

**DEPARTMENT OF HEALTH AND SOCIAL SERVICES
DIVISION OF SOCIAL SERVICES**

GENERAL NOTICE

Temporary Assistance to Needy Families (TANF) Caseload Reduction Credit Report

NATURE OF THE PROCEEDINGS

Delaware Health and Social Services ("Department") / Division of Social Services initiated proceedings to provide information of public interest with respect to the TANF Caseload Reduction Credit Report for fiscal year 2004. The Department's proceedings were initiated pursuant to 29 Delaware Code Section 10114 and its authority as prescribed by 31 Delaware Code Section 512.

The Department published its notice of public comment pursuant to 29 Delaware Code Section 10115 in the May 2004 Delaware Register of Regulations, requiring written materials and suggestions from the public concerning the proposed regulations to be produced by May 31, 2004 at which time the Department would receive information, factual evidence and public comment to the said proposed changes to the regulations.

SUMMARY OF PROVISIONS

**Temporary Assistance to Needy Families (TANF)
Caseload Reduction Credit Report**

Section 407(b)(3) of the Social Security Act (the ACT) requires a reduction of the State's required participation rate for a fiscal year by the number of percentage points that the average monthly number of families receiving assistance in the State in the immediately preceding fiscal year is less than the average monthly number of families that received assistance in the State in fiscal year (FY) 1995.

The statute prohibits this reduction from including any caseload declines due to requirements of Federal law or due to differences in State eligibility criteria. This reduction in the participation rate is termed the *TANF Caseload Reduction Credit*.

To receive a caseload reduction credit, a State must complete Form ACF-202, the Caseload Reduction Report, in accordance with the regulations at 45 CFR 261.40 et seq. The FY 2004 report provides the information needed to calculate a caseload reduction credit (FY 2004 vs. FY 1995), and thus determine the participation standard the State must meet for the fiscal year. Form ACF-202 and Attachment 1 to Form ACF-202 are available upon request via mail or fax.

ACF-202 TANF Caseload Reduction Credit Report

ACF-202 TANF Caseload Reduction Credit Report

- Part I - Implementation of All Eligibility Changes Made by the State Since FY 1995
- Part II - Application Denials and Case Closures, By Reason
- Part III - Description of the Methodology Used to Calculate the Caseload Reduction Estimates (Attachment 1 to Form ACF-202)
- Part IV- Certification

SUMMARY OF INFORMATION SUBMITTED WITH AGENCY RESPONSE

No comments were received during the public comment period.

FINDINGS OF FACT

The Department finds that the Delaware TANF Caseload Reduction Credit Report ("Report") for Fiscal Year 2004, as set forth in the April 2004 Register of Regulations should be adopted.

THEREFORE, IT IS ORDERED, that the Report is adopted and shall be final effective July 10, 2004.

Vincent P. Meconi,
 Secretary, Department of Health
 and Social Services
 Date of Signature 6.15.2004

Delaware TANF Caseload Reduction Credit Report for FY 2004

Attachment 1 to Form ACF-202

Part III—Description of the Methodology Used to Calculate the Caseload Reduction Estimates

A. Actual Caseload Reduction and Adjustment for Excess MOE Funds

- Taking into account the pro rata reduction in the FY2003 caseload due to excess MOE spending, Delaware's average monthly TANF caseload declined by 37.3 percent between FY 1995 and FY 2003. This caseload reduction number includes child-only cases, as instructed in ACF guidance.

Delaware AFDC/TANF Caseload for FY 95 and FY 03	
FY 1995 monthly average caseload	10,775
FY 2002 monthly average caseload, actual (= 5,613 TANF + 112 SSP families)	5,735
FY 2003 monthly average caseload, adjusted for excess MOE spending	5,034
Caseload decline, FY1995 to FY 2003 (not including the effect of eligibility changes)	5,741
Sources: FY1995 and FY2003 TANF caseloads from ACF/OPRE; SSP caseload from DE DSS	

- The following table shows how the pro rata reduction for excess MOE was calculated.
 - Because Delaware served its two-parent caseload under a separate state program in FY 2003, and because the State met its all-family work participation rate requirement in FY 2003, the relevant spending floor is 75 percent of the basic MOE amount.
 - The pro rata reduction takes into account the use of federal TANF funds. The pro rata reduction is calculated as the State excess MOE divided by the average cost per case, where cost is the sum of State and federal TANF funds.
 - The end result is a pro rata reduction of 700cases. This number is subtracted above from the actual FY 2003 monthly average caseload to yield the adjusted FY2003 caseload of 5,741.

Pro Rata Reduction for Excess MOE			
(a)	DE FY1994 spending	\$29,028,092	
(b)	MOE (75% of (a))	\$21,771,069	
(c)	DE FY2003 MOE spending	\$28,670,088	
(d)	Federal TANF block grant funds spent in FY2003	\$27,814,701	
(e)	Total TANF spending for FY2003	\$56,484,789	= (c) + (d)

(f)	Average spending per case	\$9,850	= (e) / FY2003 caseload = (e) / (5,613 TANF + 122 SSP)
(g)	Excess MOE for FY2003	\$6,899,019	= (c) - (b)
(h)	Cases funded by excess MOE	700	= (g) / (f)

B. Changes Required by Federal Law

1. Parents/caretakers must work after 24 months of assistance or when job-ready

- The estimated impact of this federal policy on Delaware's caseload is 0, because the State's "work for your welfare" requirement effectively supplants the federal policy. The caseload impact of the State policy is described below in Section C.5.

2. Teen parents must live in adult-supervised settings to receive assistance

- The estimated impact of this federal policy since FY 1995 is 0, because the policy has been codified in the State manual for many years prior to FY 1995.

3. A State must deny assistance for 10 years to a person found to have fraudulently misrepresented residence in order to obtain assistance in more than one State

- For fraudulently misrepresenting residence, Delaware removes the adult's needs from the grant, but allows children to receive assistance. Although the policy denies individuals rather than cases, it is possible that a case could be denied if removing an adult's needs reduces the payment standard for a case so that it is no longer greater than countable income. Delaware's automated TANF eligibility system is currently unable to identify such instances, if any exist.

4. A State must deny assistance for fugitive felons, probation violators, or parole violators

- For fugitive felons, probation violators, and parole violators, Delaware removes the adult's needs from the grant, but allows children to receive assistance. Although the policy denies individuals rather than cases, it is possible that a case could be denied if removing an adult's needs reduces the payment standard for a case so that it is no longer greater than countable income. Delaware's automated TANF eligibility system is currently unable to identify such instances, if any exist.

5. A State must deny assistance for certain individuals convicted of drug-related felonies

- For persons convicted of drug-related felonies, Delaware removes the person's needs from the grant, but allows children to receive assistance. Although the policy denies individuals rather than cases, it is possible that a case could be denied if removing an adult's needs reduces the payment standard for a case so that it is no longer greater than countable income. Delaware's automated TANF eligibility system is currently unable to identify such instances, if any exist.

6. Non-qualified aliens are ineligible for Federal TANF assistance

- The total number of cases denied as non-qualified aliens since the federal policy took effect is 135. This includes denials in FY1998, FY1999, FY2000, FY2001, FY2002 and FY2003.
- The count of denied non-qualified aliens was adjusted to account for the fact that some of these cases would have left TANF for other reasons (e.g., due to employment or marriage) before or during FY2003 if they had not been denied as non-qualified aliens. See Section D for a description of this adjustment.

C. State-Implemented Changes

1. Fill-the-Gap Budgeting for Earnings

- The average monthly number of cases in FY2003 that were subject to fill-the-gap budgeting for earnings is 783. This number is based on a monthly query to the Delaware Client Information System (DCIS) on all open cases with earnings. Cases were counted as subject to fill-the-gap budgeting for earnings in a month only if earnings minus applicable disregards were above the payment standard for the relevant family size.

2. Increased Resource Limit

- The average monthly number of cases open in FY2003 because of the increased resource limits is 281. This number is based on a count of the number of cases open in a month whose assets—cash plus vehicle—were above the previous limits and below the current limit.
- Some cases were subject to both the increased resource limit and fill-the-gap budgeting for earnings. To avoid such double-counting, the number of cases open because of the increased resource limit—281—*excludes* cases that were also open due to fill-the-gap budgeting.

3. Sanctions for Noncompliance with Contract of Mutual Responsibility (CMR) Provisions

- The average monthly number of cases closed in FY2003 because of CMR sanctions is 617. This number is based on monthly cumulative counts of cases closed due to CMR sanctions for FY 1996 through September 2003.
- The CMR sanction is a graduated fiscal sanction. Sanctions for noncompliance are initially \$50 and increase by \$50 every month until there is compliance, or until the sanction amount exceeds the grant amount. Cases are counted as closed due to CMR sanctions only when the sanction amount exceeds the grant amount.
- The CMR count was adjusted to account for the fact that some of these cases would have left TANF for other reasons (e.g., due to employment or marriage) before or during FY2003 if they had not been closed due to CMR sanctions. See Section D for a description of this adjustment.

4. Sanctions for Noncompliance with Employment and Training Requirements

- The average monthly number of cases closed in FY 2003 because of noncompliance with employment and training (E&T) requirements is 732.
- The sanction for noncompliance with E&T requirements is a 1/3 reduction of the grant amount for the first occurrence, a 2/3 reduction for the second occurrence, and permanent case closure for the third occurrence. Cases are counted as closed due to E&T sanctions only for the third occurrence.
- Because the E&T level 3 sanction is permanent, the number of cases closed due to E&T sanctions as of the beginning of FY2003 is a cumulative count of all cases closed prior to FY2003. To this number we add the average monthly number of cases closed due to E&T sanctions *during* FY2003.
- The E&T sanction count was adjusted to account for the fact that some of these cases would have left TANF for other reasons (e.g., due to employment or marriage) before or during FY2003 if they had not been closed due to E&T sanctions. See Section D for a description of this adjustment.

5. Work for Your Welfare Requirement

- The average monthly number of cases closed in FY 2003 because of noncompliance with the “Work for Your Welfare” work requirement is 1,265.
- The workfare count was adjusted to account for the fact that some of these cases would have left TANF for other reasons (e.g., due to employment or marriage) before or during FY2003 if they had not been closed due to noncompliance with the workfare requirement. See Section D for a description of this adjustment.

6. Time Limit

- Prior to January 2000, Delaware limited receipt of Temporary Assistance to Needy Families (TANF) – for families in the Time Limited Program—to 48 cumulative months, subject to compliance with Contract of Mutual Responsibility and Work for Your Welfare requirements.
- Effective January 1, 2000 the time limit for receipt of TANF cash benefits is 36 cumulative months. Individuals found eligible for TANF prior to January 1, 2000 will still have a 48 month time limit even if they reapply for benefits after January 1, 2000.
- Thirty one (31) cases reached the four-year time limit during FY 2003. Four (4) cases had reached the newer three-year time limit by the end of FY 2003.

D. Impacts of Eligibility Changes: Adjusting for Cases that Would Have Left TANF for Other Reasons

- As noted in ACF's guidance for submitting caseload reduction credit information, "a State may adjust its estimate of the impact of a change over time to account for likely caseload decline that would have occurred due to other factors, such as earnings, not associated with any eligibility change." A given cohort of TANF cases will leave TANF over time, even absent sanctions and time limits. Most research shows a monotonic decline over time in the rate of TANF receipt for a given cohort, even when recidivism is accounted for.
- We estimated the rate at which cases would have left over time in the absence of eligibility changes *using TANF receipt rates for the control group from the random assignment evaluation of the State's ABC program*. The control group is close to an ideal counterfactual because control group members were not subject to the eligibility changes. In addition, the control group receipt rates are measured taking into account recidivism.
- More specifically, we used TANF receipt rates for control group cases that were *ongoing* at the point of random assignment, because cases that are sanctioned off or reach the time limit are ongoing cases at the time they are sanctioned or reach the time limit. Using TANF receipt rates for ongoing control group cases is more conservative than using TANF receipt rates for all control group cases, because exit rates are lower for ongoing cases.
- The TANF receipt rates for ongoing control group cases show that:
 - On average over the first year since random assignment, 5.1 percent of cases left TANF;
 - On average over the two years since random assignment, 7.1 percent of cases left TANF;
 - On average over the three years since random assignment, 15.4 percent of cases left TANF;
 - On average over the four years since random assignment, 43.3 percent of cases left TANF;
 - On average over the five years since random assignment, 63.3 percent of cases left TANF;
 - On average over the six years since random assignment, 79.0 percent of cases left TANF; and
 - On average over the seven years since random assignment, 88.7 percent of cases left TANF.
- These net exit rates were applied to the counts of cases that closed due to eligibility changes to get the adjusted number of cases closed due to eligibility changes. For example, the average monthly number of cases closed due to CMR sanctions in FY1998 was 489. Using the control group net exit rates, we assume that 63.3 percent of these cases would have left for other reasons by the end of FY2003, so the adjusted number of cases closed due to CMR sanctions in FY 1998 was 179, which is $489 \times (1 - .633)$. A similar adjustment was made to cases closed due to sanctions during other years.
- This approach has two limitations. First, ongoing control group cases became subject to welfare reform policies on average during follow-up quarter 6 or 7. Even so, few or no control group cases would have reached the "work for your welfare" two-year time limit before another eight quarters, meaning follow-up quarters 14 or 15. The second limitation is that, at this point follow-up data are available only through quarter 10. Consequently, net exit rates were extrapolated for quarters 11 through 20, because the adjustment requires exit rates for five full years.

State <u>Delaware</u>		Fiscal Year 2004	
PART I – Implementation of All Eligibility Changes Made by the State Since FY 1995			
#	Eligibility Change	Implementation Date	Estimated Impact on Caseload Since Change (positive or negative impact)

Changes Required by Federal Law			
1	Parents/caretakers must work after 24 months of assistance	March 1997	0
2	Teen parents must live in adult-supervised settings	Prior to FY 1995	0
3	Deny assistance for 10 years for fraudulently misrepresenting residence to obtain assistance in more than one State	March 1997	0
4	Deny assistance for fugitive felons, probation violators, or parole violators	March 1997	0
5	Deny assistance for certain individuals convicted of drug-related felonies	March 1997	0
6	Deny assistance to non-qualified aliens	March 1997	-88
State-Implemented Changes			
Changes Related to Income and Resources			
1	Fill-the-gap budgeting for earnings	October 1995	+783
2	Increased resource limit	October 1995	+281
Changes Related to Categorical or Demographic Eligibility Factors			
	None.		
Changes Related to Behavioral Requirements			
3	Contract of Mutual Responsibility sanctions	October 1995	-617
4	Sanctions for noncompliance with employment and training requirements	October 1995	-732
Changes Due to Full-Family Sanctions			
Other Eligibility Changes			
5	Work for your welfare requirement	October 1995	-1,265
6	Time limit	October 1995	-62
Estimated Total Net Impact on the Caseload of All Eligibility Changes		-1,718	
Total Prior Year Caseload		5,735	
Estimated Caseload Reduction Credit		37.3 percent (includes adjustment for excess MOE)	

State <u>Delaware</u>			Fiscal Year <u>2004</u>	
PART II – Application Denials and Case Closures, By Reason				
	Fiscal Year 1995 ¹		Fiscal Year 2003	
Reason for Application Denials	Number	Percentage	Number	Percentage

Failure to comply with procedural requirements	18	31.6	2,324	26.4
Income exceeds standards	15	26.3	3,702	42.0
Application withdrawn	14	24.6	0	0.0
No eligible child	0	0	1,619	18.4
Resources exceed limits	6	10.5	323	3.7
Not deprived of support or care	1	1.8	0	0.0
Ineligible alien	1	1.8	135	1.5
Other	2	3.5	712	8.1
¹ Delaware's FY 1995 denial and closure numbers are based on the State's quality control sample				
Total Application Denials	57	100.1	8,816	100.0

Reasons for Case Closures	Number	Percentage	Number	Percentage
Failure to comply with procedural requirements	60	46.5	1,393	15.3
Earnings exceed standard of need	29	22.5	1,293	14.2
Voluntary withdrawal/recipient initiative	16	12.4	2,585	28.4
No longer eligible child	10	7.8	3,001	33.0
Moved or cannot locate	8	6.2	764	8.4
No longer deprived of support or care	3	2.3	0	0.0
Support increased from person inside or outside home	0	0	5	0.0
Resources exceed limits	0	0	65	0.7
Other cash income	2	1.6	0	0.0
Failure to comply with JOBS program requirements	0	0	0	0.0
Other	1	0.8	3	0
Total Case Closures	129	100.1	9,108	100.0

State <u>Delaware</u>	Fiscal Year <u>2004</u>
Part III – Description of the Methodology Used to Calculate the Caseload Reduction Estimates (attach supporting data to this form)	
See attachment.	

State Delaware Fiscal Year 2004

PART IV -- Certification

I certify that we have provided the public an appropriate opportunity to comment on the estimates and methodology used to complete this report and considered those comments in completing it. Further, I certify that this report incorporates all reductions in the caseload resulting from State eligibility changes and changes in Federal

requirements since Fiscal Year 1995. (A summary of public comments is attached.)

(signature)

(name)

(title)