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Comments on Proposed TANF Outcome Measures

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There is increasing consensus that the effectiveness of public programs should be measured, as much as possible, by their effects on outcomes for the populations they are designed to serve. CLASP has long argued that Congress should replace the Temporary Assistance for Needy Families (TANF) work participation rate (WPR), which is a process measure, with outcome-based performance measures that will help foster and improve the effectiveness of these programs. At the same time, we have urged proceeding carefully and thoughtfully.

The Human Resources Subcommittee of the U.S. House Ways and Means Committee recently released a discussion draft of a TANF reauthorization bill for public comment. Section 7 of this draft includes a set of proposed measures of employment outcomes for TANF leavers. These comments on the performance measures supplement CLASP's formal testimony for the record on the discussion draft bill. We begin with some overall thoughts on the role of outcome measures in TANF. We then provide specific comments on the measures, goals, data sources, timing, and sanctions for failure.

We believe that data should be collected on a wide range of outcome measures, reflecting the dual purpose of TANF as a safety net and employment program, an approach that some states have begun to implement. For example, Washington state now collects data on education outcomes for children in families receiving TANF, including high school graduation rates.[i] Indicators of the well-being of poor children and families should also be tracked without regard to whether or not they receive cash assistance, which reduces the incentive to deny families benefits. States should be accountable for the choices they make about how easy or difficult it is for needy families to access benefits.

Performance Measures

The draft discussion bill creates three new performance measures:

1) Unsubsidized employment of former adult recipients of assistance under TANF (or state programs funded with maintenance of effort (MOE) dollars), who were required to be engaged in work while on TANF, during the second quarter after exit;
2) Unsubsidized employment of such former recipients during the fourth quarter after exit;

3) The percentage change in the median earnings of such former recipients who are employed during the fourth quarter after exit, compared to the median earnings of such former recipients who are employed during the second quarter after exit.

These measures are not identical to either the measures used by HHS annually to rank state performance in moving TANF recipients into employment (job entry, job retention, and earnings gain)[ii], or to the employment performance measures under the Workforce Innovation and Opportunity Act (WIOA).

We recommend the committee amend the language to fully align these TANF measures with the relevant WIOA performance measures. This will simplify program administration to have aligned measures, particularly in states where TANF is a mandatory partner in the WIOA one-stop system and/or participates in WIOA Combined Planning. (The bill separately requires state TANF programs to participate in WIOA Combined Planning unless the Governor opts out.) The levels of performance would remain different, given the different populations served under these programs. In addition, as noted below, there are some technical issues with the measures as defined in the draft bill.

Who is included in the measures

- The language regarding who should be included in the outcome measures ("former adult recipients of assistance… who, while such recipients, were required to be engaged in work in accordance with section 407") is unclear. If the intent is to include all former recipients of assistance who were "work eligible individuals" as defined in the regulations, it would be clearer to use that language.

- We strongly support the Committee's inclusion of all adult TANF recipients who were required to engage in work activities in the outcome measures. If some groups of leavers are not considered (for example, those who leave due to sanctions or time limits), we will have an incomplete picture of how TANF programs are succeeding at connecting recipients to employment. Moreover, it is critical that the outcome measures do not reward states for sanctioning recipients rather than making the effort to identify and fix barriers to participation and to re-engage them in work-related activities.

- In order to facilitate comparisons across states, the Committee should define a recipient as having exited from TANF when the family's cash assistance case is closed. Recipients should not be considered as having exited if only the adult is removed from the case, but the children continue to receive benefits.

Alignment with WIOA measures

- The second quarter employment measure is fully aligned with WIOA.

- The discussion draft text is ambiguous about whether the 4^{th} quarter employment metric is a complete employment measure that includes all exiters, or a measure of retention that only captures the 4^{th} quarter employment status of the subset of those who were employed in the 2nd quarter after exit. WIOA uses a complete 4th quarter employment measure, which offers a broader picture of the employment status of all exiters. We recommend that the committee should align the bill with WIOA by using employment of all leavers in the 4th quarter after exit, rather than using a retention measure.

- Rather than an earnings gain measure, the committee should use median earnings in the 2nd quarter after exit, in alignment with the measure that is now in place under WIOA. Although an earnings gain measure may now be used for ranking state TANF programs, it is ill-suited for high-stakes accountability. When enacting WIOA in 2014, Congress eliminated the prior WIA "earnings increase" performance measure and replaced it with a straightforward median earnings measure. Experience in the workforce development programs showed that earnings increase measures do not provide information that is as meaningful as a simple earnings measure, as the former is largely determined by initial earnings levels rather than by the effectiveness of the program, and does not count all participants. An earnings gain measure is more difficult to interpret than a simple median earnings measure; consequently, it would be more difficult for states to negotiate levels of performance with HHS.

- Although we recommend alignment with WIOA's straightforward earnings measure, rather than using an earnings gain measure, if the committee chooses to establish an earnings gain measure, it should amend the draft language to clarify that it will measure the change in median earnings among the same cohort of former recipients (either all exiters, or those employed during the 2nd quarter) between the 2nd and 4th quarters after exit. As drafted, the "earnings gain" measure appears to be an apples-to-oranges comparison that measures the difference between earnings of two different cohorts of leavers (those employed in the 2nd quarter and those employed in the 4th quarter) at a single point in time. This approach would not meaningfully account for either "gains" or "losses" in median earnings over time, since different individuals would be in these two groups. An apples-to-apples comparison would measure the change in the median earnings for a single cohort of leavers over different periods of time.

Goal setting

Under the bill, each state would reach agreement with the Secretary on the requisite level of performance for each indicator. The bill does not include language with regard to what factors should be taken into consideration in setting these levels and how to resolve conflicts between the state and HHS. Target-setting in such a high-stakes environment must be done carefully to ensure that unrealistically high targets do not provide disincentives to serve those with the greatest need.

It is especially important to set reasonable goals that are informed by baseline data, and to adjust performance targets to take into account the barriers faced by TANF recipients. Evaluations of programs for the most disadvantaged participants confirm that even programs with proven impacts are likely to have outcomes that appear disappointing when compared to programs serving people with recent work history. For example, MDRC evaluated New York City's Personal Roads to Individual Development and Employment (PRIDE) program, an initiative that provided specialized work experience and job search services to individuals who had previously been exempted from work requirements due to disability, but who did not qualify for federal disability benefits. This program increased employment rates by more than 25 percent compared to a control group – but only a third of the recipients assigned to PRIDE ever worked in formal jobs during the two years after assignment, and only 3 percent worked every quarter of those two years.[iii] Unreasonable expectations simply discourage states from serving low-income families with significant barriers to employment. Some state TANF programs have experience with using adjustment factors to set expectations, such as in Minnesota where county performance on the self-sufficiency index is compared to predicted performance, based on economic conditions and other factors.[iv]

Based on experiences under workforce programs, **we recommend that the bill be amended to explicitly require goal-setting negotiations that take into account both economic conditions and the characteristics of the clients being served.** Most policymakers and practitioners agreed that the "negotiated standards" under the previous Workforce Investment Act (WIA) did not sufficiently adjust in challenging circumstances, and therefore WIOA restores the use of regression models, as were used under the Job Training Partnership Act (JTPA) prior to WIA. One approach would be to adopt such regressions. An alternative would be to allow states to set different targets for different sub-groups within the TANF population. This would make the targets more transparent for program administrators, but would not automatically incorporate adjustments for changing economic conditions. Adjustments that take into account client characteristics also encourage states and localities to conduct thorough assessments of clients' needs to ensure that they receive full credit for serving more disadvantaged workers.

Data Sources

The bill does not address the data sources to be used to calculate the proposed performance measures. States track performance under WIOA using wage record data reported by employers to the state unemployment insurance system. WIOA also directs the Secretary of Labor to facilitate interstate sharing of wage record data in order to account for employment in other states. However, earnings of self-employed workers and contractors, which account for an increasing share of income, are not captured by either in-state or interstate wage records. We recommend that the Committee amend the bill to explicitly provide access to the Labor Department's interstate wage record data system, as well as wage records from the Social Security Administration and/or the National Directory of New Hires (NDNH), and to direct HHS to work with the Department of Labor to explore ways to capture additional non-employee earnings.

Sanctions and timing

Under the draft bill, 4 percent of states' block grants would be withheld for performance payments in FY 2018, rising to 10 percent in each of FYs 2019 and 2020. For payments in 2018 (with respect to performance in FY 2017), the full amount would be based on achieving the goals for employment in the second quarter after exit. For payments in 2019 (with respect to performance in FY 2018), the award would be 40 percent based on employment in the second quarter after exit, and 30 percent each based on the other two measures. States that fail to meet their targets could earn back the funds if they improved their performance in the following year.

CLASP has two major concerns with this provision. First, the penalties for not meeting targets are draconian in comparison to other federal education and workforce programs with measures, targets, and sanctions. For example, under WIOA, the penalty for not meeting performance goals is 5% of the governor's set-aside, which is a small percentage of the total WIOA formula funding. Under the Perkins Career Technical Education Act, penalties can be larger, but the law is geared towards supporting states in meeting their targets via improvement plans and targeted technical assistance rather than applying sanctions.

We recommend that the penalty for failure to meet the target goals should not be loss of the block grant, but instead should be increased MOE requirements (as under the revised WPR penalty) and/or reduced flexibility to use TANF and MOE funds to support services other than cash assistance, work activities, and child care.

Second, the timing envisioned in this section does not reflect the inherent lag in using measures of employment and earnings that extend a full four quarters after program exit, and in obtaining and processing information on employment. **It is simply not possible to implement the measures and sanctions as described in the draft discussion bill.**

If the Committee chooses to keep loss of a portion of the block grant as a sanction, we would strongly recommend not imposing the penalty until a state has failed to meet the specified goals for at least two years, with the second instance occurring with respect to people who exited TANF *after* the state was notified that it had failed the first time. Otherwise, there is no meaningful opportunity for the state to avoid the penalty through corrective action.

Issues regarding timing of data

- By definition, use of employment and earnings in the second and fourth quarters after program exit to measure performance introduces a lag between the period when recipients receive TANF employment services and when the outcomes are measured. The use of unemployment insurance quarterly wage reporting as the data source introduces an additional three-quarter lag between the measurement quarter and the period when states have access to complete and reliable data. [v]

- TANF has historically treated performance for a given fiscal year as a statement about the participation of people who received assistance during that year. Under this approach, the earliest HHS could have 4th quarter employment data for all recipients who leave assistance in a fiscal year is two years after that year ends. (The measurement quarter for fourth quarter leavers would occur the fourth quarter of the following year, and the data would be available no sooner than the third quarter of the year after that.) This means that HHS would not have any performance data at the point when it was supposed to be withholding funds.

- WIOA handles the problem of lagged reporting by having states use, for each measure, the most recent data that they have available on a rolling basis. This means that data reported in 2015 for some measures may refer to clients who exited services as early as 2013, while others refer to clients who exited more recently.[vi] This is conceptually less satisfying than tracking outcomes for a clearly defined cohort who left TANF during a single fiscal year.

- Moreover, the WIOA approach is not consistent with the idea of corrective action in the subsequent year, because most if not all of the recipients whose outcomes would be reported the following year would already left TANF – and may have even passed the measurement quarter for some outcomes -- at the point that the state learned of its penalty.

As the Committee continues the process of revising the discussion draft bill, we hope that these recommendations will be helpful. Please contact Anna Cielinski at acielinski@clasp.org or Elizabeth Lower-Basch at elowerbasch@clasp.org with questions.

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[i] Melissa Ford Shah, Qinghua Liu, Barbara Felver and Barbara Lucenko, *Education Measures for Children on TANF*, RDA Report 11-210, June 2014, https://www.dshs.wa.gov/sites/default/files/SESA/rda/documents/research-11-210.pdf

[ii] Office of Family Assistance, *Temporary Assistance for Needy Families Tenth Report to Congress,*, Administration for Children and Families, U.S. Department of Health and Human Services, December 2013, p38, http://www.acf.hhs.gov/programs/ofa/resource/tenth-report-to-congress These measures were previously used to distribute High Performance Bonus funds, but funding for these bonuses has not been provided since the last reauthorization of TANF in 2005.

[iii] Dan Bloom, Cynthia Miller, and Gilda Azurdia, *The Employment Retention and Advancement Project: Results from the Personal Roads to Individual Development and Employment (PRIDE) Program in New York City*, MDRC, July 2007.

[iv] Heather Hahn and Pamela Loprest, *Improving State TANF Performance Measures*, Urban Institute, September 2011, http://www.urban.org/sites/default/files/alfresco/publication-pdfs/412447-Improving-State-TANF-Performance-Measures.PDF

[v] http://www.doleta.gov/performance/guidance/WIA/WIAQuarterlyReportSpecifications.pdf

[vi] See the spreadsheet posted at http://www.doleta.gov/performance/guidance/WIA/WIAQuarterlyReportingTimeFrames.xls