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Redirecting Welfare Policy Toward Building Strong Families

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In the 1996 welfare reform act, Congress proclaimed its dedication to "encourag[ing] the formation and maintenance of two-parent families" as part of its overall strategy to help needy families become self-sufficient. But the act included no guidelines, incentives, or sanctions to help states actually reach this goal. Not surprisingly, few public policies have been designed since then to help poor families stay together. Lacking guidance, some have suggested that, to meet this goal, Congress should limit certain public assistance programs to only married parents. But the institution of marriage in the United States has declined so precipitously in the past few decades that far too many children would be denied benefits under this approach.

With reauthorization of key elements of welfare reform swiftly approaching, a renewed look at this topic is imperative if Congress is serious about helping families stay together. This brief argues that welfare reform has not gone far enough to encourage two-parent families and responsible fatherhood. In fact, some of its own policies discourage this behavior. Furthermore, many poor families with young children are already struggling to stay together against the odds. Eventually, the majority of these families break up. By intervening early, government could help these "fragile families" scale the most common barriers to remaining intact over the long haul.

Fragile Families

The number of children living with a single mother has dramatically increased over the past two decades. In fact, the number of single mothers has almost doubled since 1976, reaching a peak of 9.1 million in 1995. Of great importance is the fact that the composition of this population has changed significantly during this time frame. Whereas 20 years ago almost all single-mother families were headed by a divorced or separated mother, almost half of all single-mother families today are headed by a never-married mother (Sorensen and Halpern 1999).

Driving this change in the composition of single-mother families is the explosion of nonmarital childbearing. Since the early 1970s, the number of children born each year outside of marriage has more than tripled—over 1.2 million children were born in 1996. Although this rapid increase has leveled off in recent years, nothing suggests that the trend will reverse itself. Indeed, it can now be expected that about one out of every three births will be to an unwed mother.

Although out-of-wedlock childbearing is highly associated with paternal absence, the image of mothers raising their nonmarital children alone is not totally accurate. According to the 1997 National Survey of America's Families (NSAF), 60 percent of all poor children under the age of two who were born outside of marriage lived with both of their natural parents or lived with their mothers and saw their fathers at least weekly (figure 1). More specifically, one out of four poor children under the age of two who were born outside of marriage lived with both of their biological parents; another 35 percent lived with their mother and saw their father at least every week.

These findings suggest that a new family type has emerged—the fragile family (Mincy and Pouncy 1997). It consists of poor children born outside of marriage whose two natural parents are working together to raise them—either by living together or frequent visitation. Such families are quite prevalent when poor children are young. An estimated 27 percent of poor children under the age of two are living in fragile families (figure 2). Another 38 percent live with their two natural, married parents. Thus, fully two-thirds of poor children under the age of two are either living with their father or seeing him at least once a week. Although most poor children under the age of two have a highly involved father, only half of them were born to married parents, underscoring the dramatic decline in marriage among poor families in recent years.

Unfortunately, paternal involvement among poor children drops precipitously as children get older (figure 2). By the time poor children reach their teens, for example, only 19 percent of them live with their two natural, married parents, and 5 percent live in a fragile family. In contrast, 59 percent of poor teenagers live with their mothers and see their fathers less than weekly.

These data suggest that the fraction of poor children living with their mother without the benefit of a highly involved father grows as a result of two factors: fragile families not forming and married families dissolving. A reasonable interpretation of Congress's goal of encouraging the formation and maintenance of two-parent families is to decrease the flow of poor children into single-mother families from both sources. The two-thirds of poor children who start out their life with highly involved mothers *and* fathers could benefit from a program that helps their parents, regardless of marital status, overcome the barriers to staying together permanently.

The Status Quo

For 60 years, the country's antipoverty policies have been discouraging family formation and maintenance. As explained below, the current cash assistance program, Temporary Assistance for Needy Families (formerly Aid to Families with Dependent Children), has historically been aimed at helping single-mother families. Other noncash antipoverty programs, such as food stamps and Medicaid, while technically not restricted to single-mother families, have tended to serve primarily single-mother families. Targeting assistance to single-mother families is an efficient use of resources, but it has a negative consequence—it creates an incentive for poor families to become single-parent families in order to qualify for these benefits (Moffitt 1998). Furthermore, it means that poor children in fragile or married families are poorly served by the country's social safety net.

Two-Parent Family Access to Public Assistance

Aid to Families with Dependent Children (AFDC), the precursor to Temporary Assistance for Needy Families (TANF), began in 1935 as part of the Social Security Act and was initially limited to poor children who suffered from the continued absence or death of a parent. In 1961, Congress enacted an optional program for two-parent families—the AFDC–Unemployed Parent program (AFDC-UP)—which extended benefits to two-parent families if the primary breadwinner met strict requirements related to unemployment and labor force attachment. But this program was not federally mandated until 1988, at which time Congress retained stricter eligibility rules for two-parent families. As a result, in fiscal year 1996, two-parent families accounted for only 7 percent of the AFDC caseload (U.S. House of Representatives 1998).

In 1996, Congress replaced AFDC and AFDC-UP with TANF. Under this new program, states are allowed to determine eligibility for one- and two-parent families. As of 1998, however, only 35 states had eliminated all of the additional work-related eligibility requirements for two-parent families. Furthermore, Congress still requires states to achieve different work participation rates for two-parent families. In 1998, for example, states were required to have 30 percent of all TANF families and 75 percent of two-parent TANF families either working or engaged in work activities. Every state met the overall work participation rate that year, but 13 states did not meet the two-parent participation rate.

Given that TANF and its predecessor, AFDC, have different rules for one- and two-parent families, it is not surprising that children living with two parents are much less likely to receive cash assistance than are children living with a single parent. According to NSAF data, only 10 percent of poor children living with both of their natural parents received TANF, compared with 40 percent of those living with a single parent (table 1). Arguably, this split is rooted in the reality that two-parent families tend to earn more than single-parent families. However, when looking only at extremely poor children (those living in a family whose income is less than 50 percent of the federal poverty level), we find a similar proportion in TANF receipt rates. Only 13 percent of extremely poor children living with both of their natural parents received TANF at the time of the 1997 survey, compared with 49 percent of extremely poor children living with a single parent.

Unfortunately, the country's entire welfare system discourages the formation and maintenance of two-parent families because TANF acts as a point of entry for poor families into the welfare system. Once qualified for TANF, a family is automatically income-eligible for food stamps, Medicaid, school lunch programs, WIC (a nutritional program for women, infants, and children), and other programs. On the other hand, children in poor families not receiving TANF may be eligible for other public assistance programs, but no single program informs them of these programs.

Since poor families not on TANF are left to navigate the income support system on their own, children in these families are significantly less likely than poor children on TANF to receive other forms of government assistance. Only one-third of poor children not on TANF received food stamps in 1997 (table 1). Less than half of these children received Medicaid, leaving 29 percent of them uninsured. In contrast, nearly 100 percent of poor children on TANF received food stamps and 100 percent received Medicaid (table 1). This divide does not narrow when looking only at extremely poor children. Indeed, only 39 percent of such children not on TANF received food stamps in 1997, compared with 95 percent of such children on TANF. Only 48 percent of them received Medicaid, leaving over one-quarter uninsured. Clearly, poor children who are not part of the TANF program are underserved by the country's income support system.

This all-or-nothing approach to service delivery works against family formation. In fact, it is exactly these divides that may lead families to choose single parenting (and cash assistance, Medicaid, and food stamps) over co-parenting.

Child Support Enforcement System

Congress established a major federal role in child support enforcement in 1975 when it enacted Title IV-D of the Social Security Act. The basic purpose of this law was to ensure that noncustodial parents financially support their dependent children, especially those on AFDC. Needless to say, this is a laudable goal, but it overlooks a key point—many noncustodial parents are themselves struggling financially.

Unreasonably high child support orders, often including large amounts of debt owed to the government, can push fathers farther away from the formal child support enforcement system and their children. For example, the Parents' Fair Share Demonstration (PFS), which from 1994 to 1997 provided services to low-income noncustodial fathers who were behind in their child support payments, found that many program participants were unemployed when they enrolled and had been unemployed or underemployed for some time (Doolittle et al. 1998). Those who had worked in the previous nine months earned, on average, $2,800. In the five PFS sites that provided data on arrears, almost all the fathers were in debt because of their child support obligations. Almost one-half had arrears of over $2,000, or a debt nearly equal to their nine-month earnings.

The National Survey of America's Families shows that a large minority of nonresident fathers are poor themselves. Although nonresident fathers, as a whole, are better off than their children living elsewhere, many nonresident fathers have a difficult time making ends meet. Figure 3 shows that 24 percent of nonresident fathers were "officially" poor in 1996; another 13 percent were near poor, with earnings below the poverty threshold for a single person ($8,163). Thus, 37 percent of nonresident fathers were poor or their personal earnings were below the poverty threshold for a single person. Children who have poor fathers living elsewhere would benefit if child support enforcement authorities helped these fathers find and keep work, instead of saddling them with arrearages that they will probably never be able to pay.

Figure 3 also shows that in 1996 40 percent of children with a father living elsewhere were poor. Therefore, the proportion of poor children with a father living elsewhere (40 percent) is only slightly higher than the proportion of nonresident fathers who are poor themselves or have extremely low earnings (37 percent). The underlying data on nonresident fathers and their children are not linked and thus we do not know for sure that poor fathers are related to poor children, but other research shows that parents tend to have similar socioeconomic characteristics; therefore, poor fathers are probably related to poor children. This reality underscores the need for employment-related services for poor nonresident fathers if we hope to reduce child poverty through increased child support enforcement.

At this point, the government provides a social safety net for poor custodial mothers to help them become self-sufficient, consisting of temporary cash assistance, other noncash assistance, and work-first employment services. On the other hand, poor noncustodial fathers, who are and should be expected to support their children despite their poverty status, have little access to support services. The only program that specifically named noncustodial parents as possible recipients of work-related services was the Welfare-to-Work program, which ends this year. Nonetheless, poor noncustodial fathers need access to support services, especially employment-related services, to help them become financially responsible.

Conclusion

Evidence clearly shows that fathers tend to be highly involved in the lives of their young children but gradually drift away, leaving mothers alone to provide for their children. The U.S. income security system responds by providing services to single mothers and their children, but it does little to prevent the erosion of paternal involvement with poor children and may actually push fathers away.

As Congress considers reauthorization of TANF, it should take the opportunity to ensure that one of its original goals—encouraging the formation and maintenance of two-parent families—has a greater chance of success. The following specific actions should be considered:

Recommendation 1: Congress should consider whether any distinction between single- and two-parent families is warranted within TANF, given the negative consequences of targeting one family type over another. These considerations should include TANF's eligibility rules as well as its work participation requirements.

Recommendation 2: Congress should consider encouraging states to broaden their eligibility criteria within TANF for noncash assistance and case management to include all types of poor families, including noncustodial parents.

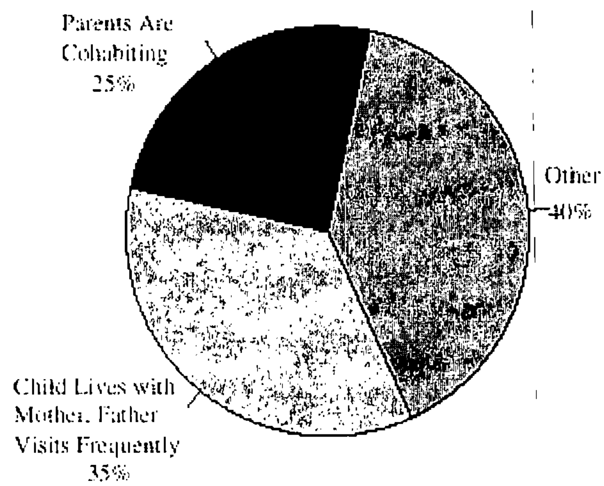
Recommendation 3: Congress should build upon the high level of paternal involvement that exists when poor children are young and establish a program available at or near a child's birth that helps both poor mothers *and* fathers overcome the barriers that they may face to staying together, regardless of whether or not they are married at the time of the intervention.

Focusing on these recommendations will go a long way toward reaching the goal of encouraging the formation and maintenance of two-parent families. Without them, Congress will miss an important opportunity to strengthen America's poor families.

Figures and Tables

FIGURE 1

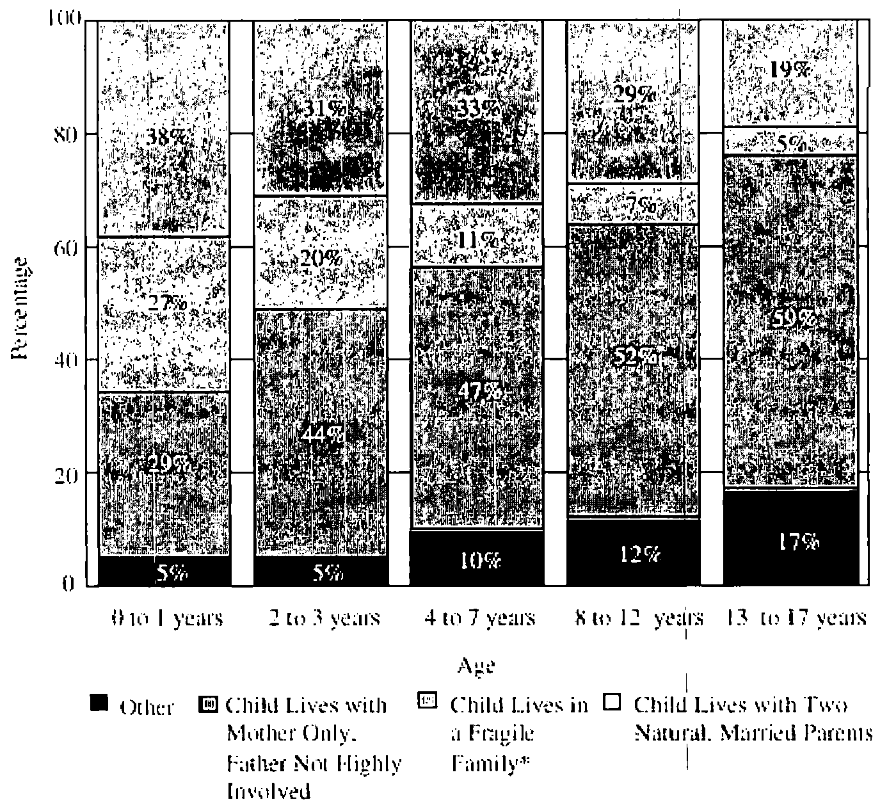
Parental Involvement among Poor Children Born outside of Marriage under the Age of Two (1997)



Source: 1997 National Survey of America's Families.

FIGURE 2

Family Types among Poor Children, by Child's Age (1997)

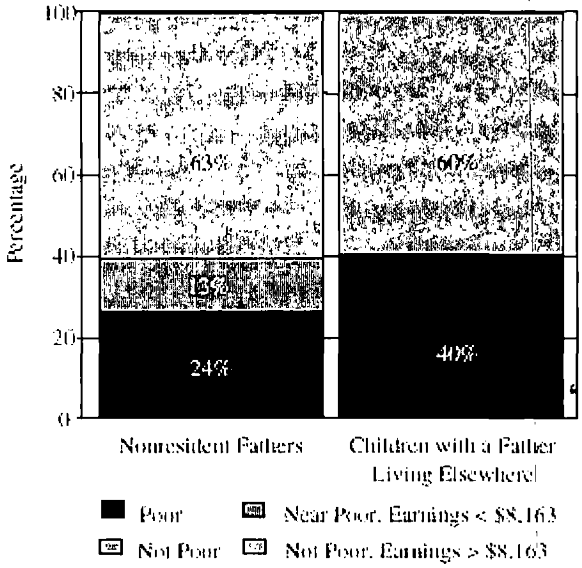


Source: 1997 National Survey of America's Families.

* A fragile family includes children who are born outside of marriage and live with both of their natural parents or who live with their mother and have a father who visits frequently.

FIGURE 3

Poverty Status of Nonresident Fathers and Their Children (1996)



Source: 1997 National Survey of America's Families.

TABLE 1

Receipt of Government Assistance, by Type of Family (1997)

	Poor Families (under 100 Percent of the Federal Poverty Level)	Extremely Poor Families (under 50 Percent of the Federal Poverty Level)
Two-Parent Families		
Percent Receiving TANF	10	13
Single-Parent Families		
Percent Receiving TANF	40	49
Families on TANF		
Precent Receiving Food Stamps	94	95
Precent Receiving Medicaid	100	100
Precent Uninsured	0	0
Families Not on TANF		
Precent Receiving Food Stamps	33	39
Precent Receiving Medicaid	42	48
Precent Uninsured	29	28

Source: 1997 National Survey of America's Families.
Note: Two-parent families are those families that include both a child's natural or adoptive parents. Single-parent families are those families that include one natural or adoptive parent who is not currently married.

About the Authors

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About the Series

Series Editor: Elaine Sorensen This series, funded by the Charles Stewart Mott Foundation, considers policies that help low-income parents provide the emotional and financial support their children need.

Related Reading

Doolittle, Fred, Virginia Knox, Cynthia Miller, and Sharon Rowser. 1998. *Building Opportunities, Enforcing Obligations: Implementation and Interim Impacts of Parents' Fair Share*. New York: Manpower Demonstration Research Corporation. September.

Mincy, Ronald B., and Hillard Pouncy. 1997. "Delivering Dads: Paternalism, Child Support Enforcement, and Fragile Families." In *The New Paternalism*, edited by Lawrence M. Mead. Washington, D.C.: Brookings Institution Press.

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file: welfare to work

MDRC Los Angeles Jobs-First GAIN

What is the Los Angeles Jobs-First GAIN Program?

Jobs-First GAIN was Los Angeles County's mandatory welfare-to-work program, operated from January 1995 through March 1998 by the County Department of Public Social Services (DPSS) in cooperation with the County of Education. Jobs-First GAIN was an innovative, strongly employment-focused program that offered job search assistance as its primary service and encouraged welfare recipients to start working as soon as possible. The program combined services and mandates that had worked in other settings (notably, in neighboring Riverside County) and some that were relatively new. CalWORKs, California's TANF program, replaced Jobs-First GAIN in April 1998, but continues most of Jobs-First GAIN's services, mandates, and messages.

Why is Los Angeles Jobs-First GAIN important?

The findings from the Jobs-First GAIN Evaluation have broad significance for welfare reform. Los Angeles County has the largest welfare population of any county in the United States - larger than that of any state except New York and California. Hispanics and African-Americans make up about 80 percent of the county's welfare population. Recent studies of welfare caseloads have shown that minorities and residents of large cities are leaving assistance more slowly than other welfare recipients. If Los Angeles County's program succeeded in moving significant numbers of people from welfare to work and sustained these gains over time, the program can serve as a model for many other large urban areas.

Key Features of the Los Angeles Jobs-First GAIN Program:

1. an unusually intensive program orientation aimed at motivating new enrollees to find work quickly;
2. high-quality job clubs, whose leaders taught job-finding skills and engaged participants in activities aimed at boosting their self-esteem and motivation to work;
3. job development activities to increase job opportunities and match people with prospective employers;
4. a strong Work First message communicated through written handouts and group presentations, and in individual meetings with program staff;
5. a warning, repeated orally and in writing, that California would impose time limits on welfare eligibility for those who did not work;
6. a concerted effort to teach people that California's relatively generous rules for calculating welfare grants would help them increase their income in the short term by combining work and welfare; and
7. a relatively tough, enforcement-oriented approach to encourage people to complete the activities and find work quickly.

How was the Jobs-First GAIN evaluation developed and funded?

DPSS administrators contracted with MDRC to evaluate Jobs-First GAIN, using a rigorous random assignment design. The Jobs-First GAIN Evaluation began in 1996 and will continue through mid-2000. It is jointly funded by DPSS, the U.S. Department of Health and Human Services, and the Ford Foundation.

What questions is the Jobs-First GAIN evaluation designed to answer?

1. Did most Jobs-First GAIN participants attend job clubs, as intended by program administrators? To what extent were education and training services used instead of or in combination with job search?
2. How often did case managers enforce the program's mandatory participation requirement? What portion of the sample incurred a reduction in their grant amount (a sanction) for noncompliance?
3. Did Jobs-First GAIN produce an initial boost in employment and earnings, a result expected of employ-ment-focused programs? If so, were employment and earnings gains sustained?
4. To what extent did Jobs-First GAIN reduce dependence on welfare and Food Stamp benefits?

5. In addition to replacing welfare dollars with earnings, did Jobs-First GAIN make welfare recipients better off financially?

6. Did the program affect welfare recipients' access to medical insurance, likelihood of experiencing hunger, or the well-being of their children?

7. Was Jobs-First GAIN cost-effective: did combined savings in public assistance expenditures and administrative costs and increases in tax revenues exceed the net costs of services and payments to program enrollees?

What are the data sources and methodologies used?

The research sample includes nearly 21,000 single parents and members of two-parent households. It contains nearly every adult who showed up to enroll in the program from April 1 through September 11, 1996. The evaluation uses a rigorous experimental design based on random assignment of a portion of the sample to a control group, precluded from receiving program services and not subject to its mandatory participation requirements. The primary data sources for the evaluation include: automated program tracking and supportive service payment records; automated Unemployment Insurance earnings and welfare and Food Stamp payment records; a 2-year client survey; fiscal records; and field research. The evaluation estimates the effects of Jobs-First GAIN over a two-year follow-up period, starting with date of random assignment.

Who is the project director?

Stephen Freedman, email address: stephen_freedman@mdrc.org.

Publications

- Changing to a Work First Strategy: Lessons from Los Angeles County's GAIN Program from Welfare Recipients. 1997. Evan Weissman. Describes how DPSS restructured its GAIN program, and concluded that it is possible to change a large, urban, basic-education-focused welfare-to-work program to a work-focused program.

- The Los Angeles Jobs-First GAIN Evaluation: First-Year Findings on Participation and Impacts. 1999. Stephen Freedman, Marisa Mitchell, and David Navarro. Describes patterns of participation in Jobs-First GAIN and presents estimates of the program's first-year effects on employment, earnings, and welfare receipt.

- The final report, due in mid-2000, will analyze Jobs-First GAIN's effects, costs, and benefits over a two-year follow-up period.

  Publications from the Los Angeles Jobs-First GAIN evaluation.

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The Los Angeles Work First GAIN Evaluation: First-Year Findings on Participation Patterns and Impacts

Stephen Freedman, Marisa Mitchell, David Navarro

EXECUTIVE SUMMARY

The Personal Responsibility and Work Opportunity Reconciliation Act of August 1996 ended the Aid to Families with Dependent Children (AFDC) program, the nation's largest cash welfare program. Among its provisions, the law replaced AFDC with block grants to states, called Temporary Assistance for Needy Families (TANF), and created financial incentives for states to run mandatory, work-focused, welfare-to-work programs. The law also placed a five-year limit on the amount of time most families can receive federally funded welfare, and it required states to place increasingly high percentages of welfare recipients into jobs and employment-related activities.

In meeting the new challenges of the federal welfare legislation, state and local administrators and policymakers can benefit from reliable information on the types of welfare-to-work program approaches that can quickly move substantial numbers of people into work and off welfare. This is especially true for programs that operate in large cities, where the remaining caseload, following large declines nationwide, is concentrated. Many of the nation's major urban areas have unemployment rates above the national average, little or no public transportation to connect inner-city residents to available jobs in the suburbs, and large bureaucracies that can be hard to change. Further, Hispanics, African-Americans, and other minority groups make up most of the nation's welfare caseload. Minorities are leaving assistance more slowly than recipients who are white and will likely make up an even larger portion of the welfare population in the coming years. Thus, the success of welfare reform nationally will depend increasingly on how well large, urban welfare-to-work programs help predominantly minority welfare populations find employment and leave assistance.

This report presents first-year participation and impact findings from the evaluation of the Los Angeles Jobs-First GAIN (Greater Avenues for Independence) program, the largest county welfare-to-work program in the nation. Consistent with the philosophy and goals of the 1996 federal welfare reform legislation that created TANF, Los Angeles Jobs-First GAIN emphasizes job search assistance and imparts a strong pro-work message in attempting to move thousands of AFDC/TANF recipients quickly into jobs and, as soon as feasible, off the welfare rolls. This message and emphasis place Jobs-First GAIN in the category of Work First programs, the approach followed by most current state and local welfare-to-work programs. Most of the features of Jobs-First GAIN continue under CalWORKs, California's program under the TANF provisions. Los Angeles inaugurated its CalWORKs program in April 1998, after the follow-up period for this report.

The findings on Jobs-First GAIN have broad significance for welfare reform. Los Angeles County, with a total population of 9.6 million people, has the largest welfare population of any county in the United States (about 700,000 people, in about a quarter of a million cases) — roughly one-twelfth of the nation's welfare caseload and larger than that of any state except New York and California. Hispanics and African-Americans make up about 80 percent of the county's welfare population. If Los Angeles County's Work First program succeeds in moving significant numbers of people from welfare to work, the program can serve as a model for many other large urban areas.

The Jobs-First GAIN Evaluation began in 1996 and will continue through December 1999. It is jointly funded by the Los Angeles Department of Public Social Services (DPSS), the U.S. Department of Health and Human Services (HHS), and the Ford Foundation. This report is the latest from the evaluation. The first report, Changing to a Work First Strategy: Lessons from Los Angeles County's GAIN Program for Welfare Recipients (1997), described how DPSS restructured its GAIN program services model from a "human capital" development (primarily basic education) approach to a Work First model. The report concluded that it is possible to change a large, urban, education-focused welfare-to-work program to a Work First program.

This report explores whether these changes made a difference. It describes patterns of participation in Jobs-First GAIN and presents estimates of the program's effects on employment, earnings, and welfare receipt during the first year following the date on which people enrolled in Jobs-First GAIN and attended a program orientation.

Central to the evaluation is an experimental design based on random assignment. Nearly 21,000 single parents (AFDC-FGs, or Family Group) and members of two-parent households (AFDC-Us, or Unemployed Parents) who attended a Job-First GAIN orientation from April 1 through September 11, 1996, were randomly assigned to one of two groups: the experimental and control groups. Experimental group members had access to Jobs-First GAIN's program services and Work First message. They were subject to the program's mandatory participation requirements and could incur a sanction (a reduction in their welfare grant) for noncompliance. Control group members were precluded from receiving Jobs-First GAIN services until October 1998, the end of the follow-up period for the evaluation. They remained eligible to receive welfare and Food Stamp payments, however. Control group members could also seek other services in the community and receive child care assistance from DPSS for employment-related programs in which they enrolled on their own initiative.

Finally, both experimental and control group members were eligible for California's rules for calculating welfare grants, called "Work Pays" (described in Section II). Work Pays allowed most welfare recipients who found a job to continue receiving welfare benefits and retain eligibility for Medicaid. Control group members may have been motivated by these rules to look for work on their own initiative or to increase their hours of work. As discussed in Section II, it is likely that fewer control than experimental group members knew about Work Pays.

Experimental designs based on random assignment typically provide the most accurate and reliable findings on effects of welfare-to-work programs. Because people are assigned at random to the experimental or control group, the two groups do not differ systematically on both measured characteristics (such as length of time on welfare) and unmeasured characteristics (such as strength of motivation to get a job). Members of the two groups also face the same labor market conditions. The employment and welfare behavior of control group members represents what would have happened to welfare recipients in the absence of the program. Thus, any subsequent differences found between the two groups can be attributed with confidence to the combination of program services, messages, and participation mandates that only experimental group members experienced. These differences, known in the language of evaluations as program impacts, will be discussed later in this summary and are statistically significant unless otherwise noted (that is, they have greater than a 90 percent chance of resulting from the program rather than by chance).

I. Overview of the Findings

As expected for a Work First program, Jobs-First GAIN produced a substantial initial boost in employment and earnings. Jobs-First GAIN increased the proportion of single parents (AFDC-FGs) who worked for pay during the first year of follow-up by 11 percentage points above control group levels. This increase is large relative to results from earlier studies of welfare-to-work programs. The program raised first-year earnings for AFDC-FGs by an average of $750 (31 percent) relative to the control group. Jobs-First GAIN also boosted employment levels for members of two-parent families (AFDC-Us) by 12 percentage points and increased their first-year earnings by an average of $1,082, or 44 percent (compared to the control group's earnings). The AFDC-U sample for this evaluation is nearly evenly divided between men and women. Jobs-First GAIN caused employment and earnings gains for both men and women, with the gains for AFDC-U men averaging $1,449 per experimental group member (compared to the average earnings for AFDC-U men in the control group). The gains for AFDC-U women were not as large.

Jobs-First GAIN produced small reductions in welfare and Food Stamp receipt, but larger decreases in expenditures for public assistance. At the end of year 1, the vast majority of experimental group members — 78 percent of single parents (AFDC-FGs) and 77 percent of members of two-parent families (AFDC-Us) — still received AFDC/TANF payments, but these proportions were 4 and 5 percentage points lower than control group levels. Jobs-First GAIN reduced welfare outlays in the first year of follow-up, with average savings (relative to the control group) of $432, or 7 percent, for single parents (AFDC-FGs) and $667, or 10 percent, for members of two-parent families (AFDC-Us). Jobs-First GAIN produced similar reductions in Food Stamp receipt and payments as in AFDC/TANF for both AFDC-FGs and AFDC-Us.

Jobs-First GAIN helped welfare recipients replace welfare dollars with earnings, but their overall income remained about the same. Earnings gains for single parents (AFDC-FGs) and members of two-parent families (AFDC-Us) were matched by reductions in AFDC/TANF and Food Stamp payments. As a result, Jobs-First GAIN did not increase combined income from these sources during the first year of follow-up.

Jobs-First GAIN achieved larger employment and earnings gains than the county's previous, basic-education-focused program. Welfare administrators changed the program's self-sufficiency approach from emphasizing skill-building to emphasizing rapid entry into jobs. First-year results demonstrate that the current program was more effective in helping welfare recipients find employment. Though successful, Jobs-First GAIN did not achieve as strong results as two previously evaluated Work First programs operated in neighboring Riverside County. The more positive results for the Riverside programs could have been caused by differences in the program environments, however.

Jobs-First GAIN achieved positive effects for many different types of welfare recipients. The degree of consistency achieved by the program is unusual and impressive. The program increased employment and reduced welfare payments for recipients in the central city and outer regions of Los Angeles County, for different racial and ethnic groups, for recipients with the most serious barriers to employment (no high school diploma or GED — high school equivalency — certificate, no recent work experience, and lengthy prior welfare receipt) as well as for those facing fewer barriers to employment. The program also achieved earnings gains for most of these groups.

Jobs-First GAIN also achieved positive results for welfare recipients who volunteered to enter the program early. Los Angeles County lacked funding to serve all welfare recipients required to participate. The agency developed a waiting list for services but also invited some welfare recipients to enter the program several months or more before their name reached the top of the list. Results of the Jobs-First GAIN Evaluation show that welfare-to-work programs can pay off for recipients who volunteer for services: In year 1, the program increased employment and earnings by 14 percentage points and over $1,000 respectively and reduced AFDC/TANF payments by 8 percent.

II. Key Features of the Los Angeles Program

In response to the 1996 law, most states and localities are implementing some kind of Work First approach, with the central focus on rapid employment. Los Angeles's version — put in place prior to the federal law — has a number of features that together represent serious investments in the program.

Communicating a strong Work First message. Welfare administrators have stated clearly that the goal of the program is to move people to employment as rapidly as possible. This philosophy is communicated to program enrollees through written handouts and group presentations, and in individual meetings with program staff.

Warning enrollees that time-limited welfare is coming and urging them to get a job right away to preserve their eligibility for assistance. Even before the federal welfare reform legislation was enacted in August 1996, program staff were informing new enrollees that the federal government and the State of California would limit welfare eligibility, possibly to two years, and encouraging them to find work in order to avoid the expected cuts in welfare. As one agency flyer put it:

> Everyone will be expected to work. . . . These changes could occur as early as 1996. It is critical that you prepare now for these social changes. Work experience is the best training. Remember: "WORK IS IN, WELFARE IS OUT."

> The message was repeated during program activities, such as job club (group sessions in which people get assistance in looking for work), and in meetings between enrollees and program staff.

Operating an unusually intensive program orientation. All new enrollees attend a six-hour-long group orientation session, followed by an individual appraisal meeting with a case manager during their first day in the program. In contrast, most other welfare-to-work programs, including some that share Los Angeles County's Work First philosophy, run much shorter orientations. Further, staff in other programs use most of the available time to collect background information on new enrollees and to assign enrollees to their first employment-related activity. Orientation meetings aim to change recipients' perceptions of Jobs-First GAIN, to present them with the Jobs-First program's message, and to increase their self-esteem — particularly with regard to their ability to find work. At the appraisal meetings, case managers convey their expectation that enrollees will be working soon. They also discuss the availability of transitional child care and medical insurance for participants who leave welfare for employment.

Providing high-quality job search assistance. As described below, the vast majority of those who actively participated in Jobs-First GAIN attended job clubs. Well-trained staff from the Los Angeles County Office of Education run these services at 15 Job Centers around the county, and — along with Jobs-First GAIN staff — monitor participants' progress. Jobs-First GAIN's job clubs provide instruction in many of the skills needed to obtain employment, including finding job openings, writing a résumé and job application, and conducting a job interview. Job club participants then conduct up to two weeks of supervised job search, using agency phone banks, job listings, and assistance from program staff. These features are typical of job clubs in many other programs. Jobs-First GAIN's job clubs, however, also feature a strong motivational component. The message and a specially developed curriculum are upbeat, stressing how work can lift self-esteem and that a low-paying first job can lead to a better one in the future. In addition, GAIN job developers aggressively develop linkages to local employers and match enrollees to specific job openings. These efforts go considerably beyond what is traditionally offered in job search activities.

> Jobs-First GAIN offered short-term basic education and vocational training classes as well, but assigned few enrollees to these activities. The program also made limited use of unpaid work experience jobs.

Using job development activities to support enrollees' job search efforts. Each Jobs-First GAIN office has job developers who cultivate relationships with local employers and create lists of job positions. Job developers then try to match enrollees to available job openings, based on enrollees' prior experience and interests. Job developers begin working with enrollees during orientation and appraisal, and continue assisting their job search efforts during job club and other program components. Job developers also arrange and host job fairs for clients — weekly "mini" job fairs with one or two employers, plus larger quarterly job fairs with numerous employers. One office even experimented with having its job developers work on a one-on-one basis with program enrollees who had received a financial sanction for noncompliance with program requirements.

Demonstrating that work pays. As noted above, California's "Work Pays" rules for calculating welfare grants allowed many recipients to combine work and welfare. Using waivers granted by the U.S. Department of Health and Human Services, Work Pays increased, above national standards, the amount of earnings that the welfare department "disregarded" (did not count) when calculating welfare grants. As a result, most welfare recipients who combined work and welfare could receive hundreds of dollars per month in income above what they would have received from welfare alone. Work Pays became part of the Jobs-First GAIN strategy for convincing people to find employment as quickly as possible, even if available jobs paid little. Jobs-First GAIN staff made a concerted effort to explain the financial benefits of Work Pays to experimental group members. Staff walked new enrollees through several examples of grant calculations during program orientation motivational sessions and repeated this message during job clubs and other employment-related activities. Control group members were also eligible for Work Pays financial incentives, although they did not receive this message from Jobs-First GAIN staff. Possibly, as a result, fewer control group members may have been motivated to find employment than if they had received this reinforced message.

Running a relatively tough, enforcement-oriented program. Jobs-First GAIN case managers made frequent use of the program's formal enforcement procedures, including threats to reduce welfare grants, to encourage enrollees to participate in program activities or show good cause why they could not. As discussed in the report, the vast majority of program enrollees received at least one warning that they were out of compliance with program rules. About one in five incurred a grant reduction (sanction). Program administrators intended that a "high enforcement" case management approach and a strong pro-employment message would complement the program's high-quality, motivational job clubs. Together, these components of Jobs-First GAIN's approach encouraged enrollees to find work quickly and discouraged them from spending a long time in the program.

Summary: "Welfare and Employment Outcomes of the WorkFirst Prog,ram" Washington State Institute for Public Policy, December 1999.

Purpose:
To analyze the welfare and employment outcomes of clients in the WorkFirst program, Washington State's implementation of TANF. The intention of the study is to explore how the employment and welfare experiences of AFDC-JOBS and WorkFirst clients differ.

Methodology:
Female heads of households from the first quarter of 1996 (AFDC_JOBS) were compared to female heads of households from the first quarter of 1998 (WorkFirst). Outcomes of each group were compared then three quarters later. The AFDC group comprises 69,759 adult clients, the Work First group comprises 60,485 adult clients. This analysis does account for changes in client characteristics and economic conditions over time. This then allows differences in outcomes that emerge potential to be attributed to overall differences between the two programs.

Key Findings:
- WorkFirst increases the likelihood of employment by 56% when compared with AFDC-JOBS.
- A $263 (48%) increase in average quarterly earnings can be attributed to the change from AFDC-JOBS to WorkFirst.
- A 23 hour (34%) increase in average hours worked each quarter can be attributed to the change from AFDC-JOBS to WorkFirst.
- WorkFirst clients were 21% more likely to be off welfare during the fourth quarter than were clients on AFDC.

Conclusion:
WorkFirst clients are more likely to gain employment, have higher earnings, work more hours, and leave the caseload when compared to similar clients under AFDC-JOBS.

ABOUT WORKFIRST

Fact Sheet

WorkFirst is Washington State's welfare reform program that helps people in low-income families find jobs, keep their jobs, find better jobs and become self-sufficient. WorkFirst was signed into law by Governor Gary Locke on April 17, 1997 and went into effect August 1, 1997.

Four state agencies jointly carry out the program: Department of Social and Health Services; the Employment Security Department; State Board for Community and Technical Colleges; and the Department of Community, Trade and Economic Development. In addition, local employers, tribal governments, Private Industry Councils, transportation entities and community-based, nonprofit organizations are key partners in planning and providing services to WorkFirst participants.

Major Features

Time Limits - Welfare is no longer an entitlement. Temporary Assistance for Needy Families (TANF) is limited to 60 months (five years) in a lifetime. (Medical benefits and food stamps continue as entitlements).

Work/Participation Requirements - WorkFirst participants must work, look for work or prepare for work and are expected to accept job offers. Those who refuse to participate will have benefits reduced. Participants are required to participate as close to 40 hours a week as possible.

Work Pays - Participants earn more by working because one-half of their job earnings is not counted as income against cash assistance. They keep their wages and may still receive a partial cash grant, food stamps, the Earned Income Tax Credit, and medical benefits.

Personal Responsibility - All WorkFirst participants commit to an Individual Responsibility Plan, which is a written statement describing their responsibilities, required activities and the services they will receive.

Working Connections Childcare - Subsidies help low-income families afford work-related childcare. WorkFirst also helps with childcare costs while a participant looks for a job, works or is in approved training. Childcare co-payments are based on family income.

Employment Services - Job Search Workshops teach job readiness and job search. Participants learn skills assessment, resume writing, interviewing, the labor market and expectations of employers. "Resource rooms" offer participants access to computers, the Internet, phone banks, and referrals to job opportunities.

Pre-Employment Training - Skills training developed and provided by an employer and community or technical college through a training and hiring agreement for specific job openings that pay above average wages and offer benefits for WorkFirst participants.

On-the-Job Training - Skills training provided by an employer at the employer's place of business is combined with formal training. Employers may be reimbursed for up to 50 percent of the total gross wages for regular hours of work and pre-approved release time for training.

Post-Employment Services - An array of employment and training services help participants keep a job, get a better job and develop a career. The WorkFirst Post Employment Labor Exchange (WPLEX) Call Center contacts participants after they start working to make sure they are aware of and connected to needed services. Some post-employment services may continue for up to two years after a participant leaves cash assistance.

Job Related Training - WorkFirst participants may need job-based training and education to qualify for employment and to increase their wages. Community and technical colleges offer tuition assistance for WorkFirst participants and other low-wage earners once they are working at least 20-hours a week.

Community Jobs - These subsidized jobs at government, non-profit agencies and tribes pay minimum wages for part-time work providing participants valuable work experience and skills training leading to permanent employment and retention.

Health Care - Help with medical costs is available while families receive cash assistance and for up to one year after the assistance ends due to employment. Children in most low-income working families are eligible for medical assistance. The Washington Basic Health Plan is also a resource for low-income workers; premiums are based on family income.

Exemptions/Deferrals from Work Requirements - The parent of a child under three months of age may be exempted from work requirements until the child turns three months old. The parent or caretaker of an incapacitated household member or child under six for whom care is not available is temporarily deferred from participating until care needs can be met.

Pregnancy-to-Employment Pathway - Pregnant women in their first two trimesters and mothers of infants under a year of age will receive flexible, individualized services aimed at strengthening families, ensuring infant safety and promoting self-sufficiency through employment, consistent with the WorkFirst philosophy.

Teen Parents - Parents under age 18 must work toward obtaining a high school degree or equivalency and must live with their parents, an adult relative or in another state-approved situation in order to receive cash benefits. All teen parents are required to have a "protective payee," that is someone who receives their cash grant and pays their expenses. (All teen parents are eligible for medical benefits regardless of living arrangements.)

Child Support - The state is committed to WorkFirst participants and low-wage workers getting the child support payments their children are entitled to. Enhanced child support enforcement includes license suspension for failure to pay overdue child support.

Diversion from Welfare - One-time cash assistance is available for families who need emergency aid to help them get through a financial crisis and keep them from going on cash assistance. Immediate job search services are offered to applicants with current work histories. Families who receive cash diversion may also receive medical benefits, food stamps and Working Connections Childcare (WCCC).

Legal Immigrants - Under federal law many legal immigrants can receive federally funded cash, food, and medical assistance. Those legal immigrants who have lost federal benefits under welfare reform may qualify for state funded assistance programs.

Profile of parents receiving cash assistance

91% Female	33 years is the average age, average age of youngest child is 5.9 years
35% Separated/divorced, 39% never married,	6% are 20 years of age or younger, 9% are 50+
64% Caucasian, 12% African American, 10% Hispanic, 4% Asian Amer., 4% American Indian.	21% served by a rural welfare office
1.8 children average per family	9.6 /12 years of education (Average/Median)

(Based on a group of 59,962 TANF families who had received at least three months of TANF benefits from November 1997 through July 1998 and continued to receive TANF in August 1998 - Washington's TANF Single Parent Families, January 1999.)

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State Staff | Community Partners | Local Area Planners

File: welfare to work

THE WHITE HOUSE

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EMPLOYING THE "UNEMPLOYABLE"

A Philadephia Program Takes on Welfare Reform's Hardest Cases

BY DAVID BOLDT

PHILADELPHIA

It was Christmastime last year, and as a special treat Elisa DeFlemingue had brought her five children to play on the whimsical oversized chess pieces on the plaza outside Philadelphia's Municipal Services Building.

DeFlemingue, 27, had been on welfare almost continuously since dropping out of high school to have her first child. As workers streamed out of the municipal building for lunch, DeFlemingue studied their faces carefully. She soon lapsed into a reverie that became a kind of prayer. "I sure would like to have a job and be one of them," she remembers saying to herself. Tears came to her eyes.

Yet within three months she had become "one of them," working as a clerk in the city's licenses and inspections department. By June she had moved from that job to one at Genius Computer Industries Inc., a small company that sets up office computer systems. She now earns $22,000 a year with full medical benefits and vacation.

The slim, carefully dressed woman excitedly showed a visitor her office and talked about the new computer accounting procedures she was learning. She marveled at the change in her situation ("I am truly blessed"), and while she gives most of the credit to God, she also gives a lot to a program called Philadelphia@Work.

This quintessentially New Democrat-style program blends the "work first" philosophy with the recognition that many welfare recipients need training and other support to make the transition to employment. "What we've done is to take everything that anyone has learned about what makes a welfare-to-work program successful and put it all into this one program," says Richard Greenwald, the president of Transitional Work Corp., a nonprofit company that operates Philadelphia@Work with support from the city, the state, and the Pew Charitable Trusts. The program aims to place 3,000 welfare recipients in permanent jobs by the end of next year.

Working exclusively with, as Greenwald puts it, "the hardest of the hard to serve," Philadelphia@Work uses transitional jobs in nonprofit organizations and city government as steppingstones to permanent jobs in the private sector. Government pays the wages ($5.15 an hour) for the transitional jobs, which can last up to six months, as well as other benefits such as food stamps, transportation, and child care assistance. Participants earn bonuses totaling $800 as they make the transition to a permanent job.

Greenwald's organization links each participant with a "career adviser" who checks in with the participant daily. Participants also have a "work partner," an employee at their work site who has volunteered to serve as a mentor. Every week, participants work for 25 hours and attend 10 hours of individualized "wrap-around"

Philadephia@Work participant Angenette McLaughlin in a computer training course.

training that enables them to prepare for the GED test, obtain or improve upon computer skills, or receive counseling for substance abuse problems if needed. The support continues, at declining levels, for six months after participants have moved into their permanent jobs.

"We Can Help Almost All of Them"

"This is the kind of program we had in mind when welfare reform was being developed," says Margy Waller, a

Philadelphia@Work participant Angenette McLaughlin, left, walks through center city Philadelphia with Lili Elkins, her career advisor.

senior fellow at the Progressive Policy Institute who was involved in the development of Philadelphia@Work. She is surprised that so few localities use this approach.

There are only about 10 other "supported work" programs nationwide, and many are experiments enrolling only a few hundred people. In many localities, the economic boom has made welfare reform seem deceptively easy. The supported-work approach will probably draw more attention when the economy begins to cool down and as officials everywhere begin to concentrate on the most challenging cases.

Since its inception last fall, Philadelphia@Work has enrolled almost 600 welfare recipients. Of the 252 who enrolled by the end of 1998, 143 have been placed in permanent jobs. Many of those who have not made the transition to full-time, unsubsidized work had medical or other good reasons. Greenwald, for one, thinks Philadelphia@Work can do even better, even though "these are people the so-called advocates will tell you are not employable. I think eventually we can help almost all of them, and I didn't use to think that."

None of which is to say there have not been problems. Not all of the participants respond well to what Greenwald describes as his organization's "tough like" approach. "We don't love 'em," he says. "We aren't their family. What we say is that we will treat you as professionals as long as you treat us as professionals." A few participants have gotten sufficiently annoyed with the hard-line approach that they have assaulted trainers. Some participants get "fired" from the program for being chronically absent or late. Others have substance abuse problems they can't control. But what's more remarkable, Greenwald contends, is how many seem to undergo a personal transformation during the program, changing from being lethargic and passive, sometimes barely able to speak, to being energetic and animated.

Other factors make Philadelphia@Work worth emulating. For example, if the concept can work in Philadelphia, it can probably work anywhere. Philadelphia was one of the last places in America to feel the effects of the current economic boom, and few other cities face a comparable combination of concentrated poverty and an enfeebled economic base. Not surprisingly, no other big-city mayor in the country has been more pessimistic about the prospects for welfare reform than Philadelphia's Ed Rendell. Rendell has wondered aloud (very loudly, in fact) how a city that has been hemorrhaging jobs for most of the 1990s can find employment for as many as 20,000 women coming off welfare this year as they hit the two-year cutoff.

Another factor making Philadelphia@Work an interesting case study is that an elaborate, some might say cumbersome, system ensures that Philadelphia@Work does, in fact, get only the hardest cases. To be eligible, welfare recipients must have been declared unemployable in two previous screenings and have no high school diploma and no significant recent work experience.

Homegrown Concept

The Philadelphia@Work concept is homegrown, emerging from a study done by Mark Alan Hughes at Public/Private Ventures, a Philadelphia-based social policy think tank. Hughes wrote an op-ed article describing his conclusions for *The Philadelphia Inquirer,* which in turn was read by Donald Kimelman, head of the Venture Fund at Pew. Intrigued, Kimelman called Hughes to get a copy of the study.

There were a couple of ironic twists to this telephoned request. One was that Hughes' office turned out to be only a few floors from Kimelman's in the same office building. Another was that Pew had in fact funded the study, unbeknownst to Kimelman. Hughes told Kimelman in that first phone call that sending him a copy was the least he could do, under the circumstances.

The study was quickly converted into a proposal that was circulated to state and local welfare officials. Pew's mediation — as well as its later financial support — was crucial because city and state welfare officials were then at one another's throats. Rendell is a Democrat and Penn-

"My son is proud that his mommy is going to work and is not just lying around the house all day," says Brenda Vincent, who is working as a janitor at the North Light Community Center.

sylvania Gov. Tom Ridge is a Republican. But this concept appealed to both. It fit the state's belief in "rapid attachment" of welfare recipients to jobs, while the city saw it as the closest it could get to a government-supported jobs program.

The idea of transitional jobs in nonprofits and city government had additional appeal in a city known for its touchy labor unions. There would be little danger that these short-term transitional jobs would threaten the full-time jobs of union workers. Municipal unions ultimately got to approve all of the transitional slots set up in city agencies.

Everyone was so eager to get the program running that it started enrolling participants even before Greenwald arrived last fall. (In retrospect, some staffers now believe the rush to get into action was a mistake that increased the number of "negative terminations" in the program's early days.)

Greenwald, a native Tennessean, describes himself as having been "way to the left" while a student activist at Connecticut College, from which he graduated in 1987. He joined the staff of then-Sen. Al Gore and worked on Gore's 1988 presidential campaign. After working for several federal agencies, he enrolled in a master's degree program in public policy at Columbia University. There he got to know Peter Cove, who was teaching at Columbia. Cove was the founder of America Works, a for-profit company that places welfare recipients in jobs. After getting his degree in 1993, Greenwald took a job with America Works. He was hired away from there to head Transitional Work Corp.

"There Is No Casual Day Here"

While Transitional Work is not a for-profit enterprise, Greenwald wants it to act like one. "From the moment people come in here, they should understand that this is a workplace, not a welfare office," he says. Pointing to his tie, he adds, "There is no casual day here." Greenwald and the key officials of Transitional Work greet every incoming group of participants on their first day in a ritual that might be called The March of the Suits. "This is all about work," Greenwald tells them. Some participants are amazed. "I've been in three programs before," one told Greenwald recently, "and I've never seen the people in charge before."

The staff includes some people who have worked in social services before, including a former welfare caseworker, and others from different fields altogether. One manager had been the head of communications at a graphic design firm; another is a former pro basketball player whose most recent previous job was as an assistant coach for the Sacramento Kings. Most say they didn't have strong opinions about welfare reform while it was being debated, but tend to share the viewpoint of Elmore Johnson, the vice president in charge of arranging jobs. "Welfare reform is a fact," Johnson says. "I decided I could either stand on the sidelines and criticize or make it work as successfully as I could."

Several of the career advisers, each of whom is responsible for around two dozen participants, say there is often a moment of truth when participants discover that they cannot manipulate this program in the way they have others. One recalls confronting a participant about phony medical excuses for missing work and warning that another absence would result in termination. The participant burst into tears. "It happens a lot," the adviser said. "Everyone keeps a box of tissues on the desk."

The career advisers also offer advice and encouragement. They become advocates for the participants in their wrangles over welfare bureaucracy foul-ups, which are frequent and usually involve child care payments. They also handle matters such as helping domestic abuse victims get restraining orders.

After just two weeks of orientation, each participant must formally interview for the transitional jobs the program's staff has pointed them toward. Then they begin to work.

Virtually all of the participants interviewed for this article said being placed in a real job so quickly was the program's most important element. Most reported that there was an immediate, positive change in their children's attitude toward them. "My son is proud that his mommy is going to work and is not just lying around the house all day," says Brenda Vincent, who is working as a janitor at the North Light Community Center.

It's difficult to call any one participant's situation typical, but Robin Helm's experience in the business office at Thomas Jefferson University Hospital gives some insight into the importance of on-the-job experience. She freely admits she was scared to death her first day on the job, expecting people to be cold, distant, and resentful of her as an unworthy intruder. "I didn't have any confidence," she says. Two previous training programs had taught her little more than how to fill out a job application.

But her fears proved unjustified. "Everyone made me feel comfortable," she recalls. The key person was her work partner, Shela Copeland, an older woman with a friendly, caring manner who had volunteered to be Robin's mentor. (Personnel officials at Jefferson, which has had more than 70 Transitional Work participants so far, say that recruiting work partners has not been a problem. People have been eager to volunteer.)

Copeland recalls that there were some initial difficulties. Helm was afraid to go to lunch unless told to and was so intimidated by managers that she couldn't ask questions. "I couldn't talk to those people," Helm says. "When a big cheese would come over I would just stand up and be real nervous."

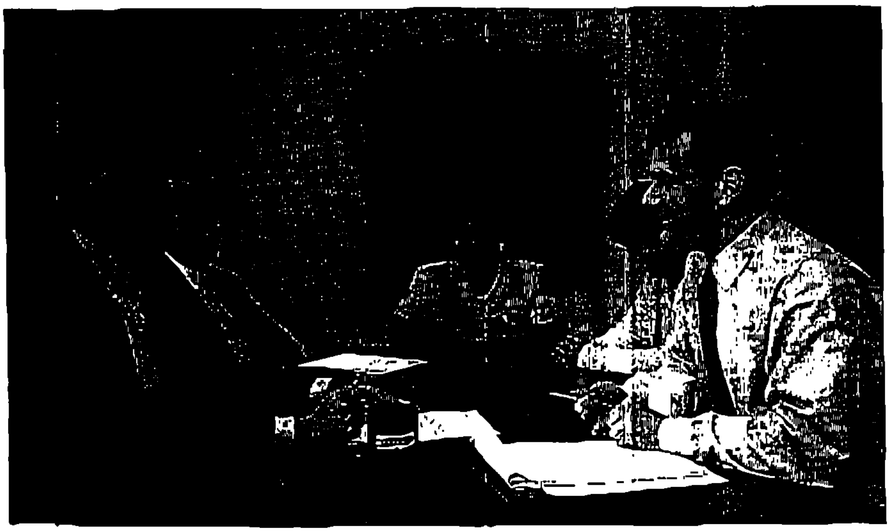
At first Copeland helped Helm get answers to her questions, but then she gradually convinced Helm to "speak up a little more." Communication with bosses is no longer a problem. Helm even offers suggestions as to how she could make a larger contribution.

For Helm, who is usually careful to check and recheck her work, the moment of truth arrived when she mistakenly filed a basket of forms in the wrong cabinet. There was a moment of cold terror when she realized the error and had to do some extra work re-filing the forms. But the incredible thing to her was that the world didn't end. She wasn't fired. To Robin Helm's amazement, people were more amused than angry.

Indeed, the manager of her department is ecstatic about the quality of her work and her perfect attendance record. June, in fact, turned out to be a big month for Helm. She took her GED test — and was told that she would be hired as a permanent employee at Jefferson.

Other participants, including some with success stories as inspiring as Helm's, were reluctant to have their names used in this article. Helm had no such compunction. "I want everyone to know all about this program," she said. "It's incredible." ♦

From left to right, Philadelphia@Work staff members Jim Klasen, Elmor Johnson, Faith Williams, Lili Elkins, and Richard Greenwald.



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James B. Hunt Jr.
Governor

CC: Barbara Sard, Xavier Briggs, Stephen [illegible], Steve Redburn, Cynthia, Paul, Tuesday, Emily → Gudrun

State of North Carolina
Office of the Governor

For Release:	IMMEDIATE	Contact:	Tad Boggs
Date:	April 26, 1999	Phone:	(919) 733-5612

GOV. HUNT PROPOSES 'NEXTSTEPS' TO BOOST OPPORTUNITIES FOR WORKING FAMILIES

RALEIGH -- Gov. Jim Hunt today unveiled his NextSteps initiative, a program to improve opportunities for affordable housing, job training and health care for low-income families and those moving from welfare to work, and pledged that all North Carolina families will have the opportunity to share in the state's ongoing economic prosperity.

"NextSteps continues the state's commitment to assist families striving to improve their lives by achieving economic independence," Hunt said today. "As a state, we're enjoying record prosperity, but we know that not everyone is sharing in our good times. NextSteps will lend a hand to working families who want to move up the economic ladder." get info

Hunt announced the details of NextSteps at the Adventura East subdivision in Wilson, a development constructed through a local-state-federal partnership to help former welfare recipients become homeowners. After visiting two homes during a walking tour of the development, Hunt explained how the plan will help families and those making the transition from welfare to work to a gathering of legislators, state and local officials, social-service and health experts and area residents

"We've known all along that simply reforming welfare isn't enough," Hunt said. "We've responded in the past by improving child care and transportation options for people making the transition from welfare to work. This plan takes us the next step by combining better uses of our current resources with federal funds to help low-income working families help themselves."

Highlights of the $34 million package, which combines federal funds and other non-state resources with a state tax credit to create more than 3,400 units of affordable housing, include:

RENTAL HOUSING & HOME OWNERSHIP

A key piece of Hunt's plan is designed to ease financial strain on the approximately 250,000 low-income families who pay half their annual income for housing or live in substandard housing. To promote affordable rental housing and home ownership by low-income working families, NextSteps would:

- Create a state low-income housing tax credit for construction of rental housing. Totaling $2.4 million in 2001-2002, the credit would work in conjunction with a similar federal credit (200 additional units of rental housing each year).
- Target $5.8 million in federal Community Development Block Grant (CDBG) funds to help communities create affordable rental housing. Priority would be given to the state's poorest counties and state development zones (400 additional units per year).

(more)

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file housing examples

- Earmark $2 million in CDBG funds to match county spending for low-income rental housing, with spaces guaranteed for participants in the state's Work First program (200 additional units per year). Also, $3 million would be allocated from the state's federal Temporary Aid to Needy Families (TANF) block grant to create rental assistance programs for 1,200 families.

- Target CDBG funds ($500,000) to help non-profit developers obtain bank loans (300 units per year).

- Double the amount of tax-exempt bonds authorized for sale yearly, to $34 million (320 units per year).

- Work with public housing managers to hold down rental costs in public housing by granting allowances under federal law for renters whose income rises.

- Expand a state program to 10 new counties (up from four) that matches funds placed in savings accounts for home purchases by low-income families. CDBG funds totaling $500,000 are earmarked to assist 500 families.

- Allocate $500,000 in CDBG funds for down-payment assistance to 100 families seeking to purchase housing in state development zones, communities where 20 percent or more of the people live in poverty.

- Earmark $100,000 to train young people to perform needed maintenance on the homes of low-income families.

JOB TRAINING

To help low-income workers just off of welfare improve their job skills and earn higher wages. NextSteps would:

- Expand pre-employment, basic-skills and occupational-skills courses to 12 more community colleges; they are now offered at 10 colleges ($500,000 in TANF funds).

- Create coordinated call-back systems among state and local agencies to contact former welfare recipients after six months of employment to inform them of training and job opportunities.

- Make eligible for state employment and training grants those workers earning less than 200 percent of the poverty level (about $32,000 for a family of four); the grants now are offered only to unemployed workers.

HEALTH CARE

To reduce incidents where workers can lose jobs or suffer financial instability from medical problems, Next Steps would:

- Use TANF funds to expand Buncombe County's award-winning Project Access to as many as eight more counties. The program provides free medical care to workers who earn less than 200 percent of the poverty level, and has cut county medical bills by reducing visits to local emergency rooms.

Since 1995, some 69,000 families have moved to self-sufficiency from welfare dependency as part of the Hunt administration's Work First initiative. Work First families in seven pilot counties also will benefit from a program that teaches skills in household management, including budgeting and saving ($340,000 in TANF funds).

Gov. Hunt's NextSteps Initiative

To succeed in life, North Carolina children need a good start. That means a strong family - one that teaches children the value of work, and teaches that working hard means getting ahead. But many families need help scaling the economic ladder. They need help finding a decent place to live; help getting a job or getting the skills and training for a better job; help finding health care.

Although North Carolina is in a time of prosperity, many families need help in making the transition from working poor to "working." This challenge is especially strong for families leaving welfare. Since 1995, some 69,000 families have moved to self-sufficiency from welfare dependency as part of Gov. Jim Hunt's Work First initiative. But good child care, transportation, affordable housing, health care and job skills are critical foundations to economic self-sufficiency.

Under Gov. Hunt, North Carolina has made a good start in the right direction. Jobs are plentiful - more than 525,000 new jobs have been created since Gov. Hunt took office in 1993. Smart Start is helping to provide affordable, quality child care, health care and family services for thousands of families. Uninsured children of working parents can now get health insurance, as part of N.C. Health Choice. And the Hunt Administration is helping communities solve transportation problems facing Work First participants.

But there are still far too many North Carolina children in poverty. There are too many families who are working but having a tough time making ends meet. And there are too many families who are losing their jobs because of the changing economy - especially in textile manufacturing. These families need help to take the next steps toward financial security - and toward a brighter future for their children.

That's what Gov. Jim Hunt's "NextSteps" initiative is about. "NextSteps" is a $34 million effort - using mostly federal funds and helping bring in private resources - to help tackle these issues. It targets affordable housing - increasing the supply of rental housing, especially in poor counties; helping families build wealth through home ownership; helping Work First families find affordable housing; and boosting North Carolina's housing development capacity.

"NextSteps" also doubles job training programs for Work First participants at community colleges; makes training more affordable for those still employed; and targets the textile manufacturing industry, which is losing thousands of jobs. It includes a new "check back" call center to make sure families recently off welfare are getting the job training, family services and other referrals they need. Finally, "NextSteps" seeks to expand successful efforts to improve access to health care for working adults, building on a model in Buncombe County.

Affordable Housing

In North Carolina, 250,000 low-income families either pay half their annual income for housing, or live in housing that is substandard. Hunt's NextSteps initiative redirects about $29 million of existing federal and non-state funds, plus a state tax credit, to help 3,420 families get affordable housing. The federal funds will come mostly from Community Development Block Grants

(CDBG), which help communities – through a competitive grant process run by the state – with housing and job creation for low and moderate income people, and from the state's block grant for the Temporary Assistance for Needy Families (TANF) program.

Rental Housing

- Provide a state tax credit for building low-income rental housing. The tax credit will lower the cost of construction, thereby encouraging development of 200 more units each year and help developers reach people at very low income levels.
  $2.4 million cost to the state in 2001-02, building up to $12 million
- Retarget existing federal funds to help communities build 400 more units of rental housing. Grants will be awarded – on a competitive basis – to communities that are building rental housing for low-income families. Priority for the grants will go to the poorest areas of the state.
  $5.8 million dollars in CDBG funds.
- Help communities finance 200 units of rental housing for Work First participants. North Carolina will retarget federal funds – through a competitive grant process – to help counties build rental housing that has units guaranteed to Work First participants.
  $2 million in CDBG funds.
- Provide rental assistance to 1200 families. State and local shares of welfare money will be used to help counties create rental assistance programs to help low-income families, some of whom are in Work First. In some counties, this program will work in tandem with the above program
  $3 million in TANF funds
- Help non-profit developers get projects started to create 300 units of additional rental housing each year. North Carolina will help non-profit developers get developments on the drawing board by loaning them money to do pre-construction planning work.
  $500,000 in CDBG funds.
- Encourage developers to create 320 additional units each year by doubling the amount of tax exempt bonds available for use in rental developments. Each year the state can authorize developers to sell tax exempt bonds – which lower the cost of financing a development – for multi-family housing development. North Carolina will double the amount going to this purpose each year.
  $17 million more in private money
- Prevent salary increases from immediately raising rents for people in public housing. Federal law now allows public housing managers to disregard a tenant's increase in income for 18 months, but not many managers do so. The Hunt Administration will hold a forum to teach managers about this and other ways to help.

Home Ownership

- Teach Work First families how to buy and maintain a home. Through the Cooperative Extension Service at universities (NCSU and North Carolina A&T are already signed up), Work First families in 7 pilot counties will be able to learn about household management, including budgeting and saving.
  $340,000 in TANF funds.
- Help 600 working families purchase a home. North Carolina will expand its Individual Development Account project to 10 new counties (up from 4), to provide money to match the savings of 500 low-income families that are saving to buy a home. The state will also help 100 people in State Development Zones make a downpayment on a house.

$500,000 in CDBG funds for each program.

- Train young people who need jobs how to do home rehabilitation, and have them fix the homes of low wage workers.
  $100,000 in CDBG funds

JOB TRAINING

- Provide more opportunities for people to get training basic and occupational skills. The state will help 12 community colleges develop Pathways to Employment programs (12 community colleges now have the program). These programs – which the Hunt administration created to help Work First participants get jobs – integrate pre-employment, basic skills, and occupational skills courses, all customized to help people find work in the local job market.
  $500,000 in TANF funds
- *Help low-wage workers get training for new jobs before they lose their old one. North Carolina has a program – the NC Employment and Training Grant – to provide training for dislocated workers and unemployed. Gov. Hunt has proposed that this training money be available to anyone earning less than 200% of poverty.*
- Retrain textile workers for high tech textile jobs. The Hunt Administration has applied for a federal grant to provide training for 700 textile workers, so that they can operate the high-tech equipment that is becoming essential to the industry.
  $1 million from the U.S. Department of Labor.

POST WORK FIRST "CHECK BACK"

- Keep in touch with former Work First participants, to make sure they are getting the employment, job training, health care, and other assistance they need as they work towards self-sufficiency. The state will provide assistance to help pilot a regional (6 county) call center in Edgecombe County to check back with former Work First participants, and in other counties, the state will help local JobLink Career Centers and Employment Security Commission offices act as local call centers. Through these programs, former welfare recipients will get help with resources from the Employment Security Commission, the Division of Social Services, and community colleges.
  $300,000 in TANF money.

HEALTH CARE

Help working people living at below 200% of poverty get health care. North Carolina will help 6-8 counties set up health programs to serve low-income people who do not qualify for other assistance. The programs will be modeled after Project Access, an award-winning program in Buncombe County that brings together doctors, hospitals, pharmacies, and the county to provide free medical services and low cost medicines to people who do not qualify for other assistance.
$70,000 in TANF money to hire a state coordinator for the program.

Gov. Jim Hunt
Prepared Remarks
NextSteps Initiative Announcement
April 26, 1999
Wilson

Adventura East is a source of pride not only for all of us from this area, but for our entire state. And its a national model for can-do approaches to affordable housing.

The Wilson Community Improvement Association's successes have taught all North Carolinians a valuable lesson. We've confront many problems in our state every day. Sometimes, these problems can seem insurmountable.

But folks, when we see the hard work and determination that Fannie Corbett and so many others have demonstrated here, we learn that there's nothing we can't do when we work together as partners. Ten years ago, Adventura East was a dream. Today, its a dream come true.

When I look at what they accomplished here, I believe it should happen everywhere there is a need for affordable housing. I believe it can happen. I want everyone in this room who supports this plan to help us make it happen.

Today, I'm here to announce a new initiative to continue our commitment to assist working families striving to achieve self-sufficiency. As a state, we're enjoying record prosperity, but we know that not everyone is sharing in our good times. Our new initiative, called NextSteps, will lend a hand to working families who want to move up the economic ladder.

The reason for Next Steps is simple: We've known all along that simply reforming welfare isn't enough. We've responded by improving child care and transportation for people making the transition from welfare to work.

This 34-million-dollar plan takes us to the next step, by combining better uses of our current resources with the funding to help low-income working families help themselves.

The plan has three main areas: Affordable homes... good jobs... and reliable health-care.

17:16 FAX

001

file: Welfare to work

THE WHITE HOUSE

CC winners

find out more @ project

Domestic Policy Council

DATE: 5/15

FACSIMILE FOR: Nicole Rabner

FAX: 62878

PHONE:

FACSIMILE FROM: Andrea Kane

FAX: 202-456-7431

PHONE: 202-456-5573

NUMBER OF PAGES (INCLUDING COVER): 5

COMMENTS: SBA small business award winners related to child care (these are regional winners -- they will be giving national awards later this month)

CC: CR

Ive asked Zina to provide a summary of the 3 award winners.

'06 MAY 1999

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

Ms. Andrea Kane
Senior Policy Advisor
Domestic Policy Council
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear ~~Ms. Kane~~: Andrea

Each year for the past 36 years, the President of the United States has issued a proclamation calling for the celebration of Small Business Week. This year, National Small Business Week is May 23 – 29. The celebration honors America's estimated 24 million small businesses.

As part of Small Business Week, SBA's Welfare to Work Initiative will host an awards breakfast recognizing the three national winners of the SBA's Welfare to Work Awards. Please join me and Betsy Myers, Director for Welfare to Work, at the breakfast celebration on **May 24th from 8:00AM-9:30AM** at the Grand Ballroom of the Washington Renaissance Hotel, located at 999 9th Street, NW, Washington, DC.

The 1999 national winners are:

George T. Johnson
Welfare to Work Small Business Owner of the Year
Diversified Educational Training and Manufacturing Company, Inc.

Gale Walker
Welfare to Work Entrepreneur of the Year
The Children of the Rainbow Daycare Center/Rainbow Arts

Richard C. Petersen
Welfare to Work SBA Associate of the Year
Employment Trust, Inc.

The Disabled Small Business Person of the Year will also be honored at the breakfast with an award presented by Mr. Tony Coehlo, Chair of the President's Committee on Employment of People with Disabilities.

If you are able to join us at this celebration, please return the enclosed registration form by Thursday, May 13th, with a check for $25.00 to cover the cost of the breakfast. If you need additional information, please call Sarah Rice at (202) 205-2410.

Sincerely,

Hope to see you there!

Zina C. Pierre
Deputy Director for Welfare to Work

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© Business Wire, April 28, 1999, Wednesday

CC.
Nicole [illegible]
from
Andrea

Business Wire

April 28, 1999, Wednesday - 07:46 Eastern Time

DISTRIBUTION: Features Editors

LENGTH: 472 words

HEADLINE: Business in the Barrio: For One, the Arduous Journey From **Welfare to Work** is Child's Play

DATELINE: SAN DIEGO

BODY:

April 28, 1999--Just eight years ago, Gale Walker spent her days trying to make ends meet. A single mother of two, she reluctantly turned to welfare after forfeiting a job to take care of her ailing mother. With limited resources, Walker started a home day-care business to stay home with her kids. Today, Walker, who won this year's local and regional U.S. **Small Business Administration welfare-to-work** entrepreneur award, owns Children of the Rainbow, a thriving home day-care center in San Diego's inner-city neighborhood of Logan Heights. Walker just expanded her business with the help of the local offices of Bank of America, the SBA and the Small Business Development & International Trade Center. Just this month, Children of the Rainbow added a 7,000-square-foot childcare center at 3078 L St. It's open from 5 a.m. to 1 a.m., hours that make it easier for working parents. "I wouldn't have been able to get this far had it not been for the assistance of these partners," Walker said. Bank of America, the largest SBA lender in the United States, provided a $ 200,000 SBA loan to facilitate the expansion. "Our commitment is to make a difference in the community, and providing loans to people with Gale's vision and initiative does just that," said Doug Sawyer, head of small business banking for Bank of America in Southern California. Children of the Rainbow's expanded facility is the only licensed childcare center for infants and toddlers in the Logan Heights/Grant Hill area. The center is critical, since federal law requires parents of infants older than 12 weeks to immediately seek work if they are receiving public assistance. "We designed our new facility to embrace **welfare-to-work** and to free parents up to find jobs," Walker said. Bank of America has established several initiatives to assist those moving from **welfare to work.** The bank's Childcare Lending Investment Initiative provides construction, acquisition and rehabilitation loans to childcare providers. In California, Bank of America helped write and sponsor the CALWORKS program, which provides state-guaranteed loans for childcare facilities. Also, Bank of America has participated in a partnership with the David and Lucille Packard Foundation, which will provide more than $ 15 million in loans to non-profit childcare operators. "Gale's is the ultimate **welfare-to-work** success story," said Sawyer.

WATERBURY REPUBLICAN-AMERICAN April 6, 1999, Tuesday

WATERBURY REPUBLICAN-AMERICAN

April 6, 1999, Tuesday

Great Success Story!

Cc: Nicole Rotner

Re: child care as profession

KR-ACC-NO: WY-DAYCARE

LENGTH: 619 words

HEADLINE: Child Care Facilities Microloan Program Unveiled in Connecticut

BYLINE: By Brenda Marks

BODY:

BRANFORD, Conn.--Jackie Giuliano is living her dream.

After all, she owns her own business, Precious Cargo Daycare & Learning Center. And now she's watching it grow. Although Giuliano started her daycare in her home 11 years ago, just five weeks ago she opened in a bright, new, 5,200 square foot facility on Branford's West Main Street.

"This was always what I dreamed of," Giuliano said, showing a row of colorful class and activity rooms. There's also a mother's nursing room, a computer center and visiting science teachers.

Giuliano currently employs 12 workers and is licensed for 82 full-time youngsters.

On Monday, Giuliano officially became the first daycare provider in Connecticut to get funding through a new Child Care Facilities Microloan Program. That's why the statewide, daycare loan program was unveiled at her center.

Any daycare center in Connecticut can apply for loans up to $ 10,000 through the program, said Patrick McGowan, **Small Business Administration** regional administrator for New England. And that includes daycare businesses in the Greater Waterbury area as well as start-up entrepreneurs.

"We wanted to make loans available to people who wouldn't normally use them," McGowan said. Currently the program is funded with $ 750,000. This is the first such loan program in the country, he said. Interest rates are fixed at 9 percent. Terms of paying back the loan vary on the borrower.

The childcare loan program is a partnership among private banks, the New Haven Community Investment Corp., a non-profit community organization that underwrites the loans, the Connecticut Health and Educational Facilities Authority, or CHEFA, and SBA. For more information, call John Torello of New Haven Community Investment Corp. at 203-776-6172, extension 29. Or call the SBA at 860-240-4700.

"What we're hoping is to help a lot of families," said Marie Record, SBA district director. In Connecticut the SBA gives out more loans for daycare programs than any other state in New England, she said. Daycare is especially important with **Welfare-to-Work** putting a lot of single mothers back into the job market.

Giuliano borrowed $ 10,000 through the childcare facilities loan. Of the $ 10,000 she borrowed, $ 9,000 went to install a state-of-the-art electronic security system that includes monitors in classrooms. Video cameras will also be installed on outdoor play yard. Parents can access the center with an electronic pass key.

"Today, security is a major concern for parents. I wanted to offer a fun environment, but in a secure setting," Giuliano said. Behind her, a poster sported cartoon stick characters and the words, "Families are Forever." Hand-print tulip paintings made by children, hung on another wall.

The Child Care Facilities Microloan Program aims to boost availability of childcare for working parents. It is part of the state's School Readiness and Child Day Care Initiative. The program is funded by the state Department of Social Services and Education. The department chose CHEFA and the New Haven organization to manage and lend the money.

A separate U.S. **Small Business Administration** Microloan Demonstration Program gave Giuliano an additional $ 15,000 to buy other equipment. It is also administered by the New Haven organization. Loans through that program range from $ 500 to $ 25,000. Interest rates are fixed at 11 5/8 percent.

"We're coming together to address a key daycare problem. We want to bring more daycare to Connecticut's neighborhoods," said Mark Cousineau, of the New Haven non-profit group.

Visit the Waterbury Republican-American, Conn., on the World Wide Web at http://www.rep-am.com

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THE WHITE HOUSE

Domestic Policy Council

DATE: 5/18

FACSIMILE FOR: Nicole Rabner / Emil Parker

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FAX: 202-456-7431

PHONE: 202-456-5573

NUMBER OF PAGES (INCLUDING COVER): ~~3~~ 4

COMMENTS: Thought you'd be interested -- this is one of 3 national winners of SBA's welfare to work awards (to be recognized during Small Business week -- see attached flyer).

Emil - might want to share w/ child care Bureau

1999 WELFARE TO WORK ENTREPRENEUR OF THE YEAR

GALE WALKER
DIRECTOR
THE CHILDREN OF THE RAINBOW DAYCARE CENTER AND
RAINBOW ARTS PROJECT
6358 BROOKLYN AVENUE
SAN DIEGO, CALIFORNIA 92114

Gale Walker founded the Children of the Rainbow Daycare Center/ Rainbow Arts Project in 1990. The Center is an evolved version of the traditional concept of daycare as Ms. Walker is an evolved version of the stereotypic welfare recipient. What Gale Walker has achieved demonstrates the possibility and expectation that the human spirit can overcome the sting of defeat and turn the painful experience into one of overwhelming success. She shares this winning attitude and sense of purpose with her community, which has benefited from her daycare service as well as her example of what an individual can do.

Gale Walker was forced to turn to welfare to help her and her two sons after she had taken a leave of absence from her job with the Postal Service in Dallas to take care of her sick mother. Since the Postal Service would not transfer her to San Diego and she was unable to return to Dallas, she was forced to accept aid.

After her mother died, Ms. Walker took the first step toward her dream of running her own childcare center by starting a home-based daycare business. She bootstrapped the business until it provided her an income and fulfilled the community's need for childcare at any time of the day. As the business grew, Ms. Walker turned to the Small Business Development and International Trade Center in San Diego (SBDC) for help to expand her business. She wanted to move her business to a freestanding house, but had little or no money for the initial investment. With the help of the SBDC, she applied for Federal Community Development Block Grant monies for the daycare center and a new endeavor, the Rainbow Arts Project. She succeeded in purchasing the house and her daycare center soon became the community center for the entire neighborhood, helping other mothers juggling the demands of children, school and work.

Gale Walker has expanded her Center once again and is about to open a new facility in the former site of a Head Start program. Further, there is a separate house, which can be used for offices and conference space. When she found it, the facility was in disrepair, but neighborhood volunteers helped to restore it. They are planting a garden and recruiting senior citizen neighbors to mentor the children.

Children of the Rainbow will care for any child. Most of the clients are residents of the immediate neighborhoods; which are low-income, immigrant, and located in an enterprise zone. Ms. Walker's Center offers childcare twenty-four hours a day to children of all ages. Infants and toddlers, an accredited pre-school, and before and after school programs allow for continuity of care for children and their families. Ms. Walker has signed an agreement with a local military housing project to provide daycare to children of Navy personnel. She provides services to needy families through subcontracts with various agencies such as the YMCA and Children's Home Society.

Gale Walker's resilience and courage to be all she could be sets a new standard and goal for individuals, families and the community. Her business success in creating Children of the Rainbow is a testimony to her values, belief in herself, work ethic and determination. She is a role model for many and is making a significant difference in the lives of the children, their families and the communities she serves.

File: Welfare Reform

Ann O'Leary

CENTER ON BUDGET AND POLICY PRIORITIES

Revised June 12, 2000

Issues for Consideration As States Reinstate Families That Were Improperly Terminated from Medicaid Under Welfare Reform

by Liz Schott

On April 7, 2000, the Health Care Financing Administration issued a letter to State Medicaid Directors expressing concerns that families have lost Medicaid coverage when they stopped receiving benefits under the state's Temporary Assistance for Needy Families program.[1] The letter notes that states have expanded eligibility for and simplified access to Medicaid for low-income working families in many respects, but at the same time many families may have improperly lost access to Medicaid when leaving welfare. Building upon federal and state efforts to improve the ability of eligible, low-income families that left TANF to enroll and remain enrolled in Medicaid, the HCFA letter specifically addressed three topics related to families improperly losing Medicaid coverage under welfare reform.

- The letter requires states to identify and reinstate families that, since the inception of the state's TANF program, had Medicaid benefits improperly terminated when their TANF case was closed or when Transitional Medical Assistance ended. States must then review the reinstated families for ongoing Medicaid eligibility prior to stopping the reinstated benefits.[2]

- The letter clarifies longstanding federal requirements that states must review ongoing Medicaid eligibility on an *ex parte* basis — that is, whenever possible, without contacting the recipient — prior to stopping Medicaid, and addresses the circumstances under which a state can ask a family to provide additional information.

- The letter also addresses state obligations to ensure that state computer systems are not improperly denying or terminating persons from Medicaid.

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[1] The HCFA letter is available at http://hcfa.hhs.gov/medicaid/smd40700.htm. HCFA subsequently has posted additional questions and answers on the April 7 letter on its website at http://hcfa.hhs.gov/medicaid/q&a40700.htm.

[2] The letter also requires states to identify and reinstate any children who lost eligibility for SSI due to the 1996 law change in the SSI disability standards and who were terminated from Medicaid when they lost SSI either without adequate consideration of their potential Medicaid eligibility under Section 4913 of the Balanced Budget Act (which provided a basis for ongoing Medicaid eligibility) or without a proper redetermination. The HCFA letter directs states to compare the Social Security Administration list with their current Medicaid rolls and reinstate any children not properly terminated or, if receiving Medicaid, not properly identified as a 4913 child. This memorandum focuses on the reinstatements arising from TANF-related Medicaid terminations, which present a different set of issues than the reinstatements of children who lost SSI.

820 First Street, NE, Suite 510, Washington, DC 20002
Tel: 202-408-1080 Fax: 202-408-1056 center@center.cbpp.org http://www.cbpp.org HN0026

This memorandum discusses some of the issues that state Medicaid agencies and non-profit organizations are likely to consider as states act in accordance with the HCFA directive to reinstate families that lost Medicaid improperly. It also draws upon some of the experiences of the three states that have already taken steps to reinstate large numbers of families that experienced TANF-related loss of Medicaid benefits.[3]

1. What steps must each state take?

The April 7 letter requires states to examine their enrollment policies and practices and to identify and reinstate those families that have improperly lost Medicaid. Specifically, if it appears there have been improper terminations, states must develop a timetable for reinstating coverage and conducting follow-up eligibility reviews. While HCFA does not set any specific deadlines or require a uniform reporting document, it does indicate that states should act to reinstate coverage as quickly as possible and should keep their HCFA regional office informed.

2. What if a state determines that there have been no improper terminations?

If, after a statewide review of Medicaid policies and practices, a state determines that there have been no instances of improper terminations, the state is expected to inform the HCFA regional office of the review undertaken and the basis for its conclusions. Client, community, or other non-profit groups may wish to obtain and review any such written communications, as well as any other agency memoranda or analyses of the issue. In most cases, any such written documents should be available to the public.

Client, community, or other non-profit groups may wish to communicate with the state agency as it is undertakes its review and share additional information for the agency to consider. For example, non-profit groups could provide the state agency with an analysis of agency procedures or policies, including a review of manuals and training materials, that may have resulted in improper terminations. In addition, evidence regarding whether eligible families may have lost Medicaid improperly may be available through analyses of state Medicaid caseload trends or through studies of families that have left welfare ("leaver studies") that indicate the extent of Medicaid receipt by such families.[4] Additional information may be available through some providers, particularly health clinics or public hospitals, who may be seeing significant numbers of uninsured low-income families that may have lost Medicaid improperly. All of this information could be shared with a state as it conducts its review and raised with the HCFA regional office in the event of a state determination that there have been no improper terminations.

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[3] Pennsylvania, Maryland and Washington state each have reinstated thousands of families that lost Medicaid when they left TANF.

[4] For discussion of the evidence from state "leaver studies" on the decline in Medicaid receipt among families leaving welfare, see Jocelyn Guyer, *Health Care After Welfare: An Update of Findings from State-level Leaver Studies*, Center on Budget and Policy Priorities, June 2000 (forthcoming).

Pennsylvania's Medicaid Reinstatement

In July 1999, Pennsylvania automatically reinstated approximately 32,000 individuals (24,000 children and 8,000 adults) who lost Medicaid when they left TANF cash assistance between July 1, 1997 and September 30, 1998. Families were reinstated for a 60-day period during which their eligibility for ongoing benefits was reviewed. Those reinstated families for which the welfare agency had wage information at the time of the TANF closing (which included approximately 4,700 parents and children) were automatically extended for an additional four months, for a total reinstatement period of six months.

The July 1999 automatic reinstatement was in addition to an earlier effort by the state to re-enroll families that had lost Medicaid when they lost TANF. This earlier effort, which involved mailing a simplified re-enrollment form to the household, required the family to request reinstatement and provide verification of income. Several thousand families were re-enrolled under the earlier effort, approximately half of the families that responded.

Medical services received during reinstatement were paid on a fee-for-service basis. Twelve percent of those who were reinstated in July 1999 — 3,802 individuals — used fee-for-service Medicaid benefits during the 60-day reinstatement period.

Over 5,000 of the individuals reinstated in July 1999 continued receiving Medicaid beyond their reinstatement period; this is about 16 percent of those reinstated. The state attempted to determine ongoing eligibility on an *ex parte* basis. If information in the food stamp file established Medicaid eligibility, the state automatically continued Medicaid, scheduling the next review in 12 months. For those families that had 60-day reinstatement periods and for which the agency did not have current income information, the state agency required verification of current wage data to establish ongoing eligibility. For some families, this verification requirement may have served as a barrier to receiving ongoing Medicaid.

Pennsylvania provided reimbursement for past medical bills incurred during the period since July 1, 1997 if it was determined that benefits had been terminated in error.

During the reinstatement period, the state established a toll-free information line, dedicated trained staff to respond to calls generated by the help line, and spent approximately $300,000 on public service announcements. In addition, an independent enrollment counselor made follow-up calls to some reinstated families that did not provide current information in a further attempt to establish the families' ongoing eligibility for Medicaid.

3. Does the state have to identify improper terminations on a case-by-case basis, or may a state reinstate categories of families when policy or practice problems led to improper terminations?

The HCFA letter allows states to reinstate coverage without making a specific finding for each case that an individual termination was in fact improper. Instead, states can determine that problems in policy or practice caused individuals to lose Medicaid improperly. Reinstating classes of persons terminated improperly will generally be more feasible administratively than making extensive individualized determinations of whether the Medicaid termination was improper. Such individualized determinations, as HCFA acknowledges, may not be clear or easy.

The three states that have already taken action to reinstate families that improperly lost Medicaid due to loss of TANF — Maryland, Pennsylvania, and Washington — each reinstated thousands of families without first making an individual finding of improper termination. Instead, these states took the reinstatement action upon determining that problems in policy or practice may have lead to improper terminations. In these three states, nearly all families that lost TANF and Medicaid during a certain time period were reinstated automatically. Several categories of families were not reinstated because the computer closing code indicated that the termination was not improper (for example, because the family moved out of state).

The costs of reinstating a large number of families may not be as high as states initially project because only a small fraction of reinstated families are likely to use Medicaid during reinstatement. (See discussion under Question 9 below.) In fact, the more significant cost may be the administrative cost of reviewing ongoing eligibility of reinstated families. Reviewing the current circumstances of these families for ongoing eligibility, however, is likely to be easier than reviewing a past case closure to determine if the family was improperly terminated. Moreover, it is a better use of resources. Focusing administrative resources on enrolling eligible families that have left welfare would provide an important support to the families and could bolster state welfare reform efforts.

4. How can states identify problems in policy or practice that caused improper terminations?

Prior to terminating Medicaid, states are required to review each case and consider whether each family member could continue to be eligible for Medicaid, either in the same coverage category or in another one. If a state's procedures or computer system did not provide such a review, many or most Medicaid terminations may have been improper. Even if a state's policies were not improper, actual practice — such as complicated actions that caseworkers must take in some cases to override automatic termination by the computer — may have resulted in improper terminations in a significant percentage of cases. A termination without a review for ongoing Medicaid eligibility is improper even if the individual would not have been found eligible if such a review had been made.

HCFA stresses that such reviews for ongoing Medicaid eligibility must be conducted without the involvement of the recipient if possible. This is known as an *ex parte* review. (*Ex parte* is a legal term that means "on one side only.") The April 7 HCFA letter specifies that a Medicaid termination would be improper if it did not include an *ex parte* review consistent with prior HCFA guidance. The previous HCFA guidance required that the review be based to the

Washington State's Family Medical Project

Washington state is currently in the midst of a project to reinstate Medicaid coverage for a 90-day period for families that lost Medicaid benefits when their TANF cash grant was terminated between August 1, 1997 and August 31, 1999. (The state changed its procedures as of August 1999, so that families leaving TANF would no longer lose Medicaid improperly.) The state identified 42,732 such families and sent them two mailings in February and April 2000 informing them about the upcoming reinstatement and seeking address confirmation.

The state automatically reinstated 29,610 families for the 90-day period starting May 2000. (Families for which the earlier mailings were returned without a forwarding address and no current address was available were not mailed a reinstatement packet in May.) The state will continue to reinstate any additional families that are identified or located through September 2000, with the last 90-day reinstatement period being October through December 2000. Medical services received during reinstatement will be paid on a fee-for-service basis.

The state will review all reinstated families for ongoing Medicaid eligibility. Reinstated families are being asked to return a short reapplication form. As of May 19, 2000, six percent of reinstated households had returned the form indicating a desire to continue Medicaid. The state plans to send a reminder letter in mid-June. In addition, the state will check its food stamp files for any information that establishes ongoing eligibility. If the state has information establishing eligibility in its files, it will continue Medicaid beyond the period of reinstatement even if the family does not send in the reapplication form. When the state reviews for ongoing Medicaid eligibility, it will provide Transitional Medical Assistance benefits on a prospective basis to families that do not qualify for ongoing Medicaid under section 1931 because of earnings.

Washington state also is providing reimbursement for past paid and unpaid medical bills incurred during the period since a family lost TANF and Medicaid benefits unless it is clear the family was correctly terminated from Medicaid. The state will reimburse families directly for bills the family has paid and will pay providers for unpaid bills.

The reinstatement process includes a toll-free information number and an outreach campaign with a flyer in English and seven additional languages. Additional information, including copies of letters and flyers provided to families and the memoranda provided to staff, are available at the project's website at http://maa.dshs.wa.gov/FamilyMedical/Index.html.

maximum extent possible on information contained in the individual's Medicaid file including information available through Social Security that the State believes is accurate.[5]

[5] The previous HCFA guidance on *ex parte* redeterminations was articulated in two HCFA State Medicaid Director letters dated February 2, 1997 and April 22, 1997 addressing this issue primarily in the context of reviewing the Medicaid eligibility of individuals losing SSI benefits. The previous guidance, therefore, gives specific examples of Social Security Administration files as sources of information the state should check as part of an *ex parte* review. The letters can be found at http://www.hcfa.gov/Medicaid/wrdl2697.htm and http://www.hcfa.gov/medicaid/wrdl422.htm.

If the state is unable to establish ongoing eligibility solely on an *ex parte* basis, the state should contact the recipient or take other reasonable steps to obtain the information it needs. The state must then give the recipient an opportunity to provide any additional information needed to establish eligibility prior to termination. To the extent that a state's redetermination procedures did not fully incorporate the *ex parte* requirements of the prior HCFA guidance, it would appear that the state has improperly terminated classes of families.

In addition, if a state did not promptly de-link TANF and Medicaid as required by the federal welfare law, Medicaid terminations generally would be improper. The federal welfare law created a new family coverage category in Medicaid — under section 1931 of the Social Security Act — that extended Medicaid to families even if they were not receiving cash TANF benefits. If a state did not have a Medicaid coverage category for low-income families not receiving cash TANF benefits, it could not properly consider whether a family no longer on TANF was eligible for ongoing Medicaid. Because the state could not have properly considered *all* bases of Medicaid eligibility, the Medicaid terminations were likely improper.[6] Moreover, even after a state technically established a coverage category under section 1931, it may not have fully incorporated that category into practice until some later date.

5. How far back does a state have to look for improper Medicaid terminations?

For TANF-related Medicaid terminations, a state should review its policies and procedures for a time period that starts with the date that the state's TANF plan went into effect and should continue forward until the present. Under the federal welfare law, the requirements of section 1931 on the de-linking of TANF and Medicaid became effective on the date that a state's TANF plan became effective. About half of the states technically started their TANF plans in 1996 by filing a state plan with HHS.[7] Many of these states, however, later made substantial changes in their TANF programs through 1997 state legislation and often regard the state's program as having a later start date. The review for improper Medicaid terminations should consider, however, terminations since the effective date of the state's TANF *plan*, which is the date that the state should have started a coverage category under section 1931.

The review period should extend until the present. Some states may have already addressed one or more of the reasons that a category of terminations was improper, such as the lack of a section 1931 coverage category or a computer's failure to consider eligibility under all bases. In such situations, it is still appropriate to review policies and practices after a systematic

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[6] In some circumstances, a state's failure to promptly establish a coverage category under section 1931 would not always lead to improper terminations. A state that did not establish a coverage category under 1931 may have avoided improperly terminating families if it had a family-based medically needy category that covered all persons who would have qualified under section 1931 *and* if the state considered all families losing TANF for ongoing eligibility under such category. In such states, however, families may have improperly lost access to Transitional Medical Assistance because of the state's failure to establish a coverage category under section 1931.

[7] The effective date of each state's TANF plan is posted at: http://www.acf.dhhs.gov/news/welfare/stplans.htm.

problem was fixed to ensure that the change effectively stopped improper terminations. Often there is a transition period as caseworkers receive training until agency practice conforms to changes in procedure. After such a review, a state might conclude that broad groups of families were improperly terminated before — but not after — the correction was made and thus only reinstate the groups of families that lost Medicaid prior to the state's correction of the problem.

6. What do families have to do to be reinstated?

The burden is on the state to review and identify families (or classes of families) that have been improperly terminated and automatically to reinstate all such families that are identified. The rationale is that these families should still be receiving Medicaid since they were terminated improperly. A state cannot require that the family first establish current eligibility to be reinstated. Instead, benefits should be automatically restored until the state conducts a proper review for ongoing eligibility. States cannot require that a family request reinstatement or otherwise prove improper termination. While a state should certainly review any case in which a family claims improper termination and seeks reinstatement, this would not be sufficient compliance with the HCFA directive.

The state generally should reinstate the identified families (or classes of families) automatically into the category of Medicaid that they were receiving when terminated improperly. In most cases, families were receiving, and will be reinstated into, Medicaid under section 1931, which covers families that receive cash TANF benefits and low-income families that do not receive cash TANF benefits.

7. How will states notify families subject to reinstatement?

While states must automatically reinstate any families (or classes of families) improperly terminated, it is still very important that a state be able to contact the family to inform it about the reinstatement and, if necessary, to ask for any additional information to make a redetermination. States may not have current addresses for many families, as some may have lost Medicaid over three years ago and low-income families tend to move more frequently than the general population. Those states that have mailed notices of reinstatement to families that lost Medicaid under TANF have experienced a significant percentage of returned mail. For example, in Washington State, more than one-fourth of the notices sent to families subject to reinstatement were returned as undeliverable with no forwarding address. Therefore, states will need to make additional efforts to contact reinstated families.

The April 7 HCFA letter instructs states to take all reasonable steps to identify current addresses, such as checking food stamp records or alerting caseworkers to the list of affected individuals in the event the families contact the agency for other reasons. A state may also find current addresses through its own Medicaid files as a child may have been re-enrolled in a poverty-level category for children through an outreach campaign when instead the entire family could qualify for Medicaid under section 1931 through reinstatement.

While a state should implement reinstatement promptly, it could consider sending a first mailing before the actual reinstatement mailing to alert the family to the importance of the upcoming mail, just as the Census Bureau recently alerted households to upcoming census forms. Maryland, Washington and Pennsylvania all used such pre-reinstatement mailings as part of their reinstatement plans. States also can use such a first mailing to identify current addresses for as many of the reinstated families as possible. For example, Washington State asked families to provide a current address but automatically reinstated families even if the address was not provided *unless* the mailing was returned with no forwarding address. Washington State also used a postal endorsement to notify the sender of any forwarding address on its pre-reinstatement mailings and has a process for identifying bad addresses and entering the forwarding addresses.

States can take additional steps to follow up with families that have been reinstated and do not provide needed information. For example, in Pennsylvania, the state contracted with a telephone counseling service to conduct follow-up calls to families that had not returned paperwork necessary to continue their benefits beyond an initial period of reinstatement.

8. What is the role of outreach and media campaigns?

To ensure that families know they have been reinstated and that the families follow up, if needed, to establish ongoing Medicaid eligibility, states should consider using media and outreach campaigns as part of the reinstatement process. The HCFA letter specifically mentions use of media or providing notices to families that receive other services, such as child care. States may also be able to reach families through WIC clinics, local health clinics, housing agencies and other service providers. For example, the National Association of Community Health Centers has urged all health centers to offer their assistance to states and to become involved helping to identify current and former patients who lost Medicaid improperly and to assist them to regain coverage.

An outreach campaign around reinstatement may have an additional benefit of increasing enrollment in Medicaid among eligible families that, although not improperly terminated, become enrolled in response to the campaign. Washington State, for example, is coordinating its reinstatement project with a marketing and outreach campaign. The state recently mailed outreach packets to over 600 individuals and organizations.

A media campaign provides a state with broad public exposure, can assist states in locating families, and can remind families to act on any requests for information needed to establish ongoing eligibility. A family that lost Medicaid can contact a toll-free number in response to a television spot and can provide the state with its current address and quickly learn whether it has been reinstated. In Pennsylvania, the media campaign is credited with playing a key role in increasing the number of families that provided information in response to reinstatement.

9. How to estimate the costs of reinstatement?

Reinstatement of broad classes of families may be less expensive than states anticipate for several reasons. As discussed above, some families may not use any medical services because, although they are automatically reinstated by the state, they may not be aware of it (because the state is unable to contact them). In any given time period, such as 60 days, a family may not have any current medical needs. For example, in Pennsylvania, only about 12 percent of reinstated families actually used Medicaid during the 60-day period the state chose for reinstatement. (Medicaid usage during the period of reinstatement is not yet available for Maryland which reinstated families in November and December 1999, or Washington State, which is starting reinstatement in May 2000.) In addition, not all families will continue to receive Medicaid beyond the initial reinstatement period. Only 16 percent of the families reinstated in Pennsylvania received ongoing Medicaid after redetermination of ongoing eligibility.

A fee-for-service approach may be the most cost-effective and reasonable way for a state to pay for medical costs during a temporary period of reinstatement even if the state generally uses a managed care system with capitated rates for Medicaid payment. It may not be prudent for a state to pay a full capitated rate if a portion of the reinstated population is not aware of the coverage and therefore will not use the benefits. The three states that have already implemented such reinstatements have all taken the fee-for-service approach.

10. What happens after a family is reinstated?

The state cannot stop Medicaid to reinstated individuals without first making an *ex parte* redetermination of the eligibility of each individual for ongoing Medicaid eligibility under any coverage category. In most situations, a state will want to conduct such reviews during the reinstatement period. HCFA will provide Federal Financial Participation for up to 120 days without a review; after that time a state will generally only receive federal match for families that have been redetermined as eligible for ongoing Medicaid. There is one group of families, however, that need not be reviewed during the reinstatement period. For those families that lost Medicaid recently and are still within 12 months of their last Medicaid review, a state can wait to review eligibility for up to 12 months from the last review.[8]

[8] The April 7 HCFA letter allows a state to continue to provide Medicaid beyond 120 days without a redetermination to families that are, at the time of reinstatement, within 12 continuous months of their most recent Medicaid redetermination. In such cases, the state may continue Medicaid until the regularly scheduled redetermination. For example, if a family had a Medicaid redetermination in November 1999 and subsequently improperly lost Medicaid benefits in February 2000, the state may reinstate benefits and not make an *ex parte* Medicaid redetermination until November 2000. Even though the review is more than 120 days after reinstatement, a state can receive FFP for the continuing benefits in this example.

11. How should the state get information it needs to determine current eligibility?

The review for ongoing eligibility must be conducted on an *ex parte* basis, which means the state must first see if it already has information available to determine ongoing eligibility before asking the recipient to provide information. If the state does not have the information establishing ongoing eligibility, it must then give the recipient an opportunity to provide such information. A review process that automatically stops benefits to reinstated families unless they send back an application or a review form and does not check to see if the state has the information it needs would be improper. Instead, a state must continue Medicaid to any reinstated individual if the state has information that it believes to be accurate that establishes ongoing eligibility even if the individual never responds to any mailings concerning reinstatement.

In the April 7 letter, HCFA addresses efforts states should make to obtain information from Medicaid or other files without asking the recipient. HCFA notes that states generally have ready access to Food Stamp and TANF records, wage and payment information, information from the Social Security Administration through the SDX or BENDEX systems, and information from child care or child support files. HCFA also notes that information that the state has about the circumstances of one family member who is receiving a needs-based benefit may provide all of the necessary information to determine the ongoing eligibility of the rest of the immediate family. For example, a state may have information about family income for a child enrolled in the state's CHIP program or in a Medicaid poverty level category for children that can establish eligibility of the entire family for Medicaid under section 1931.

12. When should a state consider information from other programs to be accurate?

In an important new clarification, the April 7 letter addresses when a state should consider information from other programs to be accurate. Specifically, the HCFA letter indicates that a state should consider information that the state or federal government relies upon to provide benefits under other programs such as TANF, Food Stamps or SSI to be as accurate so long as the program requires regular redeterminations of eligibility and reporting of changes in circumstances. Moreover, as long as the information was obtained within the time period for Medicaid redeterminations, information from another program should be relied on for Medicaid *ex parte* reviews *even if* benefits are no longer being provided under the other program, *unless* the state has a reason to believe the information is no longer accurate.

The HCFA letter also clarifies that a state may also accept the eligibility determination of another program with respect to specific eligibility requirements as it makes its own eligibility determination for Medicaid. For example, if the state's TANF program uses a test for assets that is the same as or more restrictive than the one used in Medicaid, the state may accept the TANF program's determination that the family's assets fall below the Medicaid asset standard.

As states review reinstated families for ongoing Medicaid eligibility, they should follow procedures that comply with this new clarification. This clarification provides an opportunity for states to lift unnecessary administrative burdens from both caseworkers and low-income working families. Moreover, states also may need to redesign the *ex parte* review procedures they use for all Medicaid reviews, not just those of reinstated families.

13. For what categories of Medicaid must a state consider ongoing eligibility? What about Transitional Medical Assistance ?

Redeterminations should consider *all* bases of Medicaid eligibility for each individual in the family. There may some bases of eligibility that only certain individuals (such as children or persons with disabilities) can meet. If the state needs information to determine, for example, whether an individual might qualify for Medicaid on the basis of pregnancy or disability, it must request the information and allow an opportunity for the individual to provide it before making a determination of ineligibility. Considering all bases of Medicaid coverage also includes expansion categories that a state may have implemented pursuant to a section 1115 waiver. In some states, these types of medical coverage are often seen as separate from Medicaid and may have a separate application process. If such expansions are Medicaid-funded, however, they must be considered in any Medicaid redetermination.

The review should also consider the family's eligibility for Transitional Medical Assistance (TMA). A family that loses eligibility for Medicaid under section 1931 due to earnings qualifies for up to 12 months of TMA if the family has received Medicaid under section 1931 for three of the prior six months. For example, if the review indicates that an adult in a reinstated family is now working and has countable earnings that are above the section 1931 eligibility level, the family may qualify for TMA. One question that arises is how to count whether a reinstated family has received assistance for three of the last six months. If the family in this example has received Medicaid under section 1931 for a 90-day reinstatement period, the state may consider that the family has met the three-month requirement and thus qualifies for TMA.[9]

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[9] HCFA has indicated that a state may consider three months of section 1931 coverage received through reinstatement as providing the three-month trigger for TMA eligibility, but has not yet indicated whether a state must do so. There also may be other approaches to the issue of how reinstated families can meet the "three of the prior six months" requirement so as to qualify for TMA. For example, a state might consider that, when a family was improperly terminated from Medicaid, months subsequent to termination and prior to reinstatement should count to qualify the family for TMA. A state wishing to take such an approach should consult with HCFA on this issue.

14. Under what circumstances can a state terminate Medicaid to a family that has been reinstated?

Under federal law, an individual receiving Medicaid must continue to receive benefits until there is a determination that the individual is not eligible. While states may view the reinstatement as a fixed period, the state cannot terminate any individual simply because the reinstatement period has expired. First, a state must complete an *ex parte* redetermination and provide an advance and adequate notice that there is no basis for ongoing Medicaid eligibility. If a state cannot determine that a family continues to be eligible, it can stop Medicaid. A state could do so, however, only after considering any information that state already has available and after requesting any additional information needed in a manner that gives the individual sufficient time to provide information prior to issuing a termination notice.

15. How long should reinstatement periods last?

HCFA has stated that Federal Financial Participation will be available for up to 120 days to allow adequate time to review ongoing eligibility. HCFA notes that the states that have reinstated families that were TANF-related Medicaid terminations have typically chosen a period of 60 or 90 days. Maryland and Pennsylvania generally reinstated families for 60 days although in Pennsylvania families that had earnings when they left TANF were reinstated for a total of six months. Washington state is reinstating families for 90 days. As discussed above, a state will need to conduct *ex parte* reviews for ongoing Medicaid prior to stopping reinstated benefits. A state should, therefore, choose a reinstatement period length that allows it to accomplish the required steps of such reviews, preferably at least 90 days. As discussed above, an additional benefit of a 90-day reinstatement period is that it can provide the "three of six month" trigger for Transitional Medical Assistance (TMA) eligibility for any family whose earnings place it above the income limits under section 1931.

16. Can a state cover medical services received by families prior to reinstatement?

Many families that have been improperly terminated from Medicaid have incurred medical expenses that otherwise would have been covered by Medicaid. The HCFA letter gives states the option to cover medical costs for this period and will provide Federal Financial Participation (FFP) to states that choose to do so. Maryland, Pennsylvania and Washington state have each provided (or will provide) such retroactive coverage.

States can receive federal match for both payment to providers and direct reimbursements to individuals for out-of-pocket costs they incurred. The FFP for direct payments to individuals will be based on the full payment amount while the FFP for payments to providers will be based on Medicaid rates.

States should consider that the back coverage group may include families that currently receive Medicaid and are therefore not subject to reinstatement. These are families presently receiving Medicaid that had a gap in Medicaid coverage of several months, or even years, between an improper termination and a return to Medicaid that occurred before the state's reinstatement process. Washington state, for example, is providing retroactive coverage to current Medicaid recipients who have such gaps in coverage although the families are not part of the state's reinstatement process.

17. What steps can states take to provide Medicaid to applicants who may have been denied benefits improperly?

HCFA notes that in some states individuals applying for both Medicaid and TANF may have been denied Medicaid improperly because eligibility determinations continued to be linked. As these families were not recipients, they were not improperly terminated, and thus are not subject to the reinstatement directive of the letter. HCFA, however, encourages states to identify and enroll these applicants.

Typically, a family applying for cash welfare and Medicaid will complete a joint TANF/Medicaid application. A state cannot ignore the Medicaid portion of the application if TANF benefits are denied. There must be a separate determination that each individual in the family is not eligible for Medicaid on any basis. Nor can a state deny Medicaid automatically when it denies TANF and instead instruct the family to separately reapply for Medicaid under a different program or coverage category.

Presumably, states can identify families that were denied Medicaid (or denied TANF without a Medicaid determination). A state could do a broad outreach mailing to such families providing information about eligibility and encouraging them to apply prospectively. It could also enclose a simplified application form. To the extent that families were improperly discouraged from even filing an application, the state is not likely to have a record. Such discouraged families may be most helped by an outreach or marketing campaign.

18. What steps should states take to redesign their process for all Medicaid reviews?

Reinstatement provides an opportunity for families that lost Medicaid improperly to obtain such coverage during reinstatement, and more importantly, on an ongoing basis. Nonetheless, many reinstated families may not qualify for Medicaid beyond the reinstatement period either because they are no longer eligible or, more likely, because they fail to provide information that the state requests to make a redetermination.

Perhaps the most significant effect of the April 7 letter will be its impact on the steps states take to redesign their procedures for *ex parte* reviews for all Medicaid recipients so that states first check their files for information they already have and do not request information unnecessarily from families. Unnecessary requests for information might cause a parent to miss work to bring the information to the welfare agency by a deadline, or it might cause the family to lose Medicaid although they are eligible. If families are continued on Medicaid after leaving

TANF without requiring any action on the family's part, the numbers of families at risk of losing Medicaid for failing to provide paperwork or verification should diminish significantly.

It is thus important that states revisit their procedures for *ex parte* reviews in general and not just for the reviews a state will conduct for families that are reinstated under the April 7 letter. The prospective improvements to state Medicaid review procedures and computer systems are key to stopping future loss of Medicaid either due to improper termination or unnecessary procedural requirements.

19. Can states use the $500 million fund to for any of these actions?

The federal welfare law established a fund of $500 million to help states improve their Medicaid program enrollment and eligibility determination process in light of welfare reform. Each state is allotted an amount that is available to it from this fund. Many of the activities that a state will take in response to the April 7 HCFA letter on reinstatement may be paid for from this fund. For example, in a recent letter to state Medicaid directors, HCFA notes that this fund can be used for outreach activities including public service announcements, as well as for administrative costs of eligibility determinations or redeterminations to consider eligibility under section 1931.[10]

20. As states review Medicaid, should states consider checking for food stamp eligibility at the same time?

The contact that states will have with families as they reinstate and review Medicaid provides an excellent opportunity to reconnect these families to food stamps as well. Many families that have left welfare are not receiving Medicaid or food stamps although generally these families should qualify for such benefits. Food stamps are available to families with incomes below 130 percent of the federal poverty line, and studies indicate that most families that have left welfare, even if employed, have earnings below this food stamp income level. Loss of food stamps lowers a low-income family's total income and may make the transition from welfare to work more difficult. Due to the loss of food stamps, some families may experience greater food insecurity after working their way off of welfare than when they were on the welfare rolls. Providing continuing supports such as food stamps to working families that have left welfare may help to bolster state welfare reform efforts.

States may want to consider taking action in three areas. First, state efforts to contact families about reinstatement in Medicaid represents an important opportunity to conduct food

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[10] The January 6, 2000 letter from HCFA is posted at http://www.hcfa.gov/medicaid/wrefhmpg.htm. For additional discussion on the allowable uses of the $500 million fund and state allocations and balances, see Donna Cohen Ross and Jocelyn Guyer, *Congress Lifts the Sunset on the "$500 Million Fund:" Extends Opportunities for States to Ensure Parents and Children Do Not Lose Health Coverage,* Center on Budget and Policy Priorities, December 1999.

stamp outreach. Many low-income families no longer connected with the welfare system may not know they may be eligible for food stamps. When a state sends a notice to families regarding Medicaid reinstatement, it could include information about the food stamp program. Second, a review of a family's case with respect to improper Medicaid terminations also may indicate that the family's food stamp benefits were inappropriately terminated within the prior 12 months. In such circumstances, the state should contact the family about the possibility of restoring back food stamp benefits. Third, as a state analyzes its policies and practices to determine if it had a systemic problem with improper Medicaid terminations, a state can assess whether similar problems led to improper food stamp closures as well. Efforts states make to resolve these systemic administrative problems for Medicaid could benefit the food stamp program as well.

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News & Issues

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1989 1999 A Decade of Work for Low-Income Young Children and Families

NATIONAL CENTER FOR CHILDREN IN POVERTY

The Joseph L. Mailman School of Public Health Columbia University

Identifying and promoting strategies to reduce the young child poverty rate and to improve the life chances of young children in poverty

Helping Vulnerable Young Children Affected by Welfare Reform

As TANF caseloads fall, policymakers are turning their attention to adults facing special barriers to employment. Parents who experience domestic violence, substance abuse, and serious mental health issues, particularly depression, face great challenges for their children—especially their young children. For this most vulnerable population, welfare reform offers the opportunity to address a long-standing and high stakes issue: helping both the parents *and* their children.

NCCP's latest Children and Welfare Reform Issue Brief, *Promoting Resilience: Helping Young Children and Parents Affected by Substance Abuse, Domestic Violence, and Depression in the Context of Welfare Reform*, focuses on the subset of "hard-to-serve" low-income families most affected by these risk factors who have young children. "Welfare reform and the push to reach the national goal of ensuring that every child enters school 'ready to succeed' provide the impetus for communities, states, and the federal government to take action now on behalf of this often ignored population," says the author, Dr. Jane Knitzer, NCCP's deputy director.

Families Confront Multiple Risks

It is not known exactly how many families receiving Temporary Assistance for Needy Families (TANF), sanctioned under TANF, or reaching time limits are affected by these risks, or how many of them have young children. An estimated 16–37 percent of welfare recipients abuse drugs or alcohol, 20 percent are likely to face domestic violence in a 12-month period, and two to three times as many low-income mothers as other mothers are likely to experience depression. One study found that 28 percent of

> *The families that we are talking about are so complex... we have to be mindful of this and not just look at alcohol/substance abuse or mental health or low literacy or domestic violence, because we are going to miss the boat.*
>
> A participant at the NCCP meeting, Promoting Child and Family Resiliency in the Context of Welfare Reform, Washington, D.C., October 1998.

low-income parents report being depressed compared to 17 percent of all parents. Maternal depression is a particularly harmful condition. It not only affects young children, but the results last, with children of depressed mothers showing higher rates of mental illness or greater incidence of high risk behaviors as they grow older. Even as such families cope with these special challenges, they must also confront the basic pressures all low-income families struggle with—adequate income, and access to housing, health services, transportation, and child care.

Although many young children in families with adults affected by these risk factors are resilient and do fine, the report paints a sobering picture of the many other young children who have been traumatized. Dr. Knitzer describes the risks these young children face—poor health, difficulty with relationships, and insufficient learning and mastery of social competence tasks. "We know that for children with the 'double jeopardy' of being poor and facing these special challenges, the risk of negative developmental outcomes multiplies," she says.

(continued on page 2)

welfare reform - cities

THE BROOKINGS INSTITUTION

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To: Ann O'Leary

Fax: 456-2878

From: Kate Allen

Date: May 4, 2000

Pages: 6 , including this cover sheet.

Re: welfare caseloads for LA + NYC

Ann -

please note that NYC data is for 1998 while LA runs through 1999. Please call me if you have any questions (202-797-6075). I'll be around here a bit longer tonight & all day tomorrow.

Good luck -

Kate

Sorry the formatting's a little goofy...

	% of State Population (1998)	1990	1991	1992	% c 1993
California					
Los Angeles Co.	28.2%	**32.3%**	**33.9%**	**33.1%**	**34.2%**
New York					
New York City	40.8%	**66.2%**	**65.4%**	**65.6%**	**66.7%**

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ıf State Welfare Caseload

	1994	1995	1996	1997	1998	1999
	34.4%	34.3%	34.4%	35.0%	35.5%	36.7%
	68.0%	69.1%	69.4%	69.5%	69.6%	n/a

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		% Decline from 1994 to 1999
California		**28.65%**
Fresno Co. (Fresno)		27.76%
Kern Co. (Bakersfield)		11.96%
Los Angeles Co. (Glendale, Long Beach, LA)		23.76%
Riverside Co. (Riverside)		27.06%
Sacramento Co. (Sacramento)		19.61%
San Joaquin Co. (Stockton)		24.78%
New York State	1998 figures	**29.40%**
New York City		27.70%
Nassau Co.		36.80%
Westchester Co.		23.40%

% of State Welfare Caseload Population versus % of State Population

	% of state population in 1998	% state welfare caseload in 1994	% of state welfare caseload in 1999
New York City (98)	40.8%	68.0%	69.5%
Los Angeles Co.	28.2%	34.4%	36.7%

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Jurisdiction	Race/Ethnicity of Recipient	1994	1995	1996	1997	1998	1999	
1) New York Race/Ethnicity Data Unavailable								
2) Los Angeles, CA								
Los Angeles Co.	White	14.04%	13.56%	12.97%	12.49%	12.22%	10.82%	*snapshot (
	Black	28.91%	28.83%	28.23%	29.23%	30.34%	30.77%	is not cumu
	Hispanic	52.41%	52.30%	53.70%	53.27%	52.35%	53.52%	California =
	Asian/Pacific Isl.	4.44%	4.69%	4.78%	4.83%	4.90%	4.73%	April for 19
	Native American	0.19%	0.19%	0.21%	0.18%	0.19%	0.15%	July for all (
	Other		0.42%	0.10%				
Orange Co.	White	35.79%	35.41%	34.53%	33.86%	31.93%	28.91%	
	Black	5.71%	5.73%	5.45%	5.32%	5.58%	5.11%	
	Hispanic	40.31%	40.96%	43.27%	43.02%	43.69%	47.42%	
	Asian/Pacific Isl.	18.00%	17.15%	16.54%	17.58%	18.58%	18.34%	
	Native American	0.19%	0.20%	0.17%	0.22%	0.22%	0.22%	
	Other		0.55%	0.06%				
San Bernadino Co.	White	38.41%	38.11%	36.65%	35.71%	34.72%	33.19%	
	Black	21.24%	21.05%	21.17%	22.30%	23.31%	24.18%	
	Hispanic	36.94%	37.08%	38.86%	38.64%	38.85%	39.33%	
	Asian/Pacific Isl.	2.65%	2.61%	2.52%	2.57%	2.52%	2.51%	
	Native American	0.77%	0.80%	0.77%	0.76%	0.60%	0.79%	
	Other		0.35%	0.03%				

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94, 1995
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