

REVOLVING LOAN FUND

[April 25, 7:40pm]

CONFIDENTIAL (MS)

PERFORMANCE MEASURES PROPOSAL

WR - SPECS
Perf. Measures

Current JOBS Law

Under the SSA section 487 [FSA Section 203(b)] not later than October 1st, 1993, the Secretary of Health and Human Services shall:

(1) in consultation with the Secretary of Labor, representatives of organizations representing Governors, State and local program administrators, educators, State job training coordinating councils, community-based organizations, recipients, and other interested persons, develop performance standards with respect to the programs established pursuant to this part that are based, in part, on the results of the studies conducted under section 203(c) of such Act, and the initial State evaluations (if any) performed under section 486 of this Act; and

(2) submit his/her recommendations for performance standards developed under paragraph (1) to the appropriate committees of jurisdiction of Congress, which recommendations shall be made with respect to specific measurements of outcomes and be based on the degree of success which may be reasonably expected of States in helping individuals to increase earnings, achieve self-sufficiency, and reduce welfare dependency, and shall not be measured solely by levels of activity or participation. Performance standards developed under this subsection shall be reviewed periodically by the Secretary and modified to the extent necessary.

Current JOBS Program Performance Measures

Participation rate for all AFDC recipients required to participate in JOBS (45 CFR 250.74(b) and 250.78) - For Fiscal Year 1994 the required participation rate is 15%. This is to ensure that a minimum proportion of the AFDC adult population is participating at a meaningful (significant) level.

Participation rate for AFDC-UP recipients (45 CFR 250.74(c)) - For Fiscal Year 1994 the required participation rate is 40%. This is to ensure that a minimum proportion of the AFDC-UP principal wage earners or their spouses engage in work activities.

Target group expenditures (45 CFR 250.74(a)(1)) - At least 55% of a State's JOBS expenditures must be spent on applicants and recipients who are members of the State's target populations as defined at 45 CFR 250.1. This is to ensure that the hard to serve are served by requiring that 55% of IV-F expenditures are spent on the target groups defined in the statute or, if different, approved as a part of the State's JOBS plan.

Current Data Reporting System

The JOBS Case Sample Reporting System (CSRS) was established to meet some of the reporting requirements mandated by section 487 of the Social Security Act. The data necessary to establish performance standards such as participation rates; however, the data necessary to establish the numerator for the overall participation rate is collected by CSRS. The population from which each state must draw its sample (or in lieu of drawing a sample, the State may submit the entire population each month) is defined as the number of JOBS participants that were engaged in at least one hour of activity in an approved JOBS program component during the sample month. In addition to JOBS program data, a limited amount of demographic data and child care data is also required to be submitted.

Current QC Law

Under section 408 of the Social Security Act, States are required to operate a quality control system in order to ensure the accuracy of payments in the AFDC program. States operate the system in accordance with time schedules, sampling methodologies, and review procedure prescribed by the Secretary. The law defines: what constitutes a payment error; how error rates and disallowances are calculated; the method for adjusting State matching payments; and the administrative and judicial reviews available to states subject to disallowances because of error rates in excess of the national standard (i.e., the national error rate for each year).

The AFDC-QC system functions primarily as a monitoring/auditing system. Its primary purpose is to establish the correctness with which payments are made to AFDC cases in each State. Subsequent to the establishment of this system, which is a subsystem of the National Integrated Quality Control System (NIQCS), OMB required additional AFDC data be collected to replace the biennial survey of AFDC families that had been in place through 1979. The AFDC-QC system also obtains the data necessary to produce the publication entitled "Characteristics and Financial Circumstances of AFDC Recipients." The AFDC-QC system is not used to meet any of the reporting requirements for the AFDC program.

Vision

The proposed performance measurement system would consist of a limited set of broad measures that would reflect the intended outcomes (i.e., self-sufficiency, client satisfaction, etc.) of the transitional support program. These and other measures would be used to monitor the quality of State programs, to trigger corrective actions, such as sanctions and technical assistance, incentives as appropriate (e.g. changes in FFP), and to monitor program implementation. The current targeting and participation standards are eliminated (see draft specifications on JOBS/TIME-LIMITS/WORK).

All interested parties will be included in the process for determining performance measures and standards. For example, State and local program administrators will take part in their formulation and client feedback measures will be developed in consultation with welfare recipients.

GENERAL DISCUSSION ISSUES:

- **To what extent should specific requirements (i.e., outcomes such as economic self-sufficiency, reduced welfare receipt, etc) be articulated in the legislative language? Should the legislative language merely specify a process by which to determine performance measures? Should a time-frame for the process be specified?**
- **Participation rates -- which are a performance measure -- are specified in JOBS/TIME-LIMITS; is this appropriate? Shouldn't this be determined as part of a PM system?**
- **In general, how and for what purposes should performance information be utilized? Are there Federal reporting requirements which we can eliminate? Should the legislative language specify consequences for failure to meet performance standards? What should these consequences be? Should the legislative language specify incentives for meeting standards?**
- **How should the non-phased-in population be accounted for under the new performance measure system? Would the EA and child care programs be included?**

1. Performance Standards

- (a) In consultation with the Secretaries of other Departments, representatives of organizations representing Governors, State and local program administrators, educators, State job training coordinating councils, community-based organizations, recipients, and other interested persons, the Secretary shall develop performance standards with respect to the programs established pursuant to this part based on appropriate factors measuring achievement of self-sufficiency, provision of services and percent of cases that do not reach the time limit.
- (b) To the extent feasible in measuring self-sufficiency, the Secretary shall adopt the factors used in section 106 of the Job Training Partnership Act and any subsequent amendments. (Note these factors include placement in unsubsidized employment; retention for not less than 6 months in unsubsidized employment; an increase in earnings, including hourly wages; a reduction in welfare dependency; and acquisition of skills).
- (c) The Secretary shall, in consultation with appropriate interested parties, review periodically and modify the performance measures and standards as appropriate.
- (d) Amend Sec. 487 (b) to read: The Secretary may require States to gather such information and perform such monitoring functions as are appropriate to assist in the development of a performance measures system and shall include in regulations provisions establishing uniform reporting requirements for such information. In adopting performance standards the Secretary shall use appropriate methods for obtaining data as necessary, which may include access to earnings records, State employment security records, records collected under the Federal Insurance Contributions Act (chapter 21 of the Internal Revenue Code of 1986), statistical sampling techniques, and similar records or measures, with appropriate safeguards to protect the confidentiality of the information obtained.
- (e) The Secretary shall publish performance measures and standards within one year of enactment of this legislation; States shall begin reporting and validating data no earlier than one year following the publication of standards established by the Secretary; no financial incentive payments shall apply during this period but shall commence with the next fiscal year.

2. Financial Incentives

- (a) A new performance-based incentive payment system would be created centered on desired program outcomes. States would be eligible for incentive payments in the following areas:
 - (1) Performance in achievement of self-sufficiency-- earning a 1 to 10 percent increase in FFP.
 - (2) Provision of services-- earning a 1 to 5 percent increase in FFP for high participation rates in JOBS.
 - (3) Percent of recipients who become subject to WORK program requirements-- earning a 1 to 5 percent for low percentage.

3. Redesign Quality Control System

OPTION 1: Streamline Existing QC System and Add Assessment of JOBS/WORK

Rationale

In promoting an outcome based system, the following language introduces maximum flexibility in amending the QC system. Payment accuracy should be retained but should not be the focus of an outcome-based system; it ought to be placed in the context of performance measurement in general. Current language in section 408 is highly prescriptive; the methodology should instead be in regulation.

- (a) Amend Section 408 of the Social Security Act to permit the Secretary, in consultation with the other Federal Departments, representatives of organizations representing Governors, State and local program administrators, educators, State job training coordinating councils, community-based organizations, recipients, and other interested persons, to redesign the current payment accuracy Quality Control system to a broader system focused on self-sufficiency and program improvement.
- (b) The broader system would focus on four themes:
 - (1) Significant Payment Accuracy Factors, that is, on error prone factors with significant dollar effects (e.g. earned income, filing unit, and deprivation);
 - (2) Performance Measures and Outcomes, that is, on client outcomes including increased work, reduced welfare receipt, and reduced dependence on welfare;
 - (3) Program Accountability, that is, on how well the program is being administered and operated in accordance with governing statutes, and regulations, such as, program participation levels, delivery of services, and client feedback; and
 - (4) Process Measure Feedback, that is, on information for program assessment, evaluation, auditing, and management improvement.
- (c) The following regulations would be revised.

The existing QC system requires an evaluation of all factors of eligibility payment, except a few that are specifically excluded by the Statute, e.g., monthly reporting. The new system would focus on only error prone factors with significant dollar effects (e.g. earned income, filing unit, deprivation, etc.), or only on factors viewed as critical to public confidence in the program.

- Revise the regulations to reduce the verification and documentation required to substantiate a review finding.

The current system requires a detailed description and calculation of all errors found in a case review, and that a specified amount of verification be obtained to substantiate the error finding. Under this option, documentation/verification standards would be relaxed by establishing new minimum standards and the payment error determination process will be simplified.

- Revise the regulations to change the sampling methodology.

The current system requires each state (or jurisdiction) to select a minimum of 300 to 1200 review cases each year. The Federal staff examines a portion of each state's sample to validate the review findings. The precision (confidence level) of the payment errors is primarily a function of the sizes of the State and Federal samples. They have been tested and judged adequate for holding States accountable for prescribed payment accuracy standards. Commitment of resources to achieve this level of precision may not be necessary in an incentive/technical assistance response to State performance. It should be noted that smaller sample sizes will reduce the amount and degree of reliability of performance data on the transitional system. We can study the potential impact of various reduced sample size models on the precision of payment error estimates and other process measures.

OPTION 2: Replace Existing QC System With New State Quality Auditing System

States would be required to conduct periodic, internal audits of their JOBS and WORK processes to ensure the accuracy of reported data and annual audits to establish payment accuracy rates. The Federal government would specify the minimum sample sizes to achieve 90 or 95 percent confidence at the lower limit (the method generally used by OIG). States would also be permitted to use current QC resources to conduct special studies to test and improve the current system. To ensure that State data and procedures are reliable, the Federal government would conduct periodic, targeted, and unannounced audits for that purpose.

[April 20, 10:00am]

CONFIDENTIAL

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PERFORMANCE MEASURES PROPOSAL

Current JOBS Law

Under the SSA section 487 [FSA Section 203(b)] not later than October 1st, 1993, the Secretary of Health and Human Services shall:

(1) in consultation with the Secretary of Labor, representatives of organizations representing Governors, State and local program administrators, educators, State job training coordinating councils, community-based organizations, recipients, and other interested persons, develop performance standards with respect to the programs established pursuant to this part that are based, in part, on the results of the studies conducted under section 203(c) of such Act, and the initial State evaluations (if any) performed under section 486 of this Act; and

(2) submit his/her recommendations for performance standards developed under paragraph (1) to the appropriate committees of jurisdiction of Congress, which recommendations shall be made with respect to specific measurements of outcomes and be based on the degree of success which may be reasonably expected of States in helping individuals to increase earnings, achieve self-sufficiency, and reduce welfare dependency, and shall not be measured solely by levels of activity or participation. Performance standards developed under this subsection shall be reviewed periodically by the Secretary and modified to the extent necessary.

Current JOBS Program Performance Measures

Participation rate for all AFDC recipients required to participate in JOBS (45 CFR 250.74(b) and 250.78) - For Fiscal Year 1994 the required participation rate is 15%. This is to ensure that a minimum proportion of the AFDC adult population is participating at a meaningful (significant) level.

Participation rate for AFDC-UP recipients (45 CFR 250.74(c) - For Fiscal Year 1994 the required participation rate is 40%. This is to ensure that a minimum proportion of the AFDC-UP principal wage earners or their spouses engage in work activities.

Target group expenditures (45 CFR 250.74(a)(1)) - At least 55% of a State's JOBS expenditures must be spent on applicants and recipients who are members of the State's target populations as defined at 45 CFR 250.1. This is to ensure that the hard to serve are served by requiring that 55% of IV-F expenditures are spent on the target groups defined in the statute or, if different, approved as a part of the State's JOBS plan.

Current Data Reporting System

The JOBS Case Sample Reporting System (CSRS) was established to meet some of the reporting requirements mandated by section 487 of the Social Security Act. The data necessary to establish performance standards such as participation rates; however, the data necessary to establish the numerator for the overall participation rate is collected by CSRS. The population from which each state must draw its sample (or in lieu of drawing a sample, the State may submit the entire population each month) is defined as the number of JOBS participants that were engaged in at least one hour of activity in an approved JOBS program component during the sample month. In addition to JOBS program data, a limited amount of demographic data and child care data is also required to be submitted.

Current QC Law

Under section 408 of the Social Security Act, States are required to operate a quality control system in order to ensure the accuracy of payments in the AFDC program. States operate the system in accordance with time schedules, sampling methodologies, and review procedure prescribed by the Secretary. The law defines: what constitutes a payment error; how error rates and disallowances are calculated; the method for adjusting State matching payments; and the administrative and judicial reviews available to states subject to disallowances because of error rates in excess of the national standard (i.e., the national error rate for each year).

The AFDC-QC system functions primarily as a monitoring/auditing system. Its primary purpose is to establish the correctness with which payments are made to AFDC cases in each State. Subsequent to the establishment of this system, which is a subsystem of the National Integrated Quality Control System (NIQCS), OMB required additional AFDC data be collected to replace the biennial survey of AFDC families that had been in place through 1979. The AFDC-QC system also obtains the data necessary to produce the publication entitled "Characteristics and Financial Circumstances of AFDC Recipients." The AFDC-QC system is not used to meet any of the reporting requirements for the AFDC program.

Vision

The proposed performance measurement system would consist of a limited set of broad measures that would reflect the intended outcomes (i.e., self-sufficiency, client satisfaction, etc.) of the transitional support program. These and other measures would be used to monitor the quality of State programs, to trigger corrective actions, such as sanctions and technical assistance, incentives as appropriate (e.g. changes in FFP), and to monitor program implementation. The current targeting and participation standards are eliminated (see draft specifications on JOBS/TIME-LIMITS/WORK).

All interested parties will be included in the process for determining performance measures and standards. For example, State and local program administrators will take part in their formulation and client feedback measures will be developed in consultation with welfare recipients.

GENERAL DISCUSSION ISSUES:

- To what extent should specific requirements (i.e., outcomes such as economic self-sufficiency, reduced welfare receipt, etc) be articulated in the legislative language? Should the legislative language merely specify a process by which to determine performance measures? Should a time-frame for the process be specified?
- Participation rates -- which are a performance measure -- are specified in JOBS/TIME-LIMITS; is this appropriate? Shouldn't this be determined as part of a PM system?
- In general, how and for what purposes should performance information be utilized? Are there Federal reporting requirements which we can eliminate? Should the legislative language specify consequences for failure to meet performance standards? What should these consequences be? Should the legislative language specify incentives for meeting standards?
- How should the non-phased-in population be accounted for under the new performance measure system? Would the EA and child care programs be included?

1. Performance Measures System

- (a) The Secretary shall, in consultation with the Secretaries of other Departments, representatives of organizations representing Governors, State and local program administrators, educators, State job training coordinating councils, community-based organizations, recipients, and other interested persons, establish and direct a system for measuring State performance pursuant to the requirements of this act for the purposes of assessing and monitoring State performance.
- (b) The Secretary shall, in consultation with appropriate interested parties, have the authority to modify the performance measures system as appropriate.

ISSUE: Should specific goals (i.e., outcomes and participation rates) of the system be articulated in statute?

- (c) Amend Sec. 487 (b) to read: The Secretary may require States to gather such information and perform such monitoring functions as are appropriate to assist in the development of a performance measures system and shall include in regulations provisions establishing uniform reporting requirements for such information.

2. Performance Standards

- (a) For the purposes of implementing appropriate actions, the Secretary shall, in consultation with the Secretary of Labor, representatives of organizations representing Governors, State and local program administrators, educators, State job training coordinating councils, community-based organizations, recipients, and other interested persons, establish standards based on the performance measures defined pursuant to this act.
- (b) Once in effect, performance standards shall be reviewed periodically and modified by the Secretary as appropriate.

ISSUE: Should the time-frame for issuance and modification of measures and standards be specified in statute?

- (c) The Secretary shall, in consultation with appropriate interested parties, define in regulation the consequences of failure or success in meeting such performance standards.

ISSUE: What consequences for achieving or failing to achieve standards should be specified in legislation.

- (d) Where appropriate, the Secretary may approve alternative State-specific performance measures and standards, as well as alternative data reporting requirements, upon request of the State.

3. Revised Quality Control System

- (a) Amend Section 408 of the Social Security Act to permit the Secretary, in consultation with the other Federal Departments, representatives of organizations representing Governors, State and local program administrators, educators, State job training coordinating councils, community-based organizations, recipients, and other interested persons, to revise the current payment accuracy Quality Control system to a broader system focused on self-sufficiency and program improvement.

The existing QC system requires an evaluation of all factors of eligibility and payment, except a few that are specifically excluded by the Statute, e.g., monthly reporting. The new system would focus on only error prone factors with significant dollar effects (e.g. earned income, filing unit, deprivation, etc.), or only on factors viewed as critical to public confidence in the program.

- Revise the regulations to reduce the verification and documentation required to substantiate a review finding.

The current system requires a detailed description and calculation of all errors found in a case review, and that a specified amount of verification be obtained to substantiate the error finding. Under this option, documentation/verification standards would be relaxed by establishing new minimum standards and the payment error determination process will be simplified.

- Revise the regulations to change the sampling methodology.

The current system requires each state (or jurisdiction) to select a minimum of 300 to 1200 review cases each year. The Federal staff examines a portion of each state's sample to validate the review findings. The precision (confidence level) of the payment errors is primarily a function of the sizes of the State and Federal samples. They have been tested and judged adequate for holding States accountable for prescribed payment accuracy standards. Commitment of resources to achieve this level of precision may not be necessary in an incentive/technical assistance response to State performance. It should be noted that smaller sample sizes will reduce the amount and degree of reliability of performance data on the transitional system. We can study the potential impact of various reduced sample size models on the precision of payment error estimates and other process measures.

OPTION 2: Operational Design

States would be required to conduct periodic, internal audits of their JOBS and WORK processes to ensure the accuracy of reported data and annual audits to establish payment accuracy rates. The Federal government would specify the minimum sample sizes to achieve 90 or 95 percent confidence at the lower limit (the method generally used by OIG). States would also be permitted to use current QC resources to conduct special studies to test and improve the current system. To ensure that State data and procedures are reliable, the Federal government would conduct periodic, targeted, and unannounced audits for that purpose.

4. Incentives vs. Penalties

- States would be eligible for performance-based incentive payments -- for example, a 1-10 percent increase in FFP (administrative costs, or JOBS, or WORK).
- Sanctions for unacceptable performance could also be included, if needed to foster appropriate behavior.
- The incentive/sanction formula would be developed by the Secretary taking into consideration and appropriately weighting desired results, including payment accuracy.

PERFORMANCE MEASURES PROPOSAL

The provisions described in this section initiate a process that will eventuate in the development and implementation of a comprehensive performance measurement system which reflects and reinforces the emerging "culture" of the redesigned welfare system.

Current JOBS Law

Under the SSA section 487 [FSA Section 203(b)] not later than October 1st, 1993, the Secretary of Health and Human Services shall:

(1) in consultation with the Secretary of Labor, representatives of organizations representing Governors, State and local program administrators, educators, State job training coordinating councils, community-based organizations, recipients, and other interested persons, develop performance standards with respect to the programs established pursuant to this part that are based, in part, on the results of the studies conducted under section 203(c) of such Act, and the initial State evaluations (if any) performed under section 486 of this Act; and

(2) submit his/her recommendations for performance standards developed under paragraph (1) to the appropriate committees of jurisdiction of Congress, which recommendations shall be made with respect to specific measurements of outcomes and be based on the degree of success which may be reasonably expected of States in helping individuals to increase earnings, achieve self-sufficiency, and reduce welfare dependency, and shall not be measured solely by levels of activity or participation. Performance standards developed under this subsection shall be reviewed periodically by the Secretary and modified to the extent necessary.

Current JOBS Program Performance Measures

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Current Data Reporting System

The JOBS Case Sample Reporting System (CSRS) was established to meet some of the reporting requirements mandated by section 487 of the Social Security Act. However, the data necessary to establish participation rates is collected through both CSRS and aggregate hard copy. Only data necessary to establish the numerator for overall participation is collected through CSRS. The population from which each State must draw its sample (or in lieu of drawing a sample, the State may submit the entire population each month) is defined as the number of JOBS participants that were engaged in at least one hour of activity in an approved JOBS program component during the sample

month. In addition to JOBS program data, a limited amount of demographic data and child care data is also required to be submitted.

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The AFDC-QC system functions primarily as a monitoring/auditing system. Its primary purpose is to establish the correctness with which payments are made to AFDC cases in each State. The AFDC-QC system also obtains the data necessary to produce the publication entitled "Characteristics and Financial Circumstances of AFDC Recipients." The AFDC-QC system is not used to meet any of the reporting requirements for the AFDC program. Subsequent to the establishment of this system, which is a subsystem of the National Integrated Quality Control System (NIQCS), OMB required additional AFDC data be collected to replace the biennial survey of AFDC families that had been in place through 1979.

Vision

One objective of welfare reform is to transform the "culture" of the welfare system, from an institutional system whose primary mission is to ensure that poor children have a minimal level of economic resources to a system that focuses equal attention on the task of integrating their adult caretakers into the economic and social mainstream of society. We envision an outcome-based performance measurement system that consists of a limited set of broad measures and focuses State efforts on the goals of the transitional support system -- helping recipients become self-sufficient, reducing dependency, and moving recipients into work. The system would be developed and implemented over time, as specified in statute. Interested parties will be included in the process for determining outcome-based performance measures and standards.

Until a system incorporating outcome-based standards can be put in place, State performance will be measured against service delivery measures as specified in statute. These service delivery standards would be used to monitor program implementation and operations, provide incentives for timely implementation, and ensure that States were providing services needed to convert welfare into a transitional support system. The current targeting and participation standards would be eliminated (see draft specifications on JOBS, TIME LIMITS, AND WORK). The new service delivery measures for JOBS would look over time to see that individuals subject to the time limit are getting served by the program and that a substantial portion of such cases are being served on an ongoing basis. As soon as WORK program requirements begin to take effect (i.e., two years after the effective date of the start of the phase-in), States would be subject to a performance standard under the WORK program. Until automated systems are operational and reliable, State performance vis-a-vis these service delivery measures would be based on information gathered through the modified QC system.

Within a specified time period after enactment of this bill, the Secretary will develop a broader system of standards which incorporates measures addressing the States' success in moving clients toward self-sufficiency and reducing their average tenure on welfare. All accompanying regulations to this section shall be published within 6 months of the enactment of this act, unless an effective date is otherwise specified.

Rationale

The standards against which systems performance are judged must reflect the emerging mission or goal of the reformed system. The existing Quality Control (QC) system may actually create counterproductive incentives for States attempting to cope with this emerging institutional environment. QC focusses on how well the income support function is done to the exclusion of other systems goals. This directly shapes the atmosphere of and feel within welfare agencies; how personnel are selected and trained, how administrative processes are organized, and the basis for allocating organizational rewards.

It is a simple reality that the management and technological demands which emerge from a system designed to change how people function are more complex than those for an income support system. Strategies that judge performance solely by inputs or effort will no longer be adequate. The new system eventually must be judged by what is accomplished rather than how it is accomplished. At the same time, the challenges of transforming organizational cultures cannot be ignored; we must remain cognizant of the implementation and operational challenges all levels of government will confront in moving to the new system.

A response to the demands imposed by substantive organizational change is to alter the "official" focus of the system from payment accuracy to program outcomes that more appropriately reflect the new mission of the system without jeopardizing the integrity of the program as it is currently understood. This can be achieved through the development of performance measures and standards that reflect the degree to which the policy is implemented as intended and which eventually focus on results, while ensuring that the residual income support functions are administered competently.

Specifications

Provisions 1 through 3 generally deal with requirements and procedures for establishing performance outcomes; provisions 4 and 5 deal with developing service delivery measures and standards to assess whether the program is being implemented and operated as intended; and provision 6 provides the necessary authority to modify the QC system to carry out the monitoring functions specified in the Act.

1. Establishing an Outcome-Based Performance Standards System

Vision

Part 1: This provision provides general authority to the Secretary of DHHS to establish an outcome-based performance standards system.

The operant vision governing welfare reform is consistent with the theme of "reinventing government." Ultimately, this means less federal prescription, greater local flexibility and responsibility, and the measurement of success by outcomes and not inputs or effort.

Rationale

These provisions establish and reinforce the goal that State performance eventually will be judged by the results they achieve and not the way they achieve those results. This means keeping a focus on the goals of reform; moving clients toward self-sufficiency and independence while ensuring the overall well-being of children and their families.

Specifications

- (a) In accordance with the effective dates specified, in order to assess State performance, the Secretary shall enact an outcome-based performance standards system that will measure the extent to which the program helps participants improve their self-sufficiency, their independence from welfare, their labor market participation, and the economic well-being of families with children. As specified below, the Secretary shall first develop outcome-based performance measures and then shall take steps to set expected standards of performance with respect to those measures. The system will also include performance standards for measuring the extent to which individuals are served by the transitional support system (i.e., service delivery standards).
- (b) The current quality control system shall be revised to reflect the new performance standards system (*see section below on Quality Control for specifications*).
- (c) The Secretary shall publish annually State-level data indicating State performance under such a system.
- (d) Amend Sec. 487 (b) to read: The Secretary may require States to gather such information and perform such monitoring functions as are appropriate to assist in the development of such a performance measurement system and shall include in regulations provisions establishing uniform reporting requirements for such information.
- (e) In adopting performance standards the Secretary shall use appropriate methods for obtaining data as necessary, which may include access to earnings records, State employment security records, State Unemployment Insurance records, and records collected under the Federal Insurance Contributions Act (chapter 21 of the Internal Revenue Code of 1986); drawing reliable statistical samples and revising QC reviews of AFDC payment and case information; and using appropriate safeguards to protect the confidentiality of the information obtained.
- (f) The Secretary shall, in consultation with appropriate interested parties, review and modify the performance measures and standards, and other components of the performance measures system periodically as appropriate.

2. Developing an Outcome-Based Performance Measurement System

Vision

Part 2: This provision requires the Secretary to propose a specific set of intermediate outcome measures and establishes a process and timetable for doing such.

Before outcome-based standards are established, a set of outcome-based measures will be put in place. (Note: a measure is merely an aspect of the program on which data is collected; a standard is a specific level of performance that is expected of States or agencies with respect to that measure.)

These provisions are viewed as the first step toward developing a true outcome-based performance measurement system and recognize complementary work taking place in other agencies.

Rationale

Recognizing the complexity of this task, this legislation incorporates a prudent strategy that moves forcefully, yet with reasonable caution in the direction of developing an outcome-based performance system.

Specifications

- (a) By June 1, 1995, for the purposes of enacting a performance measurement system, the Secretary will present recommendations on specific outcome-based performance measures (with proposed definitions and data collection methodologies) and shall solicit comments from the Congress, Secretaries of other Departments, representatives of organizations representing Governors, State and local program administrators, educators, State job training coordinating councils, community-based organizations, recipients, and other interested persons (hereinafter referred to as *interested parties*).
- (b) The recommendations shall include the percentage of the caseload who reach the 2-year time-limit and may include but shall not be limited to measures which examine:
 - (i) factors used in section 106 of the Job Training Partnership Act and any subsequent amendments such as placement and retention in unsubsidized employment and a reduction in welfare dependency; and,
 - (ii) other factors as deemed appropriate by the Secretary.
- (c) Based on comments from the interested parties, the Secretary will finalize the measures by January 1, 1996, and publish the measures in the Federal Register.

3. Implementing an Outcome-Based Performance Measurement System

Vision

Part 3: This provision requires the Secretary to set standards of performance for States to meet with respect to the measures developed under prior provisions and sets some procedural guidelines for setting those standards.

Knowing what we want to accomplish is different from setting concrete expectations for States about what they ought to accomplish. The standards should be set carefully, with adequate time to obtain input from stakeholders and interested parties and to fully assess the potential impact of the standards.

Rationale

It is important to provide sufficient time to think through an appropriate set of measures with relevant parties and to carefully consider what kind of realistic standards might be set with respect to those measures. The legislation sets a time period to consider important measurement issues and what consequences should be set for failure to meet established standards.

Specifications

- (a) By June 1, 1996, for the purposes of enacting outcome-based standards, the Secretary, in consultation with interested parties, shall present recommendations for performance standards based on the performance measure information (as specified above) and other appropriate information.
- (b) Based on comments from the interested parties, the Secretary will finalize the standards that will be published in the Federal Register by January 1, 1997.
- (c) The Secretary shall amend in regulations the penalties and incentives in accordance with the proposed standards as appropriate and shall implement the additional performance standards by June 1, 1997.

4. Service Delivery StandardsVision

Part 4: This provision requires that certain standards be set to determine how well States are implementing key aspects of the new system and sets rewards and penalties based on those standards.

To ensure that welfare systems are operating the program as intended, the new performance system will provide for awards and penalties for State performance through adjustments to the State's claims for federal matching funds on AFDC payments. These measures are designed to provide positive and negative incentives to States to serve recipients under the new transitional system and to monitor program operations. States would be subject to financial incentives the following areas: a coverage rate in JOBS, a monthly participation rate in JOBS, and participation rate in WORK. In addition, the caps on JOBS extensions and pre-JOBS assignments and State accuracy in keeping of the two-year clock are considered service delivery standards.

Rationale

Because major changes to the welfare system are being proposed, it is critical that the extent to which the intent of the law is being realized be monitored carefully. Measuring critical aspects of the new program will provide necessary feedback upon which to judge progress toward changing the "culture" of the welfare system, while the proposed set of incentives and penalties will keep States focused on the required changes.

Specifications

- (a) Upon enactment of this act, the Secretary shall implement service delivery measures for purposes of accountability and compliance.
- (b) States shall be subject to service delivery standards upon the effective date of the new JOBS program. States shall begin reporting and validating data for service delivery measures no later than 6 months following the effective date of the new JOBS/WORK provisions in a manner to be prescribed by the Secretary.
- (c) The service delivery standards apply only to the phased-in mandatory population that is subject to the time limit. There are no performance standards for the non-phased-in group.

*Nothing for
up }*

(d) **Rate of coverage in JOBS:** To maximize the number of welfare recipients who become self-supporting, it is important for JOBS programs to serve their entire mandatory caseload. To measure the extent to which programs work with the entire mandatory caseload in ways deemed appropriate, States are expected to meet a **coverage rate**. This rate specifies the extent to which a program involves or *covers* individuals who are mandated for the program (not including those assigned to pre-JOBS) within a specified period. A program is considered to have *covered* individuals if they participate in activities, are employed, leave AFDC, or are sanctioned. The coverage rate is a longitudinal rate that requires tracking a previously entered cohort of clients. The State's coverage rate shall be expressed by a percentage, and calculated as follows:

- (i) The denominator consists of the JOBS mandatory caseload receiving assistance (i.e., excluding those in the pre-JOBS status).
- (ii) The numerator consists of those in the denominator who *either* participate in program activities, are employed, leave AFDC, or are sanctioned within a 6 month period. The definition of *participation* for the purposes of calculating the coverage rate will be determined in regulation.

(e) The performance standard for the coverage rate is set at 90 percent with a 5 percent tolerance level, with financial penalties applied if this standard is not met. For the proportion of caseload below the standard, a 25 percent *reduction* in the FFP for their AFDC benefits will be levied, using the average AFDC benefit level paid in the State to determine the amount of the penalty. Penalties would not be assessed in the first year of program operation.

what is meaning of tolerance level if only penalties? why not 10%?

(f) **Monthly Participation Rate in JOBS:** Similar to current law, States are expected to meet a **monthly participation rate**. Using a computation period of each month in a fiscal year (i.e. over a 12 month period), the State's monthly participation rate shall be expressed by a percentage, and calculated as follows:

- (i) The denominator consists of the average monthly number of individuals who are mandatory for JOBS (i.e., excluding those in the pre-JOBS status)
- (ii) The numerator consists of the average monthly number of individuals who are mandatory for JOBS (i.e., excluding those in the pre-JOBS status) who participate in an activity or are employed (and remain on aid). The definition of *participation* for the purposes of calculating the monthly participation rate will be determined in regulation.

Sanction? no credit for people who leave.

(g) The performance standard for the monthly participation rate is set at 40 percent, with a -5/+5 tolerance level, with financial penalties if the standard is not met and financial incentives if the standard is exceeded. For the proportion of caseload below the standard (35%), a 25 percent reduction in the FFP for their AFDC benefits will be levied, using the average AFDC benefit level paid in the State to calculate the amount of the penalty. For the proportion of caseload above the standard (45%), a 25 percent increase in the FFP for their AFDC benefits will be granted using the average AFDC benefit level paid in the State [or an increase in FFP for JOBS services]. There would be no change in FFP for those covering 35 to 45% of the applicable caseload. Penalties would not be assessed in the first year of program operation.

We want from 35% half their time to 35% all their time

→ what happened to limits on how much at stake

- (h) **WORK Program Participation Rates:** States will also receive financial penalties for failing to meet the following participation standard in the WORK program. To ensure that individuals who reach the time limit are assigned to work slots, States would be expected to meet a WORK participation standard. The WORK performance measure would take effect two years after the effective date of this legislation (*see JOBS, TIME LIMITS, AND WORK section*). To meet this standard, States are required to meet the lower number of:
- (i) **Case 1:** The number required so that 80 percent of those who reached the time limit and are in the WORK program are assigned to a WORK slot or are in other defined statuses (as explained below). A five percentage point tolerance level on this standard will be allowed. Using a computation period of each month in a fiscal year (i.e. over a 12 month period), the WORK participation rate is expressed as a percentage and is calculated follows: (1) The denominator consists of the average monthly number of individuals who have reached the time limit and are in the WORK program (i.e., excluding those in the pre-JOBS status). (2) The numerator consists of those in the denominator who are assigned to a WORK slot, are in the sanctioning process as defined under the WORK program rules, or are participating in a WORK job search activity. The exact definition of the rate will be specified in regulation. Or,
 - (ii) **Case 2:** The number required so that total number of WORK slots the State is required to create, based on their funding allocation, are filled by individuals assigned to a WORK slot. A method for calculating the required number of slots to be filled based on the funding allocation will be specified in regulations.
- (i) For the proportion of caseload below the applicable standard, a 50 percent *reduction* in the FFP for their AFDC benefits will be levied, using the average AFDC benefit level paid in the State to determine the amount of the penalty. Penalties would not be assessed in the first year of program operation.
- (j) States would be required to place individuals who have most recently hit the time-limit into WORK slots prior to other WORK participants (e.g., those who have already completed a slot and are awaiting re-assignment).
- (k) States are not eligible for increased FFP for any service delivery measures if the Secretary determines:
- (i) the accuracy of a State's time-clock fails the threshold standards for time-clock accuracy, as defined subsequently in regulations; and/or,
 - (ii) data reported by a State fails the threshold standards for data quality, as defined subsequently in regulations.
- (l) **Cap on pre-JOBS and JOBS Extensions:** No FFP will be allowed for any cases in pre-JOBS above the cap and for JOBS extensions above the cap unless the State has submitted a proposal to the Secretary to raise the cap or the Secretary has already granted such a waiver. (*see also JOBS, TIME LIMITS, AND WORK section*)
- (m) As appropriate, the Secretary may require States to report other data elements related to the provision of JOBS and WORK services, such as the provision on teen case management services. Such additional reporting requirements will be specified in regulation no later than 6 months following the enactment of this act.

or have found
it's subsidized
work

5. Client Feedback

Vision

Part 5: This provision requires that States establish a process for collecting client feedback on their experience in the program as a method for improving program operations.

There has been little study in the past of client perceptions of the services provided through the welfare department. However, similar to the way customers' reactions are important to the business community, understanding and managing client feedback on the services they receive provide important information on areas where program performance could improved. Additionally, it will be important to establish mechanisms to ensure feedback on the quality of services provided by public, nonprofit, and private agencies.

Rationale

One aspect of reinventing government is to make public systems client- or market-driven. In a time-limited cash assistance program, providing participants with quality services and opportunities through which to enhance their human capital and improve their chances in the labor market seems essential. Obtaining feedback directly from the "customers" is one way of helping program managers ensure that they provide participants what is needed.

Specifications

- (a) Each State shall establish methods for obtaining, on a regular basis, information from individuals and employers who have received services through the JOBS and/or WORK program regarding the effectiveness and quality of such services. Such methods may include the use of surveys, interviews, and focus groups.
- (b) Each State agency shall analyze the customer service information on a regular basis and provide a summary of such information accompanied by such analysis to the [JOBS and/or WORK boards] for use in improving the administration of the programs.

6. Expanded Mission for Quality Control System

Vision

Part 6: This provision provides the Secretary with the authority to review and modify the Quality Control system as needed and sets up some procedural guidelines for identifying the needed changes and making those changes.

The following language allows the Secretary to redesign the current payment accuracy Quality Control system to a broader system focused on the performance standards established in statute or by regulation to ensure the efficient and effective operation of the JOBS/WORK/Time Limited Assistance program. Payment accuracy will be retained but only as one element in a broader performance measurement role for the QC system.

Rationale

Operating a performance driven accountability system requires resources. Until the new system is fully developed, it will be difficult to estimate what those resource requirements will be. Some of those resources must come from the existing QC system, necessitating changes in that system. The Secretary must have authority to make those changes in a way that does not sacrifice the ability to ensure the integrity and accuracy of income maintenance payments.

Specifications

- (a) Amend the Social Security Act to expand the purpose of quality control to improve the accuracy of benefit and wage payments in the AFDC and WORK program, to assess the quality of State-reported data, to ensure the accuracy of State reporting of JOBS/WORK data required under this act, and measure the accuracy with which States calculate client eligibility for benefits under a time-limited AFDC system, to ensure that other performance standards are met, and to fulfill other appropriate functions of a performance measurement system.
- (b) Require the Secretary to establish and operate a quality control system under which the Secretary shall determine, with respect to each State, the extent to which any and all performance standards established by statute or regulation are being met.
- (c) States shall conduct periodic, internal audits of their JOBS and WORK processes to ensure the accuracy of reported data and annual audits to establish payment accuracy rates. The Federal government would specify the minimum sample sizes to achieve 90 or 95 percent confidence at the lower limit (the method generally used by OIG). States would also be permitted to use current QC resources to conduct special studies to test and improve the current system.
- (d) The Secretary shall designate additional data elements to be collected in a QC review sample to fulfill the needs of a performance measures system (pursuant to section 487 as amended under this part), and shall amend case sampling plans and data collection procedures as deemed necessary to accurately assess those measures of program performance identified elsewhere in this section.
- (e) The Secretary shall modify the scope of the current QC system as deemed necessary to accommodate the review of the additional data elements and new performance measures.
- (f) The Secretary shall, after consulting with the States and securing input from knowledgeable sources, publish regulations regarding changes in the design and administration of existing QC functions as well as enhancements to that system. These proposed changes will be published no later than 12 months after enactment of this Bill.

TECHNICAL ASSISTANCE, EVALUATION, AND DEMONSTRATIONS

A. TECHNICAL ASSISTANCE, RESEARCH, AND EVALUATION

1. Authority to Tap JOBS/WORK and Child Care Funds For Research, Demonstrations, Evaluation and Technical Assistance Purposes

Current Law

There are a variety of ways that funds are set aside for evaluation oversight and technical assistance support to programs. The Family Support Act, for example, authorizes specific amounts for implementation and effectiveness studies of the JOBS Program. Under the Head Start Act, 13 percent of annual appropriations are reserved by the Secretary for a broad range of uses including training, technical assistance and evaluation. The Secretary of HHS, at her discretion, sets aside 1% of Public-Health program funding for evaluation of its programs.

Vision

Welfare reform seeks nothing less than a change in the "culture" of the welfare system. This necessitates making major changes in a system that has primarily been issuing checks for the past two decades. Now we will be expecting States to change individual behavior and their own institutions themselves so that welfare recipients will be moved into mainstream society. This will not be done easily. We see a major role for evaluation, technical assistance and information sharing. Initially, States will require considerable assistance as they design and implement the changes required under this legislation. Then, as one State or locality finds strategies that work, those lessons ought to be widely shared with others. One of the elements critical to this reform effort has been the lessons learned from the careful evaluations done of earlier programs. Those lessons and the feedback secured during the implementation of these reforms will be used in a formative sense and will guide continuing innovation into the future. We propose reserving 2% of the total annual capped entitlement funding for the Secretary of HHS to be spent on JOBS, WORK and child care for research, demonstrations, evaluation, and technical assistance, with a significant amount reserved for child care. We seek to evaluate demonstrations in a number of different areas. Please see the sections on MAKE WORK PAY, CHILD SUPPORT ENFORCEMENT, and PREVENT PREGNANCY AND PROMOTE PARENTAL RESPONSIBILITY.

Rationale

Sufficient funds should be available to ensure that the Department(s) can provide adequate levels of technical assistance to States, exercise oversight over State implementation of welfare reform, and carry out other supportive research and training activities. Tying funds to a percentage of the overall program dollars ensures that as the program grows, funds for research, evaluation and technical also grow. It is often noted that 10 percent of effecting substantive change is getting the law passed, the other 90 percent is implementing the law well. Arguably, the 1988 Family Support Act suffered from inadequate attention that was provided to helping States realize the potential for change built into the various provisions of the Act.

Specifications

- (a) Reserve to the Secretary from amounts authorized for the capped JOBS, WORK and At-Risk Child Care funding, two percent for each fiscal year for expenditures research, the provision of technical assistance to the States and for the carrying out demonstrations as described below. Technical assistance is defined broadly to include training, "hands-on" consultation to States requesting assistance, the transferring of "best practices" from one State to another and so forth.
- (b) To the extent that these issues can be researched in a methodologically sound way, the Secretary of HHS in consultation with the Secretary of Labor and the Secretary of Education, shall conduct the following evaluation studies of time-limited JOBS followed by WORK:
- (i) A two-phase implementation and institutional outcomes study that describes:
- How States and localities initially responded to new policies, implemented the new program, obstacles and barriers, institutional arrangements, and recommendations;
 - How States and localities subsequently did as their programs matured including program design, services provided, operating procedures, exemplary practices, funding levels and participation rates and recommendations. The study will also consider the effects on State and local administration of welfare programs including management systems, staffing structure, and "culture."
- (ii) An impact evaluation, preferably using a random assignment design or a methodology that meets the standards of the scientific community, that examines:
- The effectiveness of transitional assistance in a time-limited context in helping welfare recipients achieve self-sufficiency, and the relative effectiveness of various strategies used by States and localities on employment rates, reduction of welfare dependency, reduction of teen pregnancy, income levels and poverty reduction, family structure, child well-being, and client satisfaction for recipients by major subgroups.

B. DEMONSTRATIONS

1. Authority to Initiate Major Demonstrations and Pilot Programs to Improve the Effectiveness and Efficiency of the Reformed Welfare System

Current Law

The Social Security Act authorizes the Secretary to conduct demonstrations. Many States operate demonstration programs which have strong evaluation components which have helped shape public policy.

Vision

We propose key demonstrations in six areas where additional feedback is required about the cost, feasibility, and/or effectiveness is necessary before national policy is determined. In each area, we propose both a set of policies for immediate implementation and a set of demonstrations designed to explore ideas for still bolder innovation in the future. In addition, we would encourage States to develop their own demonstrations, and in some cases we would provide additional Federal resources for these. Lessons from past demonstrations have been central to both the development of the Family Support Act and to this plan.

Specifications

- (a) The Secretary of HHS shall have the authority to approve and conduct the following demonstrations (as discussed in detail below):

Demonstration (1) is designed to test innovations that might shorten welfare spells during the JOBS phase of the reformed system. Demonstration (2) is designed to examine innovations in the WORK phase of the reformed program. Demonstration (3) is largely, though not exclusively, designed to assist those who have made the transition to non-subsidized work to minimize recidivism back onto welfare. Other demonstrations are outlined in the CHILD SUPPORT ENFORCEMENT, MAKE WORK PAY, and the PREVENT TEEN PREGNANCY AND PROMOTE PARENTAL RESPONSIBILITY sections. Thus these demonstrations cover the major aspects of the reform proposal.

2. Demonstrations to Encourage Placement During Participation in the JOBS Program

Current Law

There are no provisions in current law similar to what is proposed under this section.

Vision

One of the explicit goals of welfare reform is to transform the welfare system (and the JOBS program) into one which focuses from the very first day on helping people to get and hold jobs. To achieve this, we will fund demonstration programs that focus on enhancing job placements. We envision two strategies, as specified below.

Rationale

A good JOBS program balances the need to communicate to those entering the welfare system that AFDC is a temporary support system by moving recipients quickly into the labor market while remaining sensitive to the fact that all recipients are not competitive in that market. We need more information about how to set up rewards that will reflect the new "mission" of the welfare system while remaining cognizant of the heterogeneity (differing skills and abilities) within the welfare population.

Not
ENOUGH

Specifications

- (a) **Placement Bonuses:** Demonstration grants would be available for programs that use placement bonuses to reward agencies or caseworkers who are particularly good at placing JOBS participants in private sector jobs. One issue is to examine whether this can be successfully accomplished without prematurely moving clients into the labor market, thus fostering temporary placements that do not deal with longer term dependency patterns.
- (b) **Chartering Placement Firms:** Demonstration grants would be available to States to charter private not-for-profit and for-profit organizations to work with JOBS clients to place them in private sector jobs. This is similar to offering contracts through an RFP, except that a charter is a license to serve clients that puts the burden on the organization to recruit its clients. Chartered organizations would be paid a fee for finding work for an eligible JOBS participant. Charters can specify services that the organization will deliver: work preparation, placement services, follow-up, linkages to other agencies. Charters permit the organization to serve eligible WORK participants and specify performance standards on which they will be paid. These performance standards would be based on placement and retention measures.
- (c) Up to 5 local demonstration projects to test and evaluate the use of placement bonuses and chartering placement firms on the placement and retention of JOBS participants in jobs will be conducted.
- (d) The Secretary shall evaluate the effectiveness of such programs, preferably using a random assignment design or a methodology that meets the standards of the scientific community.

Priority on
LT placements

Why 5?
(No # for
priority -
others)

Section 1115 WaiversCurrent Law

Section 1115(c)(3) of the Social Security Act restricts State waivers which can be granted under the child support program to those that would not increase the Federal cost of the AFDC program. In all other cases, States can offset increased costs in one program (such as increased expenditures for JOBS) with savings in other areas (such as AFDC and Medicaid). In child support, however, savings generated from non-IV-A programs cannot be used to cover IV-A costs resulting from IV-D waivers. The within-AFDC cost neutrality provisions for the child support program discourages States from looking at IV-D as part of their total welfare reform strategy and greatly restricts their abilities to design and implement child support demonstrations of interest and significance.

Specification

- (a) Increase States' ability to test innovative IV-D and non-custodial parent programs. Give them the same degree of flexibility to offset AFDC costs resulting from demonstrations involving child support that now exists in the other programs. In addition, give States the authority to value the worth of work activities that non-custodial fathers do to reduce their AFDC debts and child support arrearages.

what
impact

3. Demonstration Grants for Innovative Paternity and Parenting InitiativesVision

This proposal would focus on helping fathers (primarily poor, young, non-marital fathers) understand and accept their responsibilities to nurture and support their children. Building on programs which seek to enhance the well-being of children this proposal would facilitate the development of parenting components aimed specifically at fathers whose participation in the lives of their children is often ignored or even unintentionally discouraged.

Rationale

There is considerable evidence that increased poverty is not the only adverse affect on children of fatherless families. Fathers have an important role to play in fostering self-esteem and self-control in children and in increasing and promoting the career aspirations of both sons and daughters. Some clinical researchers and social commentators believe that much of the increase in violent behavior among teenage boys is at least in part due to the lack of positive male role-models and supportive fathering in many communities. But good fathering is especially difficult for the many men who themselves belong to a second and third generation of "fatherless" families or whose own role models for parenting were abusive or neglectful.

Specifications

- (a) Demonstration grants will be made available to States and/or community based organizations to develop and implement non-custodial parent (fathers) components for existing programs for high risk families (e.g. Head Start, Healthy Start, Family Preservation, Teen Pregnancy and Prevention) to promote responsible parenting, including the importance of paternity establishment and economic security for children and the development of parenting skills.
- (b) Grants must last three years, have an evaluation component, preferably using a random assignment design or a methodology that meets the standards of the scientific community, and be replicable in similar programs.

4. Demonstrations to Develop Work-for-Wages Programs Outside the AFDC SystemVision

States are encouraged to experiment with approaches to designing and administering the WORK program outside of the AFDC system. The Secretary may authorize up to 5 demonstration projects to assess the feasibility and effectiveness of WORK programs that are administered outside of the AFDC system. These demonstrations will be rigorously evaluated.

Why?

Rationale

It is not clear that the welfare system will be the most appropriate agency to run an employment based system like the WORK program in all States. In some cases, state-level Labor Department entities, non-profit, or proprietary agencies may have a comparative advantage. Even if a comparative advantage does lie with an organization independent of the welfare system, questions remain. For example, it is not apparent that the required ongoing communication between the agencies running the WORK program and the agency issuing supplemental income support checks (and retaining responsibility for other residual welfare functions) can be maintained. This, and other management uncertainties, must be resolved through demonstration programs.

Specifications

- (a) Up to 5 local demonstration projects to test the development and implementation of WORK programs administratively located outside of the AFDC system will be conducted.
- (b) The Secretary shall conduct a rigorous evaluation, preferably using a random assignment design or a methodology that meets the standards of the scientific community, of each demonstration project.
- (c) All individuals who exhaust their transitional assistance must be eligible to apply to the WORK program either after their initial spell on welfare or if they leave JOBS or WORK and subsequently reapply for assistance and have no time left. States may not deny admission into WORK for any reasons other than those discussed under the section on sanction policy.
- (d) States must close AFDC cases when recipients reach the time limit. WORK programs under this subsection may only pay participants for performance of some activity.
- (e) States may develop a system of compensation that mixes wages and WORK stipends. States must develop a system that ensures that WORK participants who comply fully with the program's rules are receiving income at least equal to what they would have received on AFDC plus the work disregard. States shall have flexibility on this criteria in the interest of administrative simplicity but the income from full compliance in WORK must exceed income on AFDC for a similarly situated family.
- (f) States will be allowed to pay participants WORK stipends when they are not in a WORK assignment as compensation for a range of activities to be designated by the state, including job search, job clubs, and interim community service assignments. States will have flexibility in designing the stipend system, but it will have to be a pay-for-activity system.
- (g) States would be allowed to develop a system of wage supplementation in place of the present AFDC system. WORK stipends could be provided to part-time workers either in unsubsidized jobs or in the WORK program. States would be encouraged to develop a simple system of supplements.
- (h) Eligibility for the supplement would be contingent on satisfactory participation in WORK.

5. WORK Support Agency Demonstrations

Current Law

At State option, Federal financial participation is available for JOBS activities and services provided for certain periods to an individual who has been a JOBS participant but who loses eligibility for AFDC. These activities and periods are: 1) case management activities and supportive services for up to 90 days from the date the individual loses eligibility for AFDC; and 2) JOBS component activities for the duration of the activity if funds for the activity are obligated or expended before the individual loses eligibility for AFDC. (45 CFR 250.73) In addition, the State agency may provide, pay for, or reimburse one-time work-related expenses which it determines are necessary for an applicant or recipient to accept or maintain employment. (45 CFR 255.2)

Vision

In order to learn about the effects of work support strategies, we propose demonstration programs to test different approaches. The goal is to increase employment retention and reduce welfare recidivism by helping those individuals who become employed keep their jobs and those who lose their jobs to regain employment quickly. Case managers will maintain contact with and offer assistance to current or former AFDC recipients who obtain employment and provide direct assistance to aid them in employment retention or to help find a subsequent job. Payments to help meet the costs of certain employment-related needs may also be provided if determined necessary for job acceptance or retention, or reemployment.

States might establish work support agencies with distinctly different responsibilities than IV-A agencies and possibly housed separately from the local IV-A agencies to provide centralized services specifically to working families. The Work Support agencies could be administered, for example, by the State employment or labor departments; by Community Action Agencies, or a One-Stop Shopping Center.

The work support offices might provide food stamps, child care, advance EITC payments, and possibly health insurance subsidies to eligible low-income working families, or (at local discretion) families suffering a temporary labor market disruption. Employment-related services such as career counseling, assistance with updating resumes and filling out job applications would also be made available specifically to individuals who had left AFDC for work through the work support office. Services which might also be included are time and money management, family issues, workplace rules, establishing ongoing relationships with employers, providing mediation between employer and employee, assisting with application for the EITC, making referrals to other community services, providing or arranging for supportive services needed for employment retention or re-employment, and providing for job referral or placement assistance if initial jobs are lost. The supportive services which can be provided to aid job retention may include: occupational license, certification, or test fees, tool/equipment expenses, clothing, uniforms, or safety equipment costs, driver's license fees, motor vehicle maintenance, repair, insurance or license costs, other transportation expenses, moving expenses (related to accepting employment, emergency child care expenses, health-related expenses not covered by Medicaid, short-term mental health expenses, and family counseling.

Rationale

A significant proportion of new entrants will move between States of dependency and non-dependency. Some 70 percent of new entrants exit in two years, about one-half of these for work. But within five years, some 70 percent of those will return. A similar picture is found for those in the secondary labor market. Job transitions and disruptions are very common, even within brief time periods. Many of these people do not have sufficient work histories to qualify for benefits under the U system. The primary recourse available upon a job loss is the welfare system.

Our welfare and JOBS systems are geared toward graduations; treating people and moving them on. We now assume that even those with high levels of human capital may have to make seven or eight reinvestments in training and new skill/technology acquisitions over the course of a lifetime. We must begin to work on developing a similar perspective and supportive systems for low-wage workers and those who must, on occasion, receive income assistance for their families.

The participating State would be responsible for the design of the work support agency, including the administrative structure and the menu of services, but would have to receive approval from the appropriate departments (in most cases Agriculture, Health and Human Services and Treasury).

Specifications

- (a) A separate authority under Title IV of the Social Security Act would be established for whereby a designated number of entities chosen by the Secretary, in consultation with the Secretary of Labor, Agriculture, and Treasury, would be entitled to demonstration grants to operate a Work Support Agency to support individuals who have left AFDC for work.
- (b) Up to 5 demonstration projects will be funded.
- (c) The activities under the demonstration would be focused on providing coordinated employment-related services. Grantees would be given great flexibility to design programs to help former AFDC recipients retain employment.

Relation
to 1-step?

INFORMATION SYSTEMS AND INFRASTRUCTURE, + FRAUD DETECTION

Current Law and Background

In the late 1970s, the Federal government decided to improve the administration of welfare programs through the use of computerized information systems. The Congress enacted PL 96-265 and subsequent legislation to grant incentive funding to encourage the development of automated systems.

In 1981, the AFDC program released the Family Assistance Management Information System (FAMIS) specifications and updated them in 1983. In 1988, the Food Stamp Program (FSP) released similar guidelines in regulations and updated them in 1992. Incentive funding is also available for statewide, Child Support Enforcement (CSE) systems.

A recent GAO report indicated that, in the previous 10 years the Federal government had spent nearly \$900 million in the development and operation of AFDC and FSP automated systems alone. In the Omnibus Budget Reconciliation Act of 1993, the Congress repealed enhanced funding for AFDC and FSP effective April 1, 1994.

An emerging priority of Federal funding agencies has been to encourage States to implement more cost-effective systems which integrate service delivery at the local level. This has enabled many States to begin using combined application forms for multiple programs (including AFDC, FSP, and Medicaid) and a combined interview to determine eligibility for the various programs. Consequently, with systems support, a single eligibility worker can process an application for several programs at the same time.

Another priority is the development of electronic transfer of funds or Electronic Benefit Transfer (EBT) technology to deliver benefits. This technology allows recipients to use a debit card, similar to a bank card, at retail food stores and automated teller machines (ATMs) to access their benefit accounts. Plans to expand the use of EBT systems are mentioned in the Vice President's National Performance Review.

Under current law and regulations, States and the Federal government have developed elaborate computer management information systems for financial management and benefit delivery, program operations, and quality control. Some programs, such as Child Support Enforcement, are in the midst of large-scale (and long-term) computer system change, while others, such as AFDC (with its FAMIS systems), are nearing completion of a development cycle.

Both FAMIS and Child Support Enforcement Systems (CSES) have been funded under an enhanced funding (90 percent) match. Partly as a result of this incentive funding, many States have integrated, automated, income maintenance systems which assist caseworkers in determining eligibility, maintaining and tracking case status, and reporting management information to the State and Federal governments.

Other essential welfare programs, namely JOBS and child care, have limited and fragmented automated systems. For the most part, States could fund parts of these systems at the 50 percent match rate. States report that administrative funds have not been available to fully automate and interface JOBS and Child Care with other programs within the State.

Many of these systems have serious limitations: limited flexibility, lack of interactive access, limited ability to exchange data electronically, etc. Even the most sophisticated systems fall short of the goal of allowing State agencies to use technology to:

- Eliminate the need for clients to access different entry points before they receive services;
- Eliminate the need for agency workers (and clients) to encounter and understand a wide variety of complex rules and procedures;
- Share fully computer data with programs within the State and among States; and
- Provide the kind of case tracking and management that will be needed for a time-limited welfare system.

Vision and Rationale

Computer and information technology solutions will support welfare reform by providing new automated screening and intake processes, eligibility decision-making tools, and benefit delivery techniques. Application of modern technologies such as expert systems, relational databases, voice recognition units, and high performance computer networks, will help empower families and individuals seeking assistance. At the same time, these technologies will assist in reducing fraud and abuse so that Federal and State benefits are available to those who are in need.

State-Level Systems and National Clearinghouse

To achieve this vision, we are proposing an information infrastructure which allows, at the State level; the integration and interfacing of multiple systems, for example, AFDC, food stamps, work programs, child care, Child Support Enforcement (CSE), and others. The Federal Government, in partnership with the States, or groups of States in partnership with the Federal Government, may develop model systems that perform these functions or subsets of these functions.

To support the broader information needs, the new information infrastructure needs to include both a national data "clearinghouse" to coordinate data exchange and for other purposes as well as enhanced State and local information processing systems.

Enhanced State Systems. At the State and local level, the systems infrastructure would include automated subsystems for intake, eligibility determination, assessment, and referral; case management and service delivery; and benefit, payment, and reporting. The infrastructure would consist of new systems components integrated with existing systems or with somewhat enhanced existing systems. Variations in existing automated systems would make it unreasonable to try to standardize these systems. Rather, we need linkages that allow for the accurate exchange of data between systems.

By linking the various programs and systems, States would be able to provide integrated services and/or benefits to families and individuals "at-risk" of needing financial assistance, those receiving assistance, and those transitioning from public assistance program to self-sufficiency. As part of this automation effort, enhanced funding will be offered as an incentive for States to develop and implement statewide, automated systems for JOBS/WORK management and monitoring, and to enable seamless services for child care. Such an automated system infrastructure would enable States to provide greater support to families who might otherwise dissolve, as well as to parents who may, because of unmet needs, be forced to terminate employment or training opportunities.

In addition, as Electronic Benefit Transfer (EBT) and Electronic Funds Transfer (EFT) become more widespread, they would be used for other programs, such as child care reporting and payments, and reporting of JOBS participation. As an example, a JOBS participant could be required to self-report

either through a touch-tone phone that connects to a Voice Recognition Unit (VRU) or through the use of plastic card technology.

Enhanced Detection of Fraud and Abuse. For detection and analysis of fraud and abuse, computer matching of records and sharing of data among State programs and at a national level would be increased. For example, the child support information needs for establishing an order or in review and modification would be extremely valuable for access by the AFDC agency, after the agency has performed prospective eligibility determinations, but before benefits are granted. In addition, to ensure that an individual does not obtain AFDC beyond the time limit or fails to report employment, the National Clearinghouse would be extremely helpful.

Data and Reporting on Program Operations and Clients. Current methods for data gathering and reporting requirements on program operations and clients could be reduced. Many of the current data and reporting requirements will be superseded by new ones, but in any case, many current items are of low data quality or of little interest. Current requirements will be re-examined.

National Clearinghouse. The National Clearinghouse will be a collection of abbreviated case and other data that "points" to where detailed case data resides and provides the minimum information for implementing key program features. Described in detail under the Child Support Enforcement section, this Clearinghouse will not be a Federal data system that performs individual case activities. While information will be coming to and from the Clearinghouse, it will contain severely limited data -- States will retain overall processing responsibility.

The Clearinghouse will maintain at least the following data registries:

- The National New Hire Registry will maintain employment data for individuals, including new hire information.
- The National Locate Registry will enhance and subsume the current Federal Parent Locator Service (FPLS) functions.
- The National Child Support Registry will contain data on all non-custodial parents who have support orders.
- The National Transitional Assistance Registry will contain data to operate a time-limited assistance program, such as the beginning and ending dates of welfare receipt, participation in various work programs, and the name of the State providing benefits.

DETAILED SPECIFICATIONS

A. NATIONAL TRANSITIONAL ASSISTANCE REGISTRY

- (a) As part of the National Clearinghouse, the Secretary of DHHS will establish and operate a National Transitional Assistance Registry to assist in operating a national time-limited assistance "clock".
- (b) The Clearinghouse, described more fully in the section on Information Systems for the Child Support Enforcement Program, will contain four Registries including the National Transitional Assistance Registry. At a minimum, the Transitional Assistance Registry will assist States in calculating the remaining months an individual may be eligible to receive benefits and reduce fraud and abuse.

- (c) The National Transitional Assistance Registry will be maintained by obtaining electronically from each State IV-A agency information on individuals receiving benefits. Upon request, the Clearinghouse will send electronically information to the State agency.
- (d) The information to be exchanged is as follows:
- (i) Information to be sent to the Clearinghouse includes identification information, such as the names and Social Security Numbers of members of the family; the dates an individual went on and off assistance; participation information for AFDC, JOBS-Prep, JOBS, and WORK; information on extensions of time-limits and sanctions for non-compliance for these and other programs; as well as other information as determined necessary by the Secretary. Some of this information may not be maintained in the Registry. *also includes job placement*
 - (ii) Information to be received from the Clearinghouse includes whether the applicant has been reported to have received assistance and, if so, when and in which State(s); whether the Social Security Numbers supplied are valid; whether the applicant is contained in the New Hire Registry as being recently employed; and other information as determined by the Secretary.
- (e) **Information Discrepancies.** If an information discrepancy exists between the information the client presents to the State agency and the information in the Clearinghouse, the Secretary will assist in the resolution by verifying that the data contained in the Registry reflects the information contained in the State agency records where the individual had previous assistance, correcting the Clearinghouse information if necessary, and reporting the updated information to the requesting State.
- (f) The States involved must take appropriate actions to resolve the discrepancy in accordance with normal due process requirements and must submit corrected information to the Clearinghouse when the discrepancy is resolved.

B. TRANSITIONAL ASSISTANCE SUPPORT INFORMATION SYSTEM

- (a) The State agency in order to assist in the administration of time-limited welfare will establish and operate a statewide, automated, Transitional Assistance Support Information System. This system will serve to significantly improve the effectiveness and efficiency of State systems information infrastructures for the management, monitoring, and reporting on clients as they work towards independence and self sufficiency. The State may receive enhanced funding for these changes under specific approaches approved by DHHS.
- (b) The State may also augment the system in specific ways and receive enhanced match for development costs under certain conditions. (The specific conditions are described in a later section.) Under this augmented system, clients will receive considerably enhanced service responsiveness through prescreening to determine service options to people and determine the required qualifying and verification information needed for each service option.

- (c) The minimum capabilities of the State system include:
- (i) Exchanging information as described above in A(d) in a standard, electronic format with the National Clearinghouse;
 - (ii) Querying electronically the National Transitional Assistance Registry in the National Clearinghouse before granting assistance;
 - (iii) Using the information received from the Clearinghouse in the determination of eligibility and time period for which assistance may be granted;
 - (iv) Reporting corrected or updated information to the Registry; and
 - (v) Meeting current statutory requirements for security and privacy.
- (d) **Alternative Interim Method.** The Secretary may approve an alternative interim method if the State demonstrates that the alternative will be effective in reporting, receiving, and using transitional assistance information and the State has an approved Advanced Planning Document for the Automated Data Processing System that meets requirements in the proposed statute.

C. STATE AUTOMATED SYSTEMS

- (a) As part of building better automated systems, States will be offered enhanced funding if they take one of two strategies to automation projects. In other words, to economically and efficiently develop and implement automated systems in support of AFDC, child care, and JOBS/WORK programs, the Secretary will, as a condition of enhanced funding, require States to develop and use model systems developed in partnership with the Federal Government and other States under one of two approaches.

I. Federally Led and Sponsored Model Systems, in Partnership with State Agencies

Under this approach, the Department in partnership with the States will design and develop model automated support and case management information systems that assist the States in managing, controlling, accounting for, monitoring the factors of the State plans for AFDC, child care, and JOBS/WORK programs and providing security safeguards. These model systems are described below:

- (a) Transitional Assistance Support Information System. This model system will provide statewide, automated, procedures and processes to meet both the minimum requirements described above plus additional functions. The additional functions include at least: performing intake and referral; monitoring and reporting against some performance measures; exchanging information on-line with the Clearinghouse; and exchanging data with other automated case management and information systems.
- (b) Child Care Case Management Information System. This model system will provide statewide, automated, procedures and processes to achieve seamless child care delivery, including all child care programs of the State. This system will assist the State in administration of child care program(s) and to manage the non-service related CCDBG funds. The functions will meet both the requirements described above plus additional functions which will

include, at least, the ability to: identify families and children in need of child care, establish eligibility for child care, and determine funding source(s); plan and monitor services, determine payments, and update and maintain the family and child care eligibility status for child care; maintain and monitor necessary provider information; process payments and meet other fiscal needs for the management of child care program(s); produce reports required by Federal and State directives; monitor and report performance against performance standards; and electronically exchange information with other automated case management systems and with the statewide automated transitional assistance support system.

- (c) **JOBS/WORK Case Management Information System.** This model system will provide statewide, automated, procedures and processes to control, account for, and monitor all factors of the JOBS and WORK programs and support both management and administrative activities of the programs. These functions will meet both the requirements described above plus additional functions including the capability to: assess a participant's service needs; develop an employability plan; arrange, coordinate, and manage the services or resources needed for the plan; track and monitor ongoing program participation and attendance; exchange information electronically with other programs; and provide performance and assessment information to the Secretary.

2. **Multi-State Collaborative Projects, State Lead with Federal Partnership**

Under this approach, the Department will assist and support State IV-A agencies, or the State's designated contracted agency (for child care or JOBS), in multi-state collaborative projects for purposes of designing and developing automated system models and in developing enhancements to existing systems as follows:

- (a) **Transitional Assistance Support System.** In addition to meeting the Federally sponsored model system functional specifications provided for in the first approach, States may, in collaborative efforts, provide for augmentation of a system to include automation of additional functions as follows: determining eligibility; improving government assistance standards; performing case maintenance and management functions; calculating, managing, and reconciling payments to eligible recipients; providing for processes and procedures to detect and prevent fraud and abuse; and producing reports.
- (b) **Child Care and JOBS/WORK Case Management Information Systems.** States may, in collaborative efforts, design, develop, and implement automated information systems that meet the model functional specifications of Child Care and JOBS/WORK described in the model approach.

D. FEDERAL FUNDING FOR NATIONAL TRANSITIONAL ASSISTANCE REGISTRY, TECHNICAL ASSISTANCE, TRAINING, DEMONSTRATIONS, AND MODEL STATE SYSTEMS TO SUPPORT STATE ACTIVITIES

- (a) \$ [redacted] will be needed for the each year after enactment to provide technical assistance, demonstrations, and training. \$ [redacted] will be needed for the second year after enactment to establish the National Transitional Assistance Registry. \$ [redacted] will be needed each year after that for the operation of the Registry. Finally, \$ [redacted] will be needed for the five years after enactment for development of model systems and to foster multi-state collaborative efforts as described above.

- (b) Funds appropriated for any fiscal year will be included in the appropriation act for the fiscal year preceding the fiscal year for which the funds are available for obligation. Note that, in the first year after enactment, this may require enactment of two separate appropriations in the same year: one for the then current fiscal year and one for the succeeding fiscal year.

E. FUNDING OF STATE SYSTEMS

- (a) Under certain conditions, States may claim Federal Financial Participation (FFP) for the costs to establish and operate automated systems described above. Two match rates will be available.
- (b) **Enhanced Match.** States are eligible for enhanced match (80 percent FFP), including the costs of computer hardware, for up to 5 years after enactment, for costs incurred in developing and implementing automated systems described above, on the condition that the approach to system design, development, and implementation meets one of the following:
1. **Federally Sponsored Model.** The State adapts and implements a model/prototype system developed by the Secretary in accordance with the functional specification described in that section, or
 2. **Multi-State Collaborative Project.** The State, through a collaborative multi-state consortium, jointly designs, develops, and/or implements, a system or subsystems in accordance with the functional conditions and specifications described in that section.
- (c) **Exception for Adaptation of Existing System to Meet Minimum Requirements.** If a State demonstrates to the Secretary that modifications to an existing system meet the minimum requirements of a Transitional Assistance Support System as described in that section and meet certain additional conditions, the Secretary may grant an exception to the enhanced funding requirements. The additional conditions are that the State requires limited enhancements to an existing system and the State demonstrates that it would be more cost-effective to proceed independently or with custom modifications.
- (d) **Regular Match.** States will receive 50 percent FFP for operational costs and for costs they incur if they do not follow the enhanced match provisions described above and for systems features beyond those provided above.

WR SPECS -
Perf Measures
Measures
Placement
Hitting Time Limit

PERFORMANCE MEASURES: ISSUES FOR DISCUSSION

May 4, 1994

1. Should we adopt a limited set of results-oriented measures to be spelled-out in the statute?

- o One proposal is to adopt a combination of outcome measures (based in part on JTPA statutory language), service delivery, and measures associated with hitting the time-limit.
- o Should we propose only participation measures in the statute, providing for a transition period to develop outcome-based performance measures? If so, would we retain current participation measures or impose new ones related to levels of coverage or intensity?

2. What is an appropriate implementation time schedule to develop the following? Should time periods (i.e., effective dates) be delineated in statute?

- o Outcome standards-- assuming we should involve stakeholders in a consultation process to develop standards.
- o Systems to report State performance and validate data including operation of the national registry to permit longitudinal tracking.
- o Imposition of penalties and incentives.

MOB
1. Service delivery std
2. Time limit

3. What should be the bonuses/sanctions given for State performance in each of the program components--AFDC, JOBS, and WORK? (Note: Consideration should be given to interplay of penalties/bonuses including those in Child Support that impact AFDC).

AFDC: Continue penalties related to erroneous benefit payments.

JOBS: Option 1: 2% +/- on FFP rate for JOBS expenditures for each performance standard.

Option 2: Decreased FFP for failure to meet very high coverage rates; bonuses for exceeding rates measuring service intensity.

WORK:

Option 1. Count as ineligible AFDC payments any benefit payments to families not in a WORK slot. (Penalty would be applied against AFDC payments for exceeding x tolerance level).

Option 2. Substantially cut (i.e., by 50%) the FFP rate

for WORK benefit payments to families not in WORK slot.

5. Can we use incentives to influence States commitment to increased funding to JOBS, WORK and Child care?

Option 1. Increase FFP if State spends its entire allocation for all programs.

Option 2. Reallocate unused Federal JOBS/WORK dollars to States with additional draw down funds.

PERFORMANCE MEASURES PROPOSAL

WR SPECS -
Perf. Measures

Current JOBS Law

Under the SSA section 487 [FSA Section 203(b)] not later than October 1st, 1993, the Secretary of Health and Human Services shall:

(1) in consultation with the Secretary of Labor, representatives of organizations representing Governors, State and local program administrators, educators, State job training coordinating councils; community-based organizations, recipients, and other interested persons, develop performance standards with respect to the programs established pursuant to this part that are based, in part, on the results of the studies conducted under section 203(c) of such Act, and the initial State evaluations (if any) performed under section 486 of this Act; and

(2) submit his/her recommendations for performance standards developed under paragraph (1) to the appropriate committees of jurisdiction of Congress, which recommendations shall be made with respect to specific measurements of outcomes and be based on the degree of success which may be reasonably expected of States in helping individuals to increase earnings, achieve self-sufficiency, and reduce welfare dependency; and shall not be measured solely by levels of activity or participation. Performance standards developed under this subsection shall be reviewed periodically by the Secretary and modified to the extent necessary.

Current JOBS Program Performance Measures

Participation rate for all AFDC recipients required to participate in JOBS (45 CFR 250.74(b) and 250.78) - For Fiscal Year 1994 the required participation rate is 15%. This is to ensure that a minimum proportion of the AFDC adult population is participating at a meaningful (significant) level.

Participation rate for AFDC-UP recipients (45 CFR 250.74(c) - For Fiscal Year 1994 the required participation rate is 40%. This is to ensure that a minimum proportion of the AFDC-UP principal wage earners or their spouses engage in work activities.

Target group expenditures (45 CFR 250.74(a)(1)) - At least 55% of a State's JOBS expenditures must be spent on applicants and recipients who are members of the State's target populations as defined at 45 CFR 250.1. This is to ensure that the hard to serve are served by requiring that 55% of IV-F expenditures are spent on the target groups defined in the statute or, if different, approved as a part of the State's JOBS plan.

Current Data Reporting System

The JOBS Case Sample Reporting System (CSRS) was established to meet some of the reporting requirements mandated by section 487 of the Social Security Act. However, the data necessary to establish participation rates is collected through both CSRS and aggregate hard copy. Only data necessary to establish the numerator for overall participation is collected through CSRS. The population from which each state must draw its sample (or in lieu of drawing a sample, the State may submit the entire population each month) is defined as the number of JOBS participants that were engaged in at least one hour of activity in an approved JOBS program component during the sample month. In addition to JOBS program data, a limited amount of demographic data and child care data is also required to be submitted.

Current QC Law

Under section 408 of the Social Security Act, States are required to operate a quality control system in order to ensure the accuracy of payments in the AFDC program. States operate the system in accordance with time schedules, sampling methodologies, and review procedure prescribed by the Secretary. The law defines: what constitutes a payment error; how error rates and disallowances are calculated; the method for adjusting State matching payments; and the administrative and judicial reviews available to states subject to disallowances because of error rates in excess of the national standard (i.e., the national error rate for each year).

The AFDC-QC system functions primarily as a monitoring/auditing system. Its primary purpose is to establish the correctness with which payments are made to AFDC cases in each State. Subsequent to the establishment of this system, which is a subsystem of the National Integrated Quality Control System (NIQCS), OMB required additional AFDC data be collected to replace the biennial survey of AFDC families that had been in place through 1979. The AFDC-QC system also obtains the data necessary to produce the publication entitled "Characteristics and Financial Circumstances of AFDC Recipients." The AFDC-QC system is not used to meet any of the reporting requirements for the AFDC program.

Vision

We envision an outcome-based performance measurement system that consists of a limited set of broad measures and focuses State efforts on the goals of the transitional support system -- helping recipients become self-sufficient, reducing dependency, and moving recipients into work. The system would be developed and implemented over time, as specified in statute. Until a system incorporating outcome-based standards can be put in place, State performance will be measured against service delivery measures as specified in statute. These service delivery standards would be used to monitor program implementation and operations, provide incentives for timely implementation, and ensure that States were providing services needed to convert welfare into a transitional support system. The current targeting and participation standards would be eliminated (see draft specifications on JOBS/Time-Limits/WORK).

Interested parties will be included in the process for determining performance measures and standards. The new service delivery measures for JOBS would look over time to see that individuals subject to the time limit are getting served by the program and that a substantial portion of such cases are being served on an ongoing basis. For teen parents, a measure would be established to examine whether they are receiving intensive case management. As soon as WORK program requirements begin to take effect (i.e., two years after the effective date of the start of the phase in), States would be subject to a service delivery standard under the WORK program. This standard would be defined in terms of a minimum number of WORK slots that a State would be required to fill, defined as a percentage of the number of individuals reaching the time limit. Until automated systems are operational and reliable, State performance vis-a-vis these service delivery measures would be based on information gathered through case-record reviews.

Over time, the Secretary will develop a broader system of standards which incorporates measures addressing the States' success in placing recipients in employment and in moving individuals off the welfare rolls prior to the end of their time limit.

Legislative Specifications:

1. Outcome-based Performance Standards System

- (a) In accordance with the effective dates specified, in order to assess State performance, the Secretary shall enact an outcome-based performance standards system that will measure the extent to which the program helps them become self-sufficient, reduces welfare dependency, and moves recipients into work. As specified below, the Secretary shall first develop outcome-based performance measures and then shall take steps to establish an outcome-based performance standards. The system will also include performance standards for measuring the extent to which individuals are served by the transitional support system (i.e. service delivery standards).
- (b) The current quality control system shall be revised to reflect the new performance standards system (*see section on Revised Quality Control for specifications*).
- (c) The Secretary shall publish annually State-level data indicating performance of such a system.
- (d) Amend Sec. 487 (b) to read: The Secretary may require States to gather such information and perform such monitoring functions as are appropriate to assist in the development of such a performance measurement system and shall include in regulations provisions establishing uniform reporting requirements for such information.
- (e) In adopting performance standards the Secretary shall use appropriate methods for obtaining data as necessary, which may include access to earnings records, State employment security records, State Unemployment Insurance records, and records collected under the Federal Insurance Contributions Act (chapter 21 of the Internal Revenue Code of 1986); drawing reliable statistical samples and revising QC reviews of AFDC payment and case information; and using appropriate safeguards to protect the confidentiality of the information obtained.
- (f) The Secretary shall, in consultation with appropriate interested parties, review and modify the performance measures and standards, and other components of the performance measures system periodically as appropriate.

2. Developing an Outcome-based Performance Measurement System

- (a) By March 1, 1995, for the purposes of enacting a performance measurement system, the Secretary will present recommendations on specific outcome-based performance measures (with proposed definitions and data collection methodologies) and shall solicit comments from the Congress, Secretaries of other Departments, representatives of organizations representing Governors, State and local program administrators, educators, State job training coordinating councils, community-based organizations, recipients, and other interested persons (hereinafter referred to as *interested parties*).
- (b) The recommendations shall include the percentage of the caseload who reach the 2-year time-limit. The recommendations also may include but shall not be limited to measures which examine:
 - (i) factors used in section 106 of the Job Training Partnership Act and any subsequent amendments such as placement and retention in unsubsidized employment and a reduction in welfare dependency; and,
 - (ii) other factors as appropriate.

- (c) Based on comments from the interested parties, the Secretary will finalize the measures by October 1, 1995, and publish the measures in the Federal Register.

3. Developing and Implementing Outcome-based Standards

- (a) By March 1, 1996, for the purposes of enacting outcome-based standards, the Secretary, in consultation with interested parties, shall present recommendations for performance standards based on the performance measure information (as specified above) and other appropriate information.
- (b) Based on comments from the interested parties, the Secretary will finalize the standards that will be published in the Federal Register by October 1, 1996.
- (c) The Secretary shall amend in regulations the penalties and incentives specified above in accordance with the proposed standards as appropriate and shall implement the performance standards by March 1, 1997.

4. Service Delivery Standards

Vision:

To ensure that welfare systems are refocused on self-sufficiency efforts, the new performance system will provide for awards and penalties for State performance through adjustments to the State's claims for AFDC payments. These measures are designed to provide incentives to States to serve recipients under the new transitional system and to monitor program operations. States would be eligible for such financial incentives the following areas: coverage rate in JOBS, service intensity rate in JOBS, participation rate in WORK, and receipt of intensive case management for teen parents. In addition, the State's accurate keeping of the two-year clock is considered a service delivery standard.

- (a) Upon enactment of this act, the Secretary shall implement service delivery measures for purposes of accountability and compliance.
- (b) States shall begin reporting and validating data for service delivery measures no later than 6 months following the effective date of the new JOBS/WORK provisions. States shall be subject to service delivery standards upon the effective date of the new JOBS program.
- (c) **Rate of coverage in JOBS:** To maximize the number of welfare recipients who become self-supporting, it is important for JOBS programs to serve their entire mandatory caseload. To measure the extent to which programs work with the entire mandatory caseload in ways deemed appropriate, States are expected to meet a coverage rate. This rate specifies the extent to which a program involves or covers individuals who are mandated for the program (not including those assigned to JOBS Prep) within a specified period. A program is considered to have covered an individual if they participate in activities, are employed, leave AFDC, or are sanctioned. The coverage rate is a longitudinal rate that requires tracking a previously entered cohort of clients. In the calculation of this rate, the denominator consists of the JOBS mandatory caseload. The numerator consists of those in the denominator who either participate in program activities, are employed, leave AFDC, or are sanctioned within a specified period, such as (6 or 12) months. The definition of participation will be specified in regulation.

(d) The performance standard for the coverage rate is set at 90 percent, with a 5 percent tolerance level. If a state does not achieve this rate (within the tolerance level), the FFP for AFDC benefits for the proportion of the mandatory JOBS caseload below this rate would be reduced by x to x percentage points.

(e) Rate of service intensity in JOBS:

OPTION 1: To ensure that welfare recipients receive services for as much time as possible when their clock is running, states are expected to meet a service intensity rate. This rate specifies the proportion of time individuals participate when their clock is running and seeks to minimize the amount of down time where individuals are not assigned to and participating activities. This rate consists of a two-part calculation:

- (i) For each individual in the JOBS mandatory caseload (or a representative sample), a rate is calculated where the length of time the individual's clock was running is the denominator; the length of time the individual was both assigned to and participating in program activities is the numerator. The rate would be calculated over a specified period, such as 6 or 12 months. (The definition of participation will be specified regulation.)
- (ii) From this, the proportion of individuals who were participating 50 percent or more of the time their clock was running is calculated.

(e-1) The performance standard for the service intensity rate is 30 percent — that is, 30 percent of the mandatory caseload must participate at least 50 percent of time their clock is running. If a state exceeds this rate, the FFP for AFDC benefits for the proportion of the mandatory JOBS caseload above this rate would be increased by x to x percentage points.

OPTION 2: Alternatively, to ensure that welfare recipients attend their assigned activities for as much time as possible, States could be required to meet a different type of service intensity rate. This is a measure of the proportion of scheduled hours individuals actually participate in activities. This rate would consist of a two-part calculation:

- (i) For each individual in the JOBS mandatory caseload (or a representative sample) who attended a program activity, a rate is calculated where the number of hours the individual is scheduled for activities is the denominator. The number of hours the individual participated in program activities is the numerator; the rate would be calculated over a specified period, such as 6 or 12 months.
- (ii) From this, the proportion of individuals who were participating 50 percent or more of the time they were scheduled for activities is calculated.

(e-2) The performance standard for the service intensity rate is 30 percent — that is, 30 percent of the caseload must participate for 50 percent of their scheduled hours. If a state exceeds this rate, the FFP for AFDC benefits for the proportion of the mandatory JOBS caseload above this rate would be increased by x to x percentage points.

→ NO —
of
PEOPLE
WHO HIT
2-YR
LIMIT
= FFP
at risk
now,
not wait

→ PLACEMENT
RATE

Recommendation: Given the time-limited system, it is a high priority that individuals participate as much of the time as possible when their clock is running. Therefore, because Option 2 does not push programs towards this goal, Option 1 is recommended. To ensure that some minimal level of service is received when individuals are assigned to activities under this Option 1, as part of the regulatory process, it could be specified that for a spell of participation to "count" in the numerator, some minimal attendance rate should be achieved.

- (f) **WORK Program Participation Rates:** States will also receive financial incentives for meeting the following participation standard in the WORK program. To ensure that individuals who reach the time limit are assigned to work slots, States would be expected to meet a WORK participation standard. The WORK performance measure would take effect two years after the effective start date of the phase-in. To meet this standard, States are required to meet the lower number of "filled" WORK slots, either:
- (i) The number required so that 90 percent of those who reach the time limit are assigned to a WORK slot. To calculate this number, on a monthly basis averaged over a specified period (such as (12 or 24) months), take 90 percent of the number of clients at or beyond the time limit. This is the number of work slots required to be filled, on average, on a monthly basis over a specified time period, such as (12 or 24) months. Only individuals who are in the WORK program for two calendar years or less are included in the WORK performance measure. Or,
 - (ii) The number the State was required to create, based on their allocation. A method for calculating this needs to be developed. Only individuals who are in the WORK program for two calendar years or less are included in the WORK performance measure.
- (g) If a State does not achieve the lower of these two numbers (within an x percent tolerance), the FFP for AFDC benefits for the mandatory WORK caseload would be reduced by one-third for the number of the cases that are below this level. → Placement Rate
- (h) **Teen Parents:** Teen parents are included in the calculation of the service delivery performance measures for JOBS and WORK described above. In addition, because intensive case management services are a key service component for teens, a performance measure is established in this area as well. The denominator will consist of the JOBS mandatory caseload of teen parents (or a representative sample). The numerator will consist of those in the denominator who receive intensive case management services within a specified period, such as 6 months. (The definition of the receipt of intensive case management services will be determined by regulation.)
- (i) The performance standard for the receipt of intensive case management services is set at 95 percent, with a 5 percent tolerance level. If a State does not achieve this rate (within the tolerance level), the FFP for AFDC benefits for the proportion of the mandatory teen parent caseload below this rate would be reduced by x to x percentage points. / why?
 - (j) Amend requirements for State Plans for JOBS to include a provision that accurate measurement of the time-clock is a State plan requirement.

- (k) States are not eligible for increased FFP for any service delivery measures if the Secretary determines:
- (i) the accuracy of a State's time-clock fails the threshold standards for time-clock accuracy (as defined subsequently in the QC section); and/or,
 - (ii) data reported by a State fails the threshold standards for data quality (as defined subsequently in the QC section).

5. Expanded Mission for Quality Control System

OPTION 1: Retain the current QC system and expand the elements for an erroneous payments - this is an alternative means to promote state compliance with service deliver standards.

NOTE: The specifications drafted here reflect this option. How does this provision interact with the service delivery provisions specified previously?

OPTION 2: Retain current QC structure, add additional elements to be collected in the QC sample for the purpose of verifying State reported data.

Vision

The following language allows the Secretary to redesign the current payment accuracy Quality Control system to a broader system focused on the requirements of an outcome-based performance measurement system: Payment accuracy should be retained but only as one element in a broader performance measurement role of the QC system. While the basic frame-work of the QC system is maintained, the functions of the QC sample are broadened beyond payment accuracy to include assessment of State reported data, and other functions as appropriate (as specified previously).

- (a) Amend Section 408 (a) of the Social Security Act to read: In order to improve the accuracy of payments in the AFDC and WORK program, assess the quality of State reported data, ensure the accuracy of measuring the number of months of transitional assistance available to an eligible family, and to fulfill other appropriate functions of a performance measurement system, the Secretary shall establish and operate a quality control system under which the Secretary shall determine, with respect to each State, the amount (if any) of the disallowance required to be repaid to the Secretary due to erroneous payments made by the State in carrying out the State plan approved under this part.

NOTE: For drafting purposes, section 408 should be redesignated as appropriate to be incorporated into a performance measures system.

- (b) Amend Section 408(c) to include in the definition of erroneous payments:
- (i) recipients who do not meet service delivery standards for JOBS, WORK, and teen parents;
 - (ii) recipients receiving AFDC where the State has failed to accurately measure the number of months of transitional assistance for which the family is eligible.
 - (iii) others as necessary for the outcome-based performance standards system

- (c) States would be required to conduct periodic, internal audits of their JOBS and WORK processes to ensure the accuracy of reported data and annual audits to establish payment accuracy rates. The Federal government would specify the minimum sample sizes to achieve 90 or 95 percent confidence at the lower limit (the method generally used by OIG). States would also be permitted to use current QC resources to conduct special studies to test and improve the current system. (This is an option)
- (d) In addition to normal re-review processes, to ensure that State data and procedures are reliable, the Secretary would conduct periodic, targeted, and unannounced audits for that purpose. The Secretary shall establish a standard for the reliability of State data. A State failing to meet the minimum threshold would forfeit all incentives earned in accordance with section 1 and 4 above.
- (e) In accordance with the need to ensure the accuracy of maintaining the number of months of eligibility for recipients in the transitional assistance program (i.e., the time-clock) the Secretary shall consider this factor as an item in the QC system.

The following regulations would be revised in the QC system:

- The Secretary shall designate additional data elements to be collected in a QC review sample to fulfill the needs of a performance measures system (pursuant to section 487 as amended under this part).

The existing QC system requires an evaluation of all factors of eligibility payment, except a few that are specifically excluded by the Statute, e.g., monthly reporting. The new system would focus on only error prone factors with significant dollar effects (e.g. earned income, filing unit, deprivation, etc.), or only on factors viewed as critical to public confidence in the program.

- Revise the regulations to reduce the verification and documentation required to substantiate a review finding. (is this provision still a consideration)?

The current system requires a detailed description and calculation of all errors found in a case review, and that a specified amount of verification be obtained to substantiate the error finding. Under this option, documentation/verification standards would be relaxed by establishing new minimum standards and the payment error determination process will be simplified.

- Revise the regulations to change the sampling methodology.

The current system requires each state (or jurisdiction) to select a minimum of 300 to 1200 review cases each year. The Federal staff examines a portion of each state's sample to validate the review findings. The precision (confidence level) of the payment errors is primarily a function of the sizes of the State and Federal samples. They have been tested and judged adequate for holding States accountable for prescribed payment accuracy standards. Commitment of resources to achieve this level of precision may not be necessary in an incentive/technical assistance response to State performance. It should be noted that smaller sample sizes will reduce the amount and degree of reliability of performance data on the transitional system. We can study the potential impact of various reduced sample size models on the precision of payment error estimates and other process measures. (is this still a consideration?)