



DEPARTMENT OF SOCIAL SERVICES

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WR - S. Dakota

May 5, 1994

Margie Siegel
 National Governor's Association
 Hall of States
 444 North Capitol State
 Washington, D.C. 20001-1512

RE: Welfare Reform Update

Dear Ms. Siegel:

I write this letter to comment upon the latest draft of the Administration's Welfare Reform Proposal which we recently received and reviewed. Overall, South Dakota agrees with many of the Administration's proposals, along with the rationale for the same. A few matters which cause concerns, however, are outlined below.

(1) This latest proposal calls for adoption of the Uniform Interstate Family Support Act (UIFSA) in an attempt to solve some of the problems associated with the interstate enforcement of child support orders. This past legislative session, South Dakota adopted UIFSA which becomes effective July 1, 1994. We eliminated Section 501 from the Uniform Act, however, which allowed other states to serve wage withholding orders directly upon in-state employers. In our opinion, this particular provision would create considerable confusion and economic hardship upon South Dakota employers, and actually detract from the timely collection of child support obligations. South Dakota already has a very effective wage withholding program in place which is successful in both in-state and interstate cases. Over the years, South Dakota has also developed a good relationship with its employers in honoring wage withholding orders, and collecting support in a timely manner from their employees. We believe Section 501 of UIFSA will result in strained employer relations, and also create considerable dissension and confusion thereby reducing overall child support collections. A number of other states have expressed similar concerns.

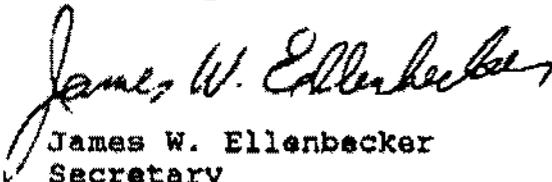
(2) This recent proposal also calls for the creation of a National Guidelines Commission which would review and make recommendations regarding child support guidelines. It must be recognized, however, that any guidelines adopted in any state must take into consideration the geographic and regional differences related to the actual costs of raising children in one area of the country as opposed to another area or region.

(3) The proposal also calls for performance based incentives in the areas of paternity establishment and child support collections. If such an incentive program is to be implemented, however, Indian reservation cases should be excluded from the overall incentive program, if the states cannot acquire jurisdiction over a Native American absent parent, his income, or his assets. This is a very problematic issue for the State of South Dakota since approximately one-third of out-of-wedlock births involve this jurisdictional problem.

(4) Finally, the administration's proposal calls for a simple, administrative process for adjusting child support obligations, and also calls for the automatic adjustment of child support awards. A purely administrative process which requires the adjustment of child support awards previously established by a court order may be unconstitutional in South Dakota, and other states, under the separation of powers doctrine. Similarly, an automatic adjustment in a person's child support obligation without the showing of a change in circumstances may not be valid or withstand judicial challenge in South Dakota, and other states.

If you have questions regarding these comments, or need additional information, please contact me. Thank you for your consideration of these matters.

Sincerely,



James W. Ellenbecker
Secretary

cc: Bruce Reed, White House Staff
Terry Walter, Program Administrator

**South Dakota Governor Walter D. Miller's Meeting With
Bruce Reed, Deputy Assistant to the President for Domestic Policy**
December 17, 1993

***South Dakota Department of Social Services'
Section 1115 Waiver Request***

As part of Governor Miller's welfare reform initiative, the State of South Dakota submitted a Section 1115 Waiver Request August 2, 1993 in order to implement five program changes by April 1994. Approval of South Dakota's Section 1115 Waiver Request will allow the state make the following changes:

A. Social Contracts with AFDC recipients. All adult AFDC recipients would be asked to enter into a social contract to take the steps necessary to work toward independence. The contract reflects a philosophy that public assistance is temporary, so recipients must make an effort to get off welfare. This means setting goals and developing plans to get education or training for a job and self-sufficiency.

B. Time-limited Benefits. After completing a social contract, recipients would be assigned to either an employment or education track. The employment track may last up to 24 months; the education track can be approved for up to 60 months. The average length of education for most recipients is 24 months, and a thorough assessment is made before education is approved. In either track, recipients would receive 100 percent of their AFDC benefits while participating in activities that lead to completing education or finding full-time employment. Adult recipients who fail to complete an employment or education track would participate in community service, part-time employment and other activities.

C. A "Voluntary Quit" Employment Policy. People should not quit a job without good cause and expect to receive public assistance. Under this change, recipients who voluntarily terminate employment without good cause may lose AFDC benefits for three months. The children would remain eligible for Medicaid. Returning to employment would restore benefits.

D. Employment Incentives for Teenagers. To encourage a positive attitude toward work, teenagers who are full-time students in AFDC households would be allowed to have a modest car (value less than \$2500) and save up to \$1,000 of their earnings for future education and other needs.

E. Transitional Employment Allowances. A Transitional Employment Allowance is a one-time payment designed to help welfare recipients make the financial transition from welfare to work. A quarter of South Dakota's AFDC recipients who get off welfare because of employment return to AFDC within three months, often because of financial difficulties. It can be six to eight weeks between a recipient's last AFDC check and their first paycheck, so it can be difficult to pay living expenses and the costs associated with taking a new job. Transitional Employment Allowances can help welfare recipients make ends meet during their first month on the job.

STATUS OF SOUTH DAKOTA'S SECTION 1115 WAIVER REQUEST:

South Dakota's Department of Social Services has been working with HHS' Administration for Children & Families (ACF) to resolve federal concerns so that our waiver can be implemented in April 1994. In September, the State received a written response on issues of federal concern and the state provided a written response to those concerns.

A follow-up a conference call between state and federal staff was made in October to discuss South Dakota's response to ACF concerns and another written response to those concerns was submitted in November.

While we are still awaiting a response on these concerns, it appears that *the only major issue to be resolved is how South Dakota's Section 1115 Waiver Request is to be evaluated.*

THE EVALUATION METHODOLOGY--SOUTH DAKOTA'S CONCERN

[] South Dakota's waiver request proposes a "Single Group Pre-Post Evaluation" methodology as opposed to a "Random Control Group Evaluation". Under a "Random Control Group Evaluation" methodology, a portion of the state would be selected as a control group in which half of the welfare recipients would be served by the current program while the other half would be affected by the proposed waiver request program changes.

[] Under the Single Group Pre-Post Evaluation methodology South Dakota's waiver request proposal would be implemented statewide and each year of the waiver request would be evaluated in comparison to a base year prior to implementation of the waiver. To insure an accurate evaluation against the base year, variables such as unemployment rates, caseload size, per capita income, and other economic considerations would be factored into the evaluation methodology so that the state's post-waiver welfare program can be reliably compared to the state's pre-waiver program.

[] We feel that a Single Group Pre-Post Evaluation is essential to the success of South Dakota's welfare reform efforts because restricting Section 1115 Waiver Request program changes to a small geographic area would defeat the intent and purpose of our request which is to enhance the state's existing Family Support Act (JOBS) program activities.

South Dakota Opposes Random Control Group Evaluation. A Random Control Group Evaluation would create a number of very critical problems for South Dakota:

1. **The necessity for two (2) complex automated eligibility & tracking systems.** The state would need to establish a separate automated eligibility and tracking system separate and parallel to our existing system. Because South Dakota's welfare programs are highly centralized at the state level, maintaining two very complex, inter-linked statewide computer systems and training staff to work with both, creates extremely cumbersome administrative problems for the state. We feel that the state would be better served to commit its financial and staffing resources to helping our recipients become self-sufficient.

2. **Equity and fairness in serving the state's welfare recipients.** We feel that it is politically and socially unacceptable to penalize recipients by providing services to some recipients while excluding others. For example, one teenager would be allowed to have a car and a savings account while another teenager client would not; one family would be penalized for voluntarily quitting employment while another would not; one recipient family would be affected by time-limited benefits, but another would not; one family would receive a Transitional Employment Allowance while another would not.

South Dakota is a small state and recipients know each other. They would be confused and feel discriminated against by apparent differences in treatment, creating a negative image for the agency and the state.

3. **Lack of representative area to conduct such an evaluation.** South Dakota's small number of welfare recipients is not substantial, therefore, assigning the client base to two evaluation groups is undesirable from a statistics perspective because there simply would not be sufficient observations in each group for such a design. South Dakota is extremely diverse in population distribution, economic factors, unemployment rates, reservation populations, etc.-- it is impossible to find an area of the state that is both representative of the state as a whole and that contains a sufficient number of similar recipients. In short, South Dakota does not have any one area that accurately represents the entire state.

There are only two major population centers--Rapid City and Sioux Falls--and they are distinctly separated by geography, culture and economic factors. Economic growth varies in small pockets throughout the state, being strong in counties close to the Interstate highways and the Black Hills to sluggish in other areas.

The state's unemployment rate is approximately 3.3 percent for the state as a whole but up to 50 percent on the state's five major Indian reservations. Population is widely disbursed; only 15 of 66 counties have population over 10,000 people, 29 counties have population less than 5,000 people and three counties have population over 30,000 people.

4. **Difficulty serving state's extremely diverse welfare caseload.** Five of South Dakota's reservation areas have the highest number of welfare cases, roughly a third (2,880 cases) of the state's entire caseload. None of these areas are large enough for a Random Control Group Evaluation.

It is also extremely difficult to compare reservation counties with non-reservation counties due to cultural differences, the role of tribal governments, lack of economic development and infrastructure, high poverty and the fact that reservations operate their own Family Support Act (JOBS) programs.

Other areas of the state with high caseloads are the state's five larger communities which have another third of the state's entire caseload (2,325 cases): Rapid City--1,004, Sioux Falls--796, Aberdeen--242, Watertown--142, and Mitchell--141.

As a result, nearly three-fourths of the state's welfare caseload is distributed among the five multi-county areas with reservations and the state's five largest communities.

It is also statistically impossible to obtain a valid caseload sample that accurately represents the state because 44 counties have less than 100 cases and only 5 counties have more than 300 cases, and because there are significant differences in caseload turnover and demographics from one area of the state to another.

South Dakota Favors A Single Group Pre-Post Evaluation Method.

The University of South Dakota's Business Research Bureau has documented that a Single-Group Pre-Post Evaluation methodology is a legitimate process for evaluating the state's waiver request and determine cost-neutrality.

A Single Group Pre-Post Evaluation can adequately and accurately measure the outcome of the waiver demonstration project without the burdensome disadvantages that a Random Control Group Evaluation would impose.

The state can use its existing automated eligibility system rather than create a second similarly sophisticated system. Necessary modifications to the existing system can be made with minimal expense, time and staff resources.

In addition, program changes under the waiver can be applied fairly and equitably, *statewide*, to *all* of the state's welfare recipients. All of the state's welfare recipients would have the opportunity to benefit from the state's welfare reform efforts.

The Single Group Pre-Post Evaluation method allows statewide application of South Dakota's Section 1115 Waiver Request. Random Control Group Evaluation areas in most other states are much larger than South Dakota's Single Group Pre-Post Evaluation area would be when applied statewide because South Dakota has only 702,000 people and 7,000 welfare families.

South Dakota's sophisticated automated eligibility and tracking system routinely provides the state with immediate data that can be used to give the state a monthly determination of cost-neutrality.

Approval of South Dakota's Section 1115 Waiver Request is essential if South Dakota is to successfully enhance and expand its existing Family Support Act (JOBS) programs and reduce welfare dependency. South Dakota's welfare reform proposal complements current national rhetoric about welfare reform--we're trying to do something about it. In addition, we have broad-based support within the state for our welfare reform proposals. We feel that our Section 1115 Waiver proposal can make a significant difference in the lives of those South Dakotans who need our help to become independent and self-supporting.