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U. S. HOUSE COMMITTEE ON WAYS AND MEANS, SUBCOMMITTEE ON HUMAN
RESOURCES
HEARING ON WELFARE REFORM PROPOSALS
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Thank you, Chairman Boustany, Ranking Member Doggett and members of the Committee. I appreciate the opportunity to appear before you today to share my observations relative to the reauthorization of the Temporary Assistance for Needy Families (TANF) program. I am Kristen Cox, Executive Director of Utah's Governor's Office of Management and Budget.

The Temporary Assistance for Needy Families (TANF) block grant as legislated through the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 was last fully reauthorized in the year 2005. As modifications to the TANF program are considered in the context of another more permanent reauthorization, we in Utah are appreciative of the opportunity to inform the discussion as viewed through the prism of our state's administrative, operational, and evaluative TANF experience.

Utah's TANF program is administered through the Department of Workforce Services—a department which integrates a multitude of programs such as TANF, Supplemental Nutrition Assistance Program (SNAP), childcare, weatherization, and other safety net programs. The department also administers a variety of workforce development programs authorized under the Workforce Investment Opportunities Act. The confluence of both safety net and workforce programs provides Utah with a unique perspective on the importance of work and employment as an ultimate objective for our customers.

Utah will expend approximately \$67.8 million in total funds for base TANF program operations in state fiscal year 2015. Base TANF program operations are primarily comprised of core welfare reform activities such as financial assistance, supportive services, work activities, and child care. Utah has invested in identifying and securing administrative efficiencies; has leveraged synergies with community partners; and has worked to bring evaluative rigor to the TANF program design, selection, and implementation process. It is through these and other state initiatives that Utah offers the following perspective on TANF reauthorization.

Utah's approach to reauthorization includes nine key principles:

- Reauthorization should promote and focus on outcomes rather than just activities—holding states and individuals accountable for results and progress.
- Other safety net programs should be modified in order to align with and support self-sufficiency and poverty reduction.

- Outcome measures should address cost for service delivery as well as employment outcomes.
- The implementation of evidence-based practices needs to be practical and allow for the full continuum of practice in this field.
- Individual responsibility is key to helping people become self-sufficient.
- Programs should exhibit high expectations for what people can do—low expectations for people are often self-fulfilling.
- States should be given maximum flexibility in order to customize programs and deliver results.
- TANF recipients who are capable of work should be held to the same standard as the taxpayers who pay for the program.
- TANF reauthorization should facilitate or otherwise promote greater coordination with other public benefit programs where appropriate.

Fundamental to any effort to reducing poverty is creating a consistent, clear, and unifying goal across all safety net programs. Optimally, the goal is to align programs designed to support low-income individuals in a way that meets both the individual program objective (e.g., providing health care or food) and to promote the overall objective to help people become self-sufficient through employment wherever possible. Unfortunately, too many low income programs have competing policy objectives and focus on a specific area of concern—resulting in the perpetuation of poverty across current and future generations. Social safety net programs seek to achieve a myriad of objectives under varying criteria for program eligibility with siloed definitions for what constitutes successful recipient outcomes.

For example, the Supplemental Nutrition Assistance Program (SNAP) is designed to provide access to nutritious food and reduce food insecurity to low-income populations, with common eligibility thresholds set at 100 percent of poverty (net income) and grants benefits to able-bodied adults without dependent children under certain work requirement contingencies. Conversely, eligibility for both TANF financial assistance benefits and traditional Medicaid program benefits require non-elderly, able-bodied adults to be parents of dependent children with gross incomes well below the federal poverty threshold. It should be noted that Utah has long been engaged with the Centers for Medicare and Medicaid Services around negotiating the ability to impose work requirements on able-bodied adults without dependent children in the Medicaid expansion population.

In addition, TANF allows states to offer customers transition programs when they attain employment—allowing them to stabilize their employment and benefit from earned income prior to cutting benefits. However, transitional services are not always allowed under other safety net programs that a family may be receiving at the time of employment. Families are aware of this negative cliff effect and often forego raises or other employment opportunities so as not to lose existing benefits.

Administrative isolationism as practiced by these various public benefit programs causes target populations to be stratified in a manner that may not always be appropriate. Data on Utahans enrolled in social safety net programs reveals that over 99% of family employment program

participants were simultaneously enrolled in one or more additional public benefit programs in state fiscal year 2015. The considerable overlap of people and needs suggest that there are opportunities for greater program coordination.

Utah has already adopted an integrated approach to both eligibility services and program administration. This integration has resulted in better cost efficiencies and customer interventions. For example, the implementation of common standards and efficiency strategies have significantly reduced the cycle time on new applications, conserved millions of dollars in state and federal resources, and have ultimately resulted in the expedited delivery of benefits to needy customers. Utah's initiatives to provide services to families in intergenerational poverty includes the integration of a multitude of programs along with TANF to help parents and children move out of the poverty cycle. In Utah, we believe that more could be done to assist this effort if all safety net programs aligned and supported common goals and administrative requirements.

TANF Reauthorization Should Emphasize State Accountability for the Achievement of Successful Employment Outcomes

While work promotion and job preparation are only statutorily articulated in one of the four purposes of TANF, the ability to secure and retain stable employment is in most cases by definition a precondition to self-sufficiency. Given the fundamental role that workforce readiness and job skills play in determining the long-run success of post-TANF participants, states should be incentivized to invest in and expand TANF-supported interventions that are most likely to produce positive labor market outcomes.

One of Utah's primary administrative tools for evaluating the cost and quality of TANF services on a per client basis tracks the ratio of positive case closures for employment-related reasons against the operational expense of the program. This metric provides us the ability to monitor performance in terms of what is arguably the most successful TANF outcome (secured employment) and also allows for the evaluation of program return on investment as aggregate operational expenses are also considered.

While Utah supports the direction of more accountability for outcomes, we believe there are issues around the performance measures as written in the discussion-draft TANF reauthorization bill that merit further discussion and refinement.

Questions to consider include:

- Should individuals who exit the program because of increased income due to marriage or SSDI/SSI count as a positive exit?
- Should individuals who exit the program because they were sanctioned count against a state?
- How do states deal with the disregarded earned income within the context of the fourth quarter measure as currently contemplated?
- Should the focus be on increased earnings or retention?

- Does the general public usually receive increased earnings within the fourth quarter of employment, or is this expectation arbitrary?
- Can states game the fourth quarter measure by placing people in part-time employment that moves into full-time employment—naturally resulting in increased earnings?
- How will states be able to manage budgets and operations against performance measures that could lag anywhere from 11 to 20 months?
- Is the current weighting of lag indicators at 60 percent the correct approach—or should the focus be placed on the second quarter measures/employment attainment?
- Should states be allowed to use the National New Hire Directory in order to capture employment information for recipients who obtain out-of-state employment?

Utah has recently deployed excess TANF reserves to support community partners in providing local level interventions consistent with the four purposes of TANF. For many of these contracts, grant recipients must demonstrate that program enrollees achieve specific and quantifiable outcomes. Further, for grants supporting services around job preparation and employment, Utah has the ability to confirm that contract requirements were met using wage record matches of program participants on a pre/post intervention basis.

TANF Reauthorization Should Allow for More State Flexibility in Identifying What to Count as Participation

TANF customers differ in what they need to successfully gain and retain employment. For example, Utah’s *Third Annual Report on Intergenerational Poverty, Welfare Dependency and the Use of Public Assistance* highlights that nearly 20 percent of TANF recipients are part of intergenerational poverty families. These families often need more aggressive and intensive services as compared to individuals who face situational poverty. In Utah, 70 percent of recipients are on TANF for seven to nine months and obviously need less intensive services. Because there is no one-size fits all approach, reauthorization of TANF should recognize this reality by eliminating the distinction between core and non-core work activities.

Eliminating this distinction may generate discussions around the value of education as compared to employment—that is a work first model as compared to an education model. The job of any state should be to find the “sweet spot” or the point at which an individual can attain employment as efficiently as possible. For some, this may require a more costly set of services, while others may attain employment for very little investment. Requiring states to report both customer employment outcomes along with the cost for delivering the service would provide transparency into the relationship between value and costs. States would be required to justify expenditures and manage demand for services, service delivery, and costs in relationship to one another. Doing so would provide insight into the value derived for dollars invested and help curb unnecessary expenditures and avoid allowing people to languish in services for too long.

States should also be allowed to only invest money into training that is limited to occupations in demand. With limited resources, training dollars should be focused in areas where employment is available and probable. In addition, any efforts to promote subsidized employment should be limited to private sector jobs and not include government positions.

TANF Reauthorization Should Emphasize the Implementation of a Full Continuum of Evidence-based Practices and Provide States with Resources for Developing Self-generated Data/Research to Guide Program Implementation Decisions

The TANF block grant allows states the flexibility to be uniquely responsive to the individual needs of their respective TANF populations. However, as block grant spending on interventions in areas other than basic assistance, childcare, and work-related activities increase as a share of total TANF expenditures, an evidence-based justification for TANF-supported programs becomes critical. Not only does the use of empirically driven research findings to inform program selection and implementation decisions ensure that customers will receive services that will maximize the probability of achieving successful outcomes, such findings help to clarify the goals and objectives of a given program intervention from the onset. Another benefit and natural consequence of using evidence-based justification for programs is that the return on the investment of public dollars will be optimized. Provisions such as those that create a repository of data and evidence-based research findings or measures that promote state demonstration projects and the subsequent rigorous evaluations of the effectiveness of such projects would serve well in shifting the paradigm from theoretical to empirical data when it comes to TANF program implementation. Utah has proactively engaged in research and evaluation of its TANF and other programs; however, more could be done to reinforce and strengthen the effort.

States should be provided the flexibility to use a continuum of evidence-based research tools. Random control trials may be the gold standard in many settings; however, they are expensive, time intensive, and not always appropriate in a government setting. For example, quasi-experimental research methods share similarities with the traditional experimental design or randomized controlled trial but specifically lack the element of random assignment to treatment or control. This is common in environments like government where the selection cannot be randomized. In addition, on-the-ground decisions often require more nimble evaluations that can provide confidence in one intervention over another while still providing empirical evidence. Operationalizing evidenced-based practices requires a common sense, practical, and realistic model—a model in which a variety of tools are available along with the funding to support the appropriate infrastructure and expertise.

While social impact bonds, as contemplated in the discussion-draft reauthorization bill, are one way to help cultivate a mind-set of evidence-based interventions, they do have drawbacks. Utah currently administers one social impact bond in the area of early childhood intervention and is developing a model for a social impact bond option for helping to reduce recidivism among prison inmates or parolees with co-occurring mental health and substance abuse challenges. Developing a social impact bond can be costly, time intensive, and take a significant period of time to develop. As a result, they are hard to scale in a fashion that, as of yet, has significant impact. Finally, investors do require a return on their investment. How this payback is structured can impact real and tangible costs for programs as some of the agreements center on cost avoidance rather than real reductions in operating budgets. This additional cost should be weighed against requiring government programs to implement the same level of rigor and the

requirement to produce outcomes. Social impact bonds provide interesting opportunities to improve government and can serve as catalysts for change; however, Utah believes they play a limited role and will not be the panacea for systemic government reform. When it comes to social impact bonds with a TANF reauthorization, we would encourage that allowable social impact bond projects be limited to those that directly impact TANF customers and related purposes in order to maximize available funding.

TANF Reauthorization Should Support Individual Responsibility and Work

Utah's unique and integrated service delivery model provides a broad and deep perspective on why work and work requirements matter. While Utah advocates for state flexibility with current core and noncore activities, we still believe the ultimate objective should be to help people become employed as quickly as possible. What follows are specific data points that emphasize this perspective.

Public assistance programs with work requirements observe increased income among recipients. For example, the nationwide rate of employment among TANF adults more than tripled between 1992 and 2010 (6.6 percent in 1992 to 22.3 percent in 2010). Increased income is a significant reason for individuals to discontinue receiving public assistance in Utah—especially among those experiencing intergenerational poverty. Among intergenerational poverty adults with public assistance (includes TANF, Food Stamps, and Medicaid) during 2012 who did not receive assistance in 2013, 35 percent had increased earned income.

Work effort requirements make it more likely for recipients of government services to search for and obtain employment. Work requirements create a dual motivation for individuals and lead to better long-term outcomes as compared to programs with no work requirements. Continued attachment to the workforce increases experience and skills—usually through employer-paid training and development. Improved skills often lead to employment opportunities with higher incomes.

Work requirements help people get back to work faster and with higher earnings. Individuals receiving unemployment insurance benefits are more likely to get back to work faster and obtain jobs with higher wages when there are structured work requirements. Utah's re-employment efforts, along with work search requirements, resulted in Utah having one of the lowest benefit duration rates in the country. This is supported by Department of Labor research conducted in 2014. For example, the duration rates for Nevada claimants in the study participating in structured work effort requirements had a 1.8-week reduced duration of UI benefits—saving the UI trust fund \$2.60 for every dollar invested.

Encouraging recipients to participate in their own progress through work efforts lead to measurable engagement—which then leads to higher job placements. For example, prior to Texas implementing Medicaid sanctions for TANF recipients who did not meet their participation requirements, approximately 40 percent of those with work requirements participated in work activities. After implementation, the program saw an immediate increase in those participating—up to 60 percent. More importantly, the entered employment rate went from

approximately 60 percent to 82 percent in one year, with high retention rates. Because many TANF customers are dual eligible, it is likely that the same positive impacts would occur if a broader base of Medicaid recipients were encouraged to meet work requirements.

Work effort requirements could support individuals in obtaining their high school equivalent and improved skills in order to help individuals secure employment. Median annual earnings in Utah for adults (ages 25 plus) with high school completion during 2012 were \$7,500 more than for adults without high school completion. The unemployment rate in Utah among individuals with less than high school completion was 12.4 percent in 2012 as compared to 7.6 percent among high school graduates.

An expectation that people who can work do work reassures taxpayers that funds are used wisely and fairly. As safety net programs consume a significant portion of state and federal budgets, taxpayers have the right to expect that individuals accessing public funds are doing what they can to help themselves and contribute to the community.

Government interventions and services are ultimately affected by the recipient's willingness to engage and take action.