



WR - Kentucky

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FACSIMILE TRANSMITTAL SHEET

Date: 7-21-94

To: John Monahan

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From: Pat

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Please copy and distribute to: \_\_\_\_\_

Re: Kentucky Response

Comments:

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THE SECRETARY FOR HUMAN RESOURCES

COMMONWEALTH OF KENTUCKY

FRANKFORT 40621-0001

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BREKTON C. JONES  
GOVERNOR

MASTEN CHILDERS II  
SECRETARY

July 20, 1994

Ms. Pat Lacy Miller  
Director, Washington Office  
Commonwealth of Kentucky  
400 N. Capitol St. NW, Ste 351  
Washington, D.C. 20001-1511

Dear Ms. <sup>Pat</sup> Miller:

As requested, this is to provide comments on the President's welfare reform bill, The Work and Responsibility Act of 1994. Due to both the short time frame we had to review the bill and to our not understanding the intent in several sections, these comments should only be considered our initial reactions.

We are very pleased with the overall intent of serving more participants and placing more emphasis on developing self-sufficiency. We are, however, concerned about many of the specific provisions. Our general areas of concern are identified in the attached comments. We will be glad to provide additional details at a later date.

We appreciate the opportunity to provide this information to you. If you have questions please call John Clayton, Commissioner, Department for Social Insurance, at (502) 564-3703.

Best regards,

*Kelly Swartz*  
for Masten Childers II  
Secretary

JUL-21-1994 15:52

P.03

## JOBS

### **PHASE-IN**

We agree that the initial focus should be on young parents. This will, however, require increased resources in several areas:

- More staff, as the younger parent usually require more intensive case management services.
- A higher number of child care slots in general, plus a need for slots for infants and toddlers, which is often those slots in shortest supply.
- More in-school services for teen parents.
- A significant increase in life skills and parenting classes.
- More programs comparable to New Chance.

As discussed in the sections on Funding and Teen Parents, we fear the necessary services will not exist and that there will not be sufficient funding to develop them.

### **DEFERRALS**

We certainly support having more AFDC recipients participate in JOBS and are pleased with many of the provisions regarding deferrals, but do have concerns regarding the caps placed on deferrals. Deferrals (without a cap) can be made for parents of children under age one, ill or incapacitated parents, parents needed in the home to care for an ill or incapacitated household member, parents in the third trimester of pregnancy, and parents living in a remote area. Deferrals for any other reasons are capped at 5 percent through FY99 and 10 percent thereafter. We believe there will be larger numbers of recipients who have serious barriers to participation and to employment. Lack of transportation and lack of child care are two specific examples that have been discussed by states, NGA and HHS on many occasions. Several counties in Kentucky have no child care facilities; most counties have no mass transportation. These factors alone are likely to exclude over 5/10 percent of cases.

### **TIME LIMITS/EXTENSIONS**

We realize the benefits to having time limits be cumulative, but foresee tracking that to be expensive, very complex administratively and to be error prone. States will need

adequate lead time to develop procedures needed and should be consulted extensively when the National Registry is developed. Also, from an ethical standpoint, we can foresee numerous situations in which circumstances beyond the control of the former participant make them unable to support themselves. For example, they may become partially disabled from an injury on the job and be unable to continue working even though they may not qualify for SSI. Likewise, permanent layoffs, due to factors such as plant closings, might prevent a person from being employed for several months. Thus, we believe there does need to be a means for some type of assistance to be available to these people, even though the services they can access may be very restricted. Not having some type of provision like this could have grave consequences for children and families. While there are some "earn-back" provisions, they are very limited.

We are pleased there are provisions for extensions to the time limits, but believe they need expansion. We definitely agree that persons who are making satisfactory progress toward obtaining a high school diploma or GED or who are successfully participating in school-to-work or similar programs or who are in skills training programs should be granted extensions to complete their programs. We also agree that the extensions should be time-limited. We also agree that persons who entered the program with very low literacy levels or who are learning disabled need longer or unlimited extensions. We suggest adding persons who have finished a course and are waiting to take a certification test or to receive test results.

We are concerned about a 10 percent cap on the total number of extensions. We recommend that persons who meet the criteria for extension be allowed to be granted extensions, even if the state's total exceeds the 10 percent limit. The 10 percent limit is arbitrary and unrealistic, particularly since the agencies on whom JOBS must depend to provide services normally do not have mandates regarding the accessibility, adequacy or quality of services and are often not funded at a level to address those concerns.

**JOBS SERVICES**

The proposal indicates that all new recipients judged "job ready" would be required to perform job search from the date assistance began. "Job-ready" is defined as having either non-negligible work experience or a high school diploma or equivalent. We anticipate several problems with this. First, we disagree with the definition of job-ready. Having a high school diploma is, unfortunately, a poor indicator of basic skills. Many participants with a diploma have skills below an 8th grade level. Also, even if basic skills are adequate, many participants need at least some job-readiness training if they are to be successful in keeping a job.

JUL-21-1994 15:53

P.05

Second, we question requiring job search for new recipients who may be in an education and training program at the time of approval or who in fact, are employed.

A third problem we anticipate is with employers. Many counties in Kentucky have a very limited number of employers. We are very concerned we do not establish a requirement which will require large numbers of recipients to repeatedly contact the same employers, to no avail.

Also, it would be difficult to begin meaningful, supervised job search from "the date assistance begins". States need at least two to four weeks of lead time.

#### **JOBS PARTICIPATION**

We agree with the elimination of targeting requirements and have, for some time, supported expansion of the definition of participation to include persons who are employed and persons who are enrolled at least half-time in post-secondary institutions. For some time we have also pointed out numerous problems with the existing separate rate for AFDC-UP. We previously submitted you detailed information regarding this concern. We do not understand why this rate is to be kept in place, especially since the bill eliminates most of the existing differences between regular AFDC recipients and UP recipients. We strongly recommend the elimination of this separate rate.

#### **SEMIANNUAL ASSESSMENT**

The proposal indicates that a semiannual assessment will entail an evaluation of the extent to which the state has provided services set forth in the employability plan. The intent of this section is unclear. We recommend that this be an informal review by the caseworker, versus a formal, detailed, "evaluation" by another entity.

#### **WORK**

#### **VISION**

The WORK Program would take the form of a work-for-wages structure. Thus, participants would be paid for hours worked. This would be very burdensome for States to administer. Obtaining records of daily attendance from providers would also pose an administrative burden on them. Thus, it is very possible that providers would not be interested in participating in the WORK Program due to the paperwork and tracking requirements.

JUL-21-1994 15:54

P.06

**FLEXIBILITY**

Kentucky supports the many options for providing work to those who have reached the two-year time limit. However, we are concerned that it will be impossible to meet the proposed federal participation rate, even with the various options for placement. Currently, Kentucky operates a Community Work Experience Program (CWEP) and similar alternative work experience programs. Many CWEP (and alternative) providers require a high school diploma (or equivalent) or they require the trainee to be working toward attaining a diploma or GED. Due to the characteristics of the AFDC caseload, it has been difficult to secure sufficient training slots for which AFDC recipients/JOBS participants are qualified. This problem will be compounded with the WORK Program since the participation requirements will require more placements than is required in the JOBS Program.

**LIMITS ON SUBSIDIES TO EMPLOYERS**

According to the proposed legislation, an individual could not be assigned to the same WORK assignment after completing that assignment. This will pose a problem in rural areas where the opportunities for placement are limited. At least one reassignment into the same WORK position should be allowed upon completion of an assignment.

**NONDISPLACEMENT**

We concur with the nondisplacement provisions, as contained in the proposed legislation. However, we are concerned with the negative feedback that will be received from labor organizations. This issue should be addressed at the federal level.

**WORK ELIGIBILITY CRITERIA AND REGISTRATION PROCESS**

It is unclear why a registration process is required, as described in Section 29(c). A referral from JOBS to WORK is required at the end of the two-year time limit. To impose a registration requirement at the end of the two-year time limit would seem to impose unnecessary administrative activities for States. In lieu of this, Kentucky recommends an automatic referral process from JOBS to WORK. We oppose any mandated process that requires an application or registration.

According to the proposed legislation, the registration for WORK would include an assessment to match the person with a WORK assignment. However, the WORK assessment should be a continuation of the assessment which began upon entry into the JOBS Program. The JOBS State agency would have developed an

assessment and Employability Plan upon entering the JOBS Program. WORK should build on this assessment and utilize it to the fullest extent possible.

#### **HOURS OF WORK**

Hours of work for WORK assignments should not vary, as indicated by the proposed legislation. Varying hours determined by the amount of AFDC benefits would be administratively cumbersome for States to administer. In addition, it would be difficult to solicit interest from employers without knowledge of the number of hours that a WORK participant would be participating.

#### **TREATMENT OF WORK WAGES WITH RESPECT TO BENEFITS AND TAXES**

Section 33(f) provides workers' compensation, "...to the extent that a State workers' compensation law were applicable...". Kentucky can only provide workers' compensation benefits if required by federal law. The proposed legislation, as written, does not mandate the State to provide workers' compensation or similar coverage, (i.e., liability insurance). The legislation should be rewritten to mandate workers' compensation or liability insurance.

#### **SANCTIONS/PENALTIES (JOBS AND WORK)**

The JOBS Sanctions contained in the legislation do not appear complete. Are these extensions of the current JOBS sanctions (e.g., failure to attend an assigned activity, failure to show for appointments, etc.)?

In Section 36(j)(ii), the first occurrence should impose a sanction for one month or until the individual accepts a WORK assignment, which is "longer" (not "sooner").

#### **JOB SEARCH**

In Section 37(a), the duration of job search should be determined by the local labor market and job availability, not by federally mandated standards. In a rural community, it is not possible to expect a participant to make the same number of job contacts as would be expected of a participant in an urban community.

## MAKE WORK PAY

### **CHILD CARE**

The Work and Responsibility Act would mandate that States supplement the child care disregard or provide a second, direct payment option to all parents. While we support this we ask that the administrative impact be acknowledged. Implementation of this mandate will require significant changes to our automated system which will require adequate time as well as funding.

The Act would also require that IV-A child care requirements be consistent with CCDBG requirements with respect to health and safety standards. We support the requirement that children funded under IV-A be immunized, however, it is important that states be allowed adequate phase-in time to implement procedures and record keeping measures.

In addition, States must have rules to assure that children do not have access to toxic and illegal substances or weapons in the child care setting. As Kentucky makes over 50% of JOBS child care payments to unregulated providers, we are concerned as to how this assurance would be determined in these homes. By virtue of being unregulated, these homes are not subject to any type of regulations other than care cannot be provided to more than 3 children.

### **IMPROVING THE EITC**

Concern has been expressed regarding the low utilization rate of the advance EITC payments. In order to address this concern, we strongly suggest that the advance payment process be simplified for all states so that more employers and employees can access it. In addition, more extensive outreach efforts should be implemented so that employees are informed of the advance payment. A mandatory screening form should be utilized by employers when they hire an employee so that the employee will be adequately informed and can receive additional information if they so desire.

## PERFORMANCE MEASURES PROPOSAL

### **VISION**

We are in general agreement with the need to transform the "culture" of the welfare system to emphasize the attainment of self-sufficiency equally with meeting current financial needs. We also agree in principle that in order to accomplish this that Quality Control should also have a broader focus. However, in actual practice we feel that it will be difficult to integrate

the measurement of broad statewide program outcomes/performance goals into a case-specific sample. For example, if one of the outcome-based standards is that a specified percentage of the mandatory WORK participants must be placed in some type of unsubsidized employment during any given month, then the QC sample could certainly be used to measure that. However, it would not be possible to state that any given sample case is itself ineligible or overpaid simply because the overall percentage was not being met.

Furthermore, given the fact that the denominator for the proposed participation rates is defined as being the number of persons who are mandatory for JOBS or WORK and considering that only 38 percent of the cases contained a mandatory person nationwide during FFY 1993, it would appear that the QC sample would have to be tripled in size in order to provide statistically reliable data for this limited portion of the caseload. Thus, in order to obtain minimum data for assessing program outcomes, we would have to complete the eligibility and payment review for determination of payment error rates triple the number of cases that would otherwise be needed.

Also, given the fact that determination of eligibility and payment accuracy is extremely laborious, requires personal interviews with clients, and requires numerous contact with outside sources in order to obtain verification, one must seriously question whether there isn't a more feasible and less costly means of obtaining the desired information. Furthermore, most of the data that is needed for measuring program outcomes should be available directly in existing computer files. So there is no logical reason to gather this data manually through a QC sample which is very expensive to review, which is very slow to produce final results (up to a year after the end of the FFY), which is very subject to human error especially when it comes to coding extraneous information that is not directly related to the final error status of the case.

While there is certainly a need to expand and focus the characteristic information that is being collected in the QC sample, using QC sample as the primary means of measuring program outcomes does not seem to be a viable option. Even using it to evaluate interim "service delivery measures" would be subject to the same problems, i.e., untimely receipt of data, lack of accuracy, and statistical unreliability.

The ultimate measure of success is, of course, whether clients leave AFDC and no longer need other subsidized assistance. The QC sample could certainly gather more information on how long existing cases have received, how many times they have been off and on and for how long, why they left, why they returned, what their work history has been and the nature of their employment, etc. Also, by expanding the data collected on the existing review of negative actions, more information of a similar nature could be gathered. Both the active and negative QC samples

could also be a source of client feedback about the success of the programs. However, the problems referenced above in regard to the untimely availability of final data, lack of attention to gathering data that is extraneous to the determination of payment error, small number of sample cases which would even contain affected clients, etc. would again lead us to conclude that an entirely separate means of gathering such data focused directly on the desired outcomes would be far more efficient and effective.

Ultimately, in order to determine whether our work programs have enabled clients to become self-sufficient, longitudinal samples would be needed to follow up with the same clients at specified time intervals beginning with their initial receipt of AFDC or their entry into a work program and ending some specified number of years later. Inherent in this process is the inability to maintain contact with those who have left AFDC. Thus, the final results are biased in that more data is obtained on those who have remained on AFDC and less is known about those who have left AFDC. Unfortunately, the latter are the ones we most need to know about in order to determine whether they have become self-sufficient or have merely switched to some other form of subsidized assistance.

Simply doing one longitudinal study would only reflect the success of our programs at one point in time. As programs evolve, more studies would be needed to assess their relative successfulness in comparison to earlier study groups. It would seem that at least one new study group would need to be formed each year. This entire process is far more complex than QC samples and certainly would have to be totally separate from QC.

In terms of possible modifications to the QC system, we recognize and support the need to expand the collection of characteristic data and to focus it more toward assessing the success of the work program. However, we are opposed to redefining as an erroneous payment anything which does not either render a case ineligible in terms of basic eligibility factors or result in receipt of an incorrect AFDC grant amount. Over the years QC has grappled with distinguishing between eligibility factors which, if not met, result in ineligibility of one or more persons and procedural factors which should have been done but perhaps were not. One must be very careful not to simply declare clients ineligible because some procedure was not done in some prescribed fashion, whether it be the agency's or client's fault. This merely removes clients from the rolls without making them self-sufficient and also artificially inflates the error rates. These clients are actually eligible in terms of financial and basic eligibility factors. They will simply return to the rolls in the near future and will be found eligible since the only reason they were terminated to begin with was due to a procedural problem. QC already cites erroneous payments if sanctioned clients are not removed from the assistance group. But prior to the actual sanction

JUL-21-1994 15:56

determination, it would be inappropriate for QC to independently decide that a sanction should be applied and to cite an erroneous payment.

When additional data items are added to the QC system, it is imperative that a clear concept be in place as to how the data will be used and what purpose it is to serve. Currently, QC is only permitted to code the characteristic information based on the information that is available in the case record. For example, if accurate information is needed in regard to whether or not the client lives in subsidized housing, then the actual situation should be coded in lieu of case record information. In general, the instructions will need to be very specific and a great deal of emphasis will need to be placed on each item's intended usage if there is to be any hope at all of obtaining accurate data.

Once the data is collected, detailed results must be published in a timely manner and distributed to all states. Also, states must be given the same software that will be used at the national level in order that they can publish their own state data in advance. The NIOCS computer system must be updated to give states the ability to design and generate their own tables in-house using all of the data that is being gathered. Currently, the NIOCS provided software produces very limited data on erroneous cases. There is no ability to generate tables that summarize person-level characteristic data that has been collected year after year. If states are going to be held accountable for program outcomes based on these data, then the software provided to the states via the NIOCS must be capable of producing these outcomes on demand.

#### JOBS PARTICIPATION RATES

We are concerned that the bill specifies a 50 percent monthly participation rate for JOBS but leaves the definition of participation to be defined at a later date. It is not credible to set a rate without knowing the parameters under which it will be governed (i.e. what activities will count and under what circumstances).

Additionally, we have concern that regardless of the leniency or breadth of the definition of "participation", a 50 percent expectation is too stringent. We are working with people who have a myriad of problems; physical, financial, and emotional. Also we are extremely dependent on other agencies for placements of participants.

The law should not force states into a "numbers game" based on participation requirements that are unreasonable, at least for the initial stages of such a major initiative.

#### **WORK PARTICIPATION RATE**

With AFDC and JOBS, states are dealing with a population that has many deficits. Even after 24 months of intensive services many of these participants will still lack some of the skills and education employers seek and will be less than attractive candidates to the employer's eye. The expectation that 80 percent of WORK registrants will be in slots or that 100 percent of WORK slots a state must establish will be filled is unrealistic. This problem is exacerbated if slots and participants are to be tailored for one another as the specifications of the WORK registration process suggests.

We do not understand the formula calculation of the WORK rate and, therefore, cannot offer comment on its feasibility or acceptability as a viable methodology.

#### **INFORMATION SYSTEMS AND INFRASTRUCTURE**

##### **ENHANCED STATE LEVEL SYSTEMS AND NATIONAL CLEARING HOUSE**

We support the efforts to continue enhancing the level of automation in a state. We are concerned, however, that states be given adequate input into development of the federal model, that realistic time frames be established and that reports required be finalized as early as possible. Also, some of the services which are implied could be performed by EBT or other technology seem inappropriate. Its use for JOBS and Child Care self-reporting would invite fraud. Additionally, in predominately rural areas, the installation of these technologies may be prohibitive.

##### **FUNDING AND IMPLEMENTATION**

Section D (3) states the federal model systems will be developed in fiscal years 1995 and 1996. Section E (b) states funds at an enhanced match rate is available "for up to 5 years after enactment for costs incurred in developing and implementing automated systems...". If the model systems are not available until 1996, states will have no more than three (3) years to develop and implement these systems with enhanced funding.

With the extensive development required, many states will be required to contract with outside vendors. The experience with FAMIS and Child Support Enforcement system development show the lack of quality vendors with human service expertise. All fifty states developing systems during the same time span will tax the available resources.

**PREVENT TEEN PREGNANCY AND PROMOTE PARENTAL RESPONSIBILITY**

**NATIONAL TEEN PREGNANCY PREVENTION INITIATIVE**

Kentucky grantees who would meet requirements of the first Adolescent Prevention Program are likely to be school systems in Central Appalachian counties which could meet the poverty and at risk requirements of the program. There are few nonprofit agencies or organizations who could join with a local school system - perhaps the Christian Appalachian Project - so that it may be important that state agencies other than institutions of higher education be allowed to participate as a sponsor. In particular, local and regional health departments would be the most likely resource for sex education programs. These are already being established through Maternal and Child Health Grants to local agencies.

To assure provision of the range of services required in the Comprehensive Demonstration grants, grantees must be permitted to purchase and support their own transportation and insurance. Grantees should be allowed to provide seed money for development of recreational opportunities at the local level in conjunction with other community resources.

**MINOR PARENTS LIVE AT HOME**

The provision exempting minors from living with a parent or guardian when the parent or guardian is unwilling for the minor to live at home could become a problematic "loophole". It would allow parents to say that as the teen is pregnant they are not allowed to live in the home, without defining what other options should be required if this situation occurs. We have no specific recommendations for change at this time, but do believe this provision warrants further thought.

The bill states that states must utilize case managers to provide support to minors if no appropriate living arrangement can be found. This determination needs to be made by a social services agency as caseworker/case managers do not have professional training needed to make this determination. We have the same concern about case managers determining the best living arrangement.

**CHILD SUPPORT ENFORCEMENT PROPOSAL**

The child support proposals in The Work and Responsibility Act of 1994 represent massive additions to both state and federal responsibilities for the child support program. This proposal virtually removes any distinction between IV-D and non-IV-D cases. The changes outlined in the plan require more state

legislation than the Family Support Act of 1988 and will require major new funding at the state level to meet the "maintenance of effort clause".

Throughout the proposal, references are made to administrative remedies. In 1984, federal legislation required states to implement expedited processes. Expedited processes were defined as administrative or quasi-judicial. Although there has been no change in the initial mandate to implement expedited processes, both this Act and the Family Support Act of 1988 have proposed or required the implementation of an increasing number of strictly administrative requirements. This mind set makes it extremely difficult for states that have predominantly judicial or quasi-judicial procedures to operate without substantial changes in their statutes and regulations.

#### **PATERNITY**

Under this proposal state IV-D agencies will be held responsible for establishing paternity on all children born out-of-wedlock within the state whether or not the mother or putative father requests assistance through the IV-D program.

In Kentucky, the IV-D agency compiles paternity establishment statistics for those children receiving services under Title IV-D of the Social Security Act. Under the provisions of this Act, the IV-D program has a reasonable expectation that the custodial parent will cooperate in establishing paternity because she is either receiving AFDC or Medicaid benefits or she has requested services through the IV-D agency.

While we have no problem with encouraging non-IV-D parents to establish paternity, we do not feel it is appropriate to tie the IV-D program's funding and/or paternity incentive to a performance report which includes out-of-wedlock children for which no IV-D application or request for services has been completed. If this proposal is passed, the Secretary of HHS should provide some mechanism within the paternity establishment performance formula for removing from the denominator children for whom the parent(s) decline services to establish paternity.

#### **COOPERATION PRIOR TO RECEIPT OF BENEFITS**

The proposal for stiffening the requirements for client cooperation are a welcome addition to the child support agency. However, the determination as to whether or not a client is cooperating and the imposition of fiscal sanctions has always been a IV-A responsibility. We question whether or not this function should be moved to the IV-D agency.

The proposal also implies that the IV-D agency will be required to perform the intake interview for AFDC and Medicaid clients. In Kentucky, this has historically been a IV-A function. To

move this function to the IV-D agency would necessitate a significant increase in staff with no guarantee of increasing the quality or quantity of the data received from the client. We strongly recommend that states retain the option of assigning this function to either agency.

#### **DISTRIBUTION PRIORITIES**

Kentucky's distribution schedule currently favors non-welfare clients. Current support and unassigned arrears are being paid to the client first, when appropriate. Any additional changes in the state's ability to collect AFDC arrearages will impact the availability of funding for the program at both the federal and state level. The state share of AFDC collections is a critical factor in the child support program's funding. With the proposed change in the incentive plan and a change in the distribution requirements that will decrease the amount of AFDC collections, the state's ability to operate the child support program will be considerably diminished.

#### **CENTRALIZED COLLECTION AND DISBURSEMENT THROUGH A CENTRAL PAYMENT CENTER**

While we do not disagree with the concept of a central registry of child support orders and a centralized record center for payments and distributions, this proposal will require significant resources by both the state and federal government and will not increase the revenues available to the program.

The design and development of a central registry for orders and payments is comparable to the effort needed for the design and development a statewide automated support and enforcement system. Most states have not completed this requirement of the FSA of 1988. The states are going to need time to stabilize their statewide systems before beginning a project of this magnitude.

#### **ELIGIBILITY FOR IV-D ENFORCEMENT SERVICES**

The proposal requires that states provide child support enforcement services without regard to whether or not the custodial parent has requested assistance or completed an application for IV-D services. This effectively makes all cases in which there is a support order in place a IV-D case by operation of law. States will have to bear the cost associated with a significant increase in staff due to increases in the child support caseload. We cannot support such an expansion.

### **IMPLEMENTATION DATES**

The magnitude of changes required by The Work and Responsibility Act will require significant increases in staffing levels at the state and local levels. States are still reeling from the changes required by The Family Support Act of 1988. Many states, including Kentucky, have stretched their staffing resources to the limit implementing changes. There must be some breathing space between major revisions of the Child Support Requirements to allow states to recoup from the previous changes.

Most states are still in the process of developing their statewide automated system as required by the FSA of 1988 and are utilizing all of their available resources to meet the October 1995 deadline. States need time to stabilize their systems before making the modifications necessary to interface with a State Central Registry of child support orders. Additionally, building a system to accommodate a State Central Registry of child support orders with interfaces and automated matches with the Federal Central Registry, will require an effort on the State's part equivalent to designing and implementing statewide automated support and enforcement systems. It is unrealistic to believe that the states and the federal government can accomplish the tasks required within the time frames specified in the act.

### **FISCAL IMPACTS TO STATES**

Under this proposal there is a state "maintenance of effort" requirement. The plan specifically states "Using a maintenance of effort plan, the Federal government will require States to maintain at least their current level of contribution to the program, representing the State FFP match and any other State funds or receipts allocated to the child support program."

Many states, including Kentucky, fund a major portion of the Title IV-D Program with federal incentive payments. Once these payments are made to the states they become state funds. These funds will be included in the "maintenance of effort" level the state is required to expend. However, they will no longer be available to the state. Kentucky will be required to fund the "maintenance of effort" from additional General Funds. In State Fiscal Year 1995, the child support incentives provided by the Federal Government represents approximately 46 percent of the funds used for the State match in the Child Support Program.

Kentucky is not unique in its use of Federal incentive monies to fund the program. This practice has been strongly encouraged by the OCSE since the program's inception. In changing the incentive plan, the federal government is mandating that states increase their share of the funding, while at the federal level a significant portion of the increase in FFP will be offset using the incentive funds which states will no longer be

receiving. It is unreasonable to mandate that states effectively double the amounts appropriated for the child support program from in one biennium budget cycle. We strongly urge that incentive payments used as a state match for FFP not be considered for the "maintenance of effort" requirement. Additionally, it is unclear whether the incentive plan will be modified effective October 1, 1995 or October 1, 1997. New federal regulations must be promulgated effective October 1, 1995, but the paternity standard and overall performance standards are slated for implementation October 1, 1997. Since the FFP increase to 75% is scheduled to be phased in over a three year period, it would be impossible to offset the loss of the incentives if the change occurred before 1997.

On the surface the funding proposals look generous with an increase of the FFP match to 75% and the possibility of additional FFP as incentive for paternity establishments and overall state performance. However, in reality the amount of federal money available to the states is less than the amount currently available and the additional mandates will increase the amount states are required to spend.

#### IMPROVING GOVERNMENT ASSISTANCE

The proposed changes to policy essentially mirror changes previously recommended by states. Kentucky has long supported such changes as they will simplify administrations and allow staff to focus more efforts on developing self-sufficiency. It should be acknowledged, however, that some of the changes will increase program participation and benefit costs.

There are two areas where we suggest changes. First, although the changes to automobile resource limits would definitely be needed improvement over existing policy, and would allow AFDC recipients to obtain more reliable transportation, we recommend the policies for AFDC and Food Stamps be consistent. Second, the proposal to disregard EITC lump sum payments for one year will be administratively burdensome as the workers will have to track the EITC for a year and then determine if there is any remaining balance to count. Unless the EITC is kept in a separate account (not commingled with other monies), it is impossible to identify which money is EITC and how much remains at the end of the year. If the funds are disregarded, it should be permanently.

### FUNDING

The increased funding levels for the JOBS program, along with higher percentages of federal financial participation certainly make the success of the JOBS program more attainable. The flexibility to reallocate up to 10% of the combined JOBS and WORK allocations between the two programs and the ability to utilize (reallocate) JOBS funds to cover start-up costs for WORK will allow for coordination between the two programs, as well as aid the states in the start up of the WORK program.

The reduced state matching level to accommodate high unemployment; the ability for states to access "unused" JOBS and WORK funds, if needed; and the uncapped entitlement for wages for participants in WORK indicate an awareness of the needs of the states to have maximum flexibility and resource availability to address individual needs.

Increased match rates in the child care programs will keep uniformity between child care programs and allow states to increase funding and service areas. The success of child care programs is critical to the success of JOBS and WORK.

The IV-D federal financial participation rate of 75%, even with the maintenance of effort provision, should allow for significant increases in IV-D activities.

The enhanced rate of 80% for the design, development and implementation of information systems, coupled with the five year window of availability, is an enticement to states to proceed quickly. Current systems were developed with 90% federal funding, so more state dollars are required under this plan.

Kentucky is a state that has a potential for high unemployment rates, few job opportunities in many rural parts of the state and is currently facing a bleak economical outlook. While the plan is generous in funding levels and federal/state matching requirements, it will be difficult for the state to find adequate state resources to access all available federal revenues and to implement the JOBS, WORK, Child Support and systems mandates. The possibility of reaching and maintaining participation requirements for JOBS and WORK is uncertain if adequate state funding is not available.