed to increase participation to the greatest extent.