Families First

Landmark Transition

Presented to

Tennessee Department of Human Services
Nashville, TN

Presented by

Dr. Linda Rudolph and Mr. Michael O'Hara
for
Bureau of Business and Economic Research/
Center for Manpower Studies
The University of Memphis
Memphis, TN

December 2002

Table of Contents

Table of Contents

Table of Contents

List of Tables

Introduction

In his State of the State Address on January 11, 1996, Governor Don Sundquist proposed to replace Tennessee's 60-year-old welfare system, the Aid to Families with Dependent Children (AFDC) program, with a new temporary assistance program—Families First. The new program would emphasize work, personal responsibility, and parenting and would provide participating families with the services needed to make the transition from welfare to work.

In his remarks, Governor Sundquist pledged to ". . . measure success not by how many people we can cut off and push out of sight, but by how many we can help move successfully into our state's economic mainstream." By July 25, 1996, both the Families First law and a federal waiver authorizing its operation for 11 years were in place, positioning Tennessee for a landmark transition from an open-ended entitlement program to a time-limited employment and training program. This report will explore how the change from AFDC to Families First came about, how the transition was accomplished, and the progress made during the early years of the program. To view the change in perspective, it is useful to look back at the 60-year evolution of government-funded welfare programs.

Background and History of Welfare Reform

The Social Security Act

Besides establishing old-age and unemployment benefits, the Social Security Act of 1935[1] established federal matching grants to help states fund welfare services for certain adults (aged, blind, and incapacitated) and needy children. Initially, these programs were voluntary for the states.[2] Cash benefits under Aid to Dependent Children (ADC) were limited to children, with no provision for assistance for the relatives with whom they lived. The federal government matched the benefits at a rate of 33.0 percent, up to

---

[1] *The Social Security Act*, Public Law 74-271.

[2] Tennessee adopted the programs in 1937: *Welfare Organization Act of 1937,* Tennessee Public Acts 1937, Chapter 48, §15.

individual payment maximums of $18 per month for the first child and $12 for additional children. Thus, the federal share was $6 and $4, respectively. Prior to this matching arrangement, states, localities, and charities bore the cost of services for children. In 1936, slightly over half a million children received ADC benefits in the U.S.[3]

During this formative period, about 85.0 percent of the children qualified for ADC based on loss of parental support due to the death of a parent, not continued absence of a parent from the home.[4] This caseload composition reflected the relatively low incidence of divorce and out-of-wedlock births at the time. In 1940, for example, the divorce rate for married women was 8.8 per 1,000.[5] In the same year, the out-of-wedlock birth rate for unmarried women between 15 and 44 years of age was 7.1 percent.[6]

Growing Caseloads—Changing Composition

Following World War II, the enormous surge in population, changes in the makeup of the American family, and the movement of more mothers into the workplace contributed to dramatic changes in the size and the nature of the ADC program. In 1940, the U.S. recorded 2.3 million live births.[7] By 1947, the number had soared to almost 3.7 million. The birth rate peaked in 1961 when nearly 4.3 million births were recorded (see Table 1). Likewise, the divorce rate for married women expanded — from the 1940 level of 8.8 per 1,000 to nearly 14.0 per 1,000 in 1947. After subsiding for a period during the 1950s, another increase began in 1963 which peaked in 1979 at 22.8 per 1,000[8] (see Table 2). Reviewing twentieth-century divorce patterns in February

---

[3] *U.S. Caseload Information, Cash Assistance for Needy Families, Calendar Years 1936-2001* (U.S. Department of Health and Human Services, The Administration for Children and Families); available at: *http://www.afc.dhhs.gov/news/stats/3697.htm.*

[4] Edward D. Berkowitz, *America's Welfare State from Roosevelt to Reagan* (Baltimore and London: Johns Hopkins University Press, 1991), 101.

[5] *Monthly Vital Statistics Reports*, Vol. 43, No. 9 (Summer), March 22, 1995, National Center for Health Statistics, U.S. Department of Health and Human Services; available at: *http://www.cdc.gov/nchs.*

[6] *National Vital Statistics Reports*, Vol. 48, No. 16, October 18, 2000, National Center for Health Statistics, U.S. Department of Health and Human Services; available at: *http://www.cdc.gov/nchs.*

[7] *National Vital Statistics Reports,* Vol. 49, No. 1, April 17, 2001.

[8] *Monthly Vital Statistics Reports,* Vol. 43, No. 9 (Summer), March 22, 1995.

Table 1. Birth Rates for Unmarried Women by Age of Mother, U.S., 1940-1998

		Age of Mother							
		15-19 Years			20-44 Years				
Years and Race	15-44 Years[1]	Total	15-17 Years	18-19 Years	20-24 Years	25-29 Years	30-34 Years	35-39 Years	40-44 Years[2]
All Races									
Reported / Inferred[3]									
1998	44.3	41.5	27.0	64.5	72.3	58.4	39.1	19.0	4.6
1997	44.0	42.2	28.2	65.2	71.0	56.2	39.0	19.0	4.6
1996	44.8	42.9	29.0	65.9	70.7	56.8	41.1	20.1	4.8
1995	45.1	44.4	30.5	67.6	70..3	56.1	39.6	19.5	4.7
1994	46.9	46.4	32.0	70.1	72.2	59.0	40.1	19.8	4.7
1993	45.3	44.5	30.6	66.9	69.2	57.1	38.5	19.0	4.4
1992	45.2	44.6	30.4	67.3	68.5	56.5	37.9	18.8	4.1
1991	45.2	44.8	30.9	65.7	68.0	56.5	38.1	18.0	3.8
1990	43.8	42.5	29.6	60.7	65.1	56.0	37.6	17.3	3.6
1989	41.6	40.1	28.7	56.0	61.2	52.8	34.9	16.0	3.4
1988	38.5	36.4	26.4	51.5	56.0	48.5	32.0	15.0	3.2
1987	36.0	33.8	24.5	48.9	52.6	44.5	29.6	13.5	2.9
1986	34.2	32.3	22.8	48.0	49.3	42.2	27.2	12.2	2.7
1985	32.8	31.4	22.4	45.9	46.5	39.9	25.2	11.6	2.5
1984	31.0	30.0	21.9	42.5	43.0	37.1	23.3	10.9	2.5
1983	30.3	29.5	22.0	40.7	41.8	35.5	22.4	10.2	2.6
1982	30.0	28.7	21.5	39.6	41.5	35.1	21.9	10.0	2.7
1981	29.5	27.9	20.9	39.0	41.1	34.5	20.8	9.8	2.6
1980	29.4	27.6	20.6	39.0	40.9	34.0	21.1	9.7	2.6
Estimated[4]									
1980	28.4	27.5	20.7	38.7	39.7	31.4	18.5	8.4	2.3
1979	27.2	26.4	19.9	37.2	37.7	29.9	17.7	8.4	2.3
1978	25.7	24.9	19.1	35.1	35.3	28.5	16.9	8.2	2.2
1977	25.6	25.1	19.8	34.6	34.0	27.7	16.9	8.4	2.4
1976	24.3	23.7	19.0	32.1	31.7	26.8	17.5	9.0	2.5
1975	24.5	23.9	19.3	32.5	31.2	27.5	17.9	9.1	2.6
1974	23.9	23.0	18.8	31.2	30.5	27.9	18.4	10.0	2.6
1973	24.3	22.7	18.7	30.4	31.5	29.6	20.3	10.8	3.0
1972	24.8	22.8	18.5	30.9	33.2	30.8	22.6	12.0	3.1
1971	25.5	22.3	17.5	31.7	35.5	34.5	25.2	13.3	3.5
1970	26.4	22.4	17.1	32.9	38.4	37.0	27.1	13.6	3.5
1969	24.8	20.4	15.2	30.8	37.3	37.9	27.0	13.5	3.6
1968	24.3	19.7	14.7	29.6	37.2	38.3	27.6	14.8	3.8
1967	23.7	18.5	13.8	27.6	38.1	41.1	28.9	15.3	4.0
1966	23.3	17.5	13.1	25.6	39.0	45.1	32.7	16.3	4.1
1965	23.4	16.7	-	-	39.6	49.1	37.2	17.4	4.5
1964	23.0	15.9	-	-	39.5	49.9	36.9	16.3	4.4
1963	22.5	15.3	-	-	39.9	48.8	33.1	16.1	4.3
1962	21.9	14.8	-	-	40.7	46.6	29.6	15.6	4.1
1961	22.7	16.0	-	-	41.5	46.4	28.2	15.4	3.9
1960	21.6	15.3	-	–	39.7	45.1	27.8	14.1	3.6
1959	21.9	15.5	-	-	40.2	44.1	28.1	14.1	3.3
1958	21.2	15.3	-	-	38.2	40.5	27.5	13.3	3.2
1957	21.0	15.8	-	-	37.3	36.8	26.8	12.1	3.1
1956	20.4	15.6	-	-	36.4	35.6	24.6	11.1	2.8
1955	19.3	15.1	-	-	33.5	33.5	22.0	10.5	2.7
1954	18.7	14.9	-	-	31.4	31.0	20.4	10.3	2.5
1953	16.9	13.9	-	-	28.0	27.6	17.3	9.0	2.4
1952	15.8	13.5	-	-	25.4	24.8	15.7	8.2	1.9
1951	15.1	13.2	-	-	23.2	22.8	14.6	7.6	2.2
1950	14.1	12.6	-	-	21.3	19.9	13.3	7.2	2.0
1949	13.3	12.0	-	-	21.0	18.0	11.4	6.8	1.9
1948	12.5	11.4	-	-	19.8	16.4	1.0	5.8	1.6
1947	12.1	11.0	-	-	18.9	15.7	9.2	5.6	1.8
1946	10.9	9.5	-	-	17.3	15.6	7.3	4.4	1.8
1945	10.1	9.5	-	-	15.3	12.1	7.1	4.1	1.6
1944	9.0	8.8	-	-	13.1	10.1	7.0	4.0	1.3
1943	8.3	8.4	-	-	11.4	8.8	6.7	3.8	1.3
1942	8.0	8.2	-	-	11.0	8.4	6.3	3.8	1.2
1941	7.8	8.0	-	-	10.5	7.8	6.0	3.7	1.4
1940	7.1	7.4	-	-	9.5	7.2	5.1	3.4	1.2

- Data not available.
[1]Rates computed by relating births to unmarried women, regardless of age of mother, to unmarried women aged 15–44 years.
[2]Rates computed by relating births to unmarried women aged 40 years and over to unmarried women aged 40–44 years. Rates by race for years prior to 1969 are computed by relating births to unmarried women aged 35 years and over to unmarried women aged 35–44 years.
[3]Data for states in which marital status was not reported have been inferred from other items on the birth certificate and included with data from the reporting states; see Technical notes.
[4]Births to unmarried women are estimated for the United States from data for registration areas in which marital status of mother was reported; see Technical Notes.
[5]Includes all persons of Hispanic origin of any race.

Source: *Monthly Vital Statistics Reports*, Vol.43, No 9 (Summer), March 22, 1995.

Table 2. Divorces and Annulments and Rates Per 1,000, United States, 1940-1990

Years	Divorces and Annulments	Rate Per 1,000: Total Population[1]	Rate Per 1,000: Married Women 15 Years and Over	Years	Divorces and Annulments	Rate Per 1,000: Total Population[1]	Rate Per 1,000: Married Women 15 Years and Over
1990	1,182,000	4.7	20.9	1964	450,000	2.4	10.0
1989	1,157,000	4.7	20.4	1963	428,000	2.3	9.6
1988	1,167,000	4.8	20.7	1962	413,000	2.2	9.4
1987	1,166,000	4.8	20.8	1961	414,000	2.3	9.6
1986	1,178,000	4.9	21.2	1960	393,000	2.2	9.2
1985	1,190,000	5.0	21.7	1959	395,000	2.2	9.3
1984	1,169,000	5.0	21.5	1958	368,000	2.1	8.9
1983	1,158,000	5.0	21.3	1957	381,000	2.2	9.2
1982	1,170,000	5.1	21.7	1956	382,000	2.3	9.4
1981	1,213,000	5.3	22.6	1955	377,000	2.3	9.3
1980	1,189,000	5.2	22.6	1954	379,000	2.4	9.5
1979	1,181,000	5.3	22.8	1953	390,000	2.5	9.9
1978	1,130,000	5.1	21.9	1952	392,000	2.5	10.1
1977	1,091,000	5.0	21.1	1951	381,000	2.5	9.9
1976	1,083,000	5.0	21.1	1950	385,000	2.6	10.3
1975	1,036,000	4.8	20.3	1949	397,000	2.7	10.6
1974	977,000	4.6	19.3	1948	408,000	2.8	11.2
1973	915,000	4.3	18.2	1947	483,000	3.4	13.6
1972	845,000	4.0	17.0	1946	610,000	4.3	17.9
1971	773,000	3.7	15.8	1945	485,000	3.5	14.4
1970	708,000	3.5	14.9	1944	400,000	2.9	12.0
1969	639,000	3.2	13.4	1943	359,000	2.6	11.0
1968	584,000	2.9	12.5	1942	321,000	2.4	10.1
1967	523,000	2.6	11.2	1941	293,000	2.2	9.4
1966	499,000	2.5	10.9	1940	264,000	2.0	8.8
1965	479,000	2.5	10.6				

[1]Rates for 1981-88 are revised and may differ from rates published previously.

Source: *Monthly Vital Statistics Reports,* Vol.43, No 9 (Summer), March 22, 1995.

2002, the U.S. Census Bureau reported that the cumulative effect of the increase placed the nation in a position where "nearly half of recent first marriages may end in divorce."[9] Added to the population growth and the increased divorce rate was the steady climb of out-of-wedlock births. The rate of births to unmarried women, which stood at 7.1 percent in 1940, climbed to over 12.0 percent by 1947 and to 21.6 percent by 1960. The rise continued until it reached 44.8 percent in 1996.[10]

These changes, along with many other complex factors (including a 1950 amendment to the Social Security Act extending ADC assistance to close relatives,[11] and increasingly favorable federal matching rates for states), had a significant impact on the size of the ADC program. By 1947, the number of children receiving aid had nearly tripled from its first year total of 534,000 to a monthly average of 1,394,000.[12] By 1960, the monthly average had reached 3.0 million.[13] At its peak in 1993, enrollment climbed to 14.2 million individuals per month[14] (see Table 3). The qualifying reasons had also changed. Initially, about 85.0 percent of children qualified for ADC based on the death of a parent. By 1969, the picture was totally reversed, with only 5.5 percent of children qualifying on this basis, and the majority qualifying based on loss of support due to continued parental absence. By 1992, enrollment due to a parent's death accounted for only 2.0 percent of the case load, while loss of support due to continued absence comprised over 85.0 percent of all approvals.[15]

Responding to the rising trends in divorce and out-of-wedlock births and the corresponding shift in caseload composition, Congress amended the Social Security Act in 1950 to require state welfare agencies to notify law enforcement officials when benefits were being provided to children who had been abandoned by a parent.[16] As this was a crime in most states, the law anticipated that such officials would bring legal

---

[9]Rose M. Kreder and Jason M. Fields, *Current Population Report, P70-80: Number, Timing, and Duration of Marriages and Divorces: 1996* (Washington: U.S. Department of Commerce, U.S. Census Bureau).

[10]*National Vital Statistics Reports*, Vol. 48, No. 16, October 18, 2000.

[11]*Social Security Amendments of 1950*, Public Law 81-734.

[12]*U.S. Caseload Information, Cash Assistance for Needy Families.*

[13]*Ibid.*

[14]*Ibid.*

[15]*1994 Green Book, Table 10-1*, U.S. House of Representatives; available at: *http://aspe.hhs.gov/1994gb/appeng.txt.*

[16]Public Law 81-734.

Table 3. Average Monthly Families and Recipients of ADC, Calendar Years 1936-2001

Year	Families	Recipients	Year	Families	Recipients
1936	147,000	534,000	1969	1,698,000	6,706,000
1937	194,000	674,000	1970	2,208,000	8,466,000
1938	258,000	895,000	1971	2,762,000	10,241,000
1939	305,000	1,042,000	1972	3,049,000	10,947,000
1940	349,000	1,182,000	1973	3,148,000	10,949,000
1941	387,000	1,319,000	1974	3,230,000	10,864,000
1942	387,000	1,317,000	1975	3,498,000	11,346,000
1943	304,000	1,050,000	1976	3,579,000	11,304,000
1944	260,000	910,000	1977	3,588,000	11,050,000
1945	259,000	907,000	1978	3,522,000	10,570,000
1946	312,000	1,112,000	1979	3,508,571	10,311,855
1947	393,000	1,394,000	1980	3,712,337	10,772,347
1948	449,000	1,595,000	1981	3,835,489	11,079,117
1949	541,000	1,918,000	1982	3,541,525	10,358,302
1950	644,000	2,205,000	1983	3,686,163	10,760,935
1951	621,000	2,134,000	1984	3,713,929	10,830,529
1952	583,000	2,022,000	1985	3,701,033	10,855,284
1953	560,000	1,970,000	1986	3,763,252	11,037,797
1954	580,000	2,076,000	1987	3,775,573	11,026,664
1955	612,000	2,214,000	1988	3,748,580	10,914,679
1956	611,000	2,239,000	1989	3,798,348	10,992,248
1957	645,000	2,395,000	1990	4,056,584	11,694,712
1958	724,000	2,719,000	1991	4,497,186	12,930,472
1959	774,000	2,920,000	1992	4,829,094	13,773,319
1960	787,000	3,005,000	1993	5,011,827	14,205,484
1961	869,000	3,354,000	1994	5,032,632	14,160,920
1962	931,000	3,676,000	1995	4,790,749	13,418,386
1963	947,000	3,876,000	1996	4,434,160	12,320,970
1964	992,000	4,118,000	1997	3,740,179	10,375,993
1965	1,039,000	4,329,000	1998	3,050,335	8,347,136
1966	1,088,000	4,513,000	1999	2,581,270	6,874,471
1967	1,217,000	5,014,000	2000	2,214,800	5,776,849
1968	1,410,000	5,705,000	2001	2,102,996	5,362,700

Note: Prior to enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193), cash assistance for needy families was provided through Aid to Dependent Children (1936-1962), later called Aid to Families with Dependent Children (1962-1997).

Source: ACF/OPRE/DDCA, May 23, 2002.

action to enforce parental responsibilities. States were also encouraged to pass uniform interstate child support laws to extend enforcement jurisdiction across state lines. As the trend in abandonment grew, the Act was again modified in 1965 and 1967 to require states to develop programs to establish paternity and to access Social Security and Internal Revenue files for the purpose of determining parent location. Finally, in 1975, Title IV-D was added to the Social Security Act,[17] creating a national child support enforcement program, with a federal matching rate of 75.0 percent and an incentive formula based on the amount of collections.

A Changing Workforce

While population and family structure were changing, the public perception of mothers' employability was also changing. Between 1940 and 1945, the number of women working outside the home surged from 12 million to over 18 million.[18] Much of this increase resulted from more mothers entering the workforce. In 1947, over one-fourth of mothers with children between the ages of 6 and 18 years of age, and 12.0 percent of mothers with children less than 6 years of age, were in the workplace.[19] By 1955, the percentage of working mothers with children between the ages of 6 and 18 had increased to 38.0 percent and those with children below age 6 to18.0 percent. This trend continued unabated until March 1999, when 75.0 percent of mothers with children between 6 and 18 were working and 64.0 percent of mothers with preschool children were in the labor force.

Congress and federal agencies attempted to address the changing labor market condition with laws and policies favorable to working mothers. In 1942, the federal Children's Bureau established the first national day care standards, and with funding from the Lanham Act the Bureau began providing aid for local day care projects.[20] Additionally, the 1956 Amendments to the Social Security Act[21] made two important

---

[17] Public Law 93-647.

[18] Judith Sealander, Department of History, Wright State University, *Records of the Women's Bureau of the U. S. Department of Labor, 1918-1965* (University Publications of America, 1997); available at: *http://www.lexisnexis.com/academic/guides/womens_studies/womlab.htm.*

[19] *2000 Green Book, Table 9-1*, U.S. House of Representatives; available at: *http://aspe.hhs.gov/2000gb/appeng.txt.*

[20] Dorothy Bradley and Martha Eliot, *Extended History of the Children's Bureau* (U.S. Department of Health, Education, and Welfare, 1956); available at: *http://www.ssa.gov/history/pdf/childbl.html.*

changes to the ADC program: First, to reflect the changing nature of the family and the increasing number of working mothers, the program's goals were expanded beyond those of the original act (i.e., caring for needy children in their homes) to include strengthening family life and promoting self-support. Second, it approved federal funding at the 50.0 percent match rate for the cost of social services for welfare families, including child care.

This match rate was increased to 75.0 percent in 1962, and the eligibility for services was broadened to include former and potential ADC families (now renamed the Aid to Families with Dependent Children (AFDC) program), as well the aged, blind, incapacitated, and special needs children. In 1975, continued growth in service needs and the cost of providing such services resulted in the passage of Title XX of the Social Security Act,[22] which again redefined services and capped the level of federal spending for services at $2.5 billion annually. Service mandates and eligibility criteria were removed in 1981,[23] when funding for Title XX services and funding for social services staff training were combined into a block grant for the states.

In addition to Title XX, a complex array of federally-sponsored child care programs has grown up over the years. In 1989, the General Accounting Office (GAO) reported that the federal government supports child care through 46 different programs, including the four largest: Child and Dependent Care Tax Credit, Head Start, Title XX/SSBG, and the Child Care Food Program.[24]

Reform Through Services and Support

By 1960, the ADC program had been dramatically transformed from the one first enacted in 1935:

- Case loads had increased from slightly more than 500,000 recipients to 3.0 million.
- Benefits covered not only children, but caretaker relatives as well.

---

[21] *Social Security Amendments of 1956*, Public Law 84-880.

[22] Public Law 92-672.

[23] *Omnibus Budget Reconciliation Act of 1981*, Public Law 97-35.

[24] *Child Care: Government Funding Sources, Coordination, and Service Availability.* The United States General Accounting Office, Report No. GAO/HRD-90-26BR, October 1989.

- The vast majority of families now qualified based on parental absence, not death.
- ADC goals had expanded to include strengthening families and self-support.

In a period of relative prosperity, when the vast majority of families were sharing in the prosperity, national attention turned to those families who were not—the 18.0 percent who lived below the newly established federal poverty level.[25] Throughout the remainder of the century, great effort and significant spending would be directed toward families in this circumstance, especially those comprising the ADC case load. During this time, elected officials and government workers at all levels, social workers, non-profit and faith-based groups, members of the advocacy and business communities, academicians and researchers, professional associations and foundations, and the recipients themselves would become involved in the process of reforming the welfare system. The most comprehensive reform effort was the nation's "war on poverty" that produced a barrage of new services and programs between 1961 and 1965. The Public Welfare Amendments of 1961 and 1962[26] set the direction reform would take by:

- Supporting family structure with favorable federal matching rates for states opting to extend AFDC benefits to two-parent families, when the family unit contained an unemployed parent (i.e., the Unemployed Parent Program, or UP Program, which permitted AFDC payments to two-parent families if one parent had not worked for 100 hours or more 30 days prior to application and could demonstrate recent attachment to the labor market — 13 calendar quarters of work ending within a year of application);
- Increasing the service skills of state welfare personnel by matching training costs at the 100.0 percent federal rate;
- Increasing federal funding for the cost of public assistance payments and rehabilitative services for AFDC families and potential AFDC families.

[25] *Historical Poverty Tables, Table 13.* U.S. Census Bureau, U.S. Department of Commerce; available at: *http://www.census.gov/hhes/poverty/histpov13.html.*

[26] Public Law 87-64.

This legislation reflected the general approach Congress and federal agencies would take to welfare reform throughout the period—one that might be described as "service and support" for welfare and other low-income families. In its 1963 report, "Unmet Needs in a Land of Abundance,"[27] the Social Security Administration summarized the prevailing philosophy of the day: "Although services cannot substitute for income, certain types of service might counteract some of the effects of poverty and thus help to break through the cycle of cultural deprivation that is often associated with poverty."

Below are a few of the programs and services added during this era:

- The Manpower Development and Training Act (MDTA) of 1962[28] provided training for unemployed and displaced workers. Community Work and Training (CWT) programs, which provided federal funding at prevailing rates for jobs and job training, targeted AFDC unemployed parents. Participation was mandatory, and more liberal allowances for work-related expenses were incorporated into AFDC benefit calculations.

- The Economic Opportunity Act of 1964[29] created the federal Office of Economic Opportunity (OEO) to develop and oversee a wide range of new employment and training programs, support services, and service delivery systems for welfare and low-income families, including the Jobs Corps, Upward Bound, Neighborhood Youth Corps, Head Start, and Community Action programs. The CWT program was expanded to states that had not elected the AFDC unemployed parent program, extending treatment of work-related expenses to recipients in those states as well.

- The Food Stamp Act of 1964[30] provided cooperative federal-state food assistance programs for improved nutrition for low-income households.

- The Social Security Amendments of 1965[31] established Title XIX, creating the Medicaid program. The program was available to all people receiving public assistance under Titles I, IV, X, and XIV of the Act and others whose income was insufficient to meet their medical costs.

---

[27]Berkowitz, 115.

[28]Public Law 87-415.

[29]Public Law 88-452.

[30]Public Law 88-525.

[31]Public Law 89-97.

- The Elementary and Secondary Education Act of 1965[32] provided major federal funding for the nation's educational system, covering costs for aid to economically disadvantage children, counseling and guidance services, community education, and planning.

By decentralizing funding, design, and operation of Community Action agencies, the OEO legislation began a process of devolution that would gather momentum throughout the next three decades. In the 1970s, programs like Title XX and CETA would receive similar design and operating authority, along with mandates to consolidate programs and limit spending. The 1980s would see perhaps the boldest example of all, the New Federalism proposal, which brought state and federal governments together to explore the exchange of responsibility for over 50 federally-funded programs, including AFDC, Food Stamps, and Medicaid. Although the talks broke down, the discussions set the stage for devolution in the 1990s when passage of the Personal Responsibility and Work Reconciliation Act of 1996 (PRWORA)[33] eliminated welfare entitlement and gave states unprecedented flexibility in program design and operation.

The "war on poverty" programs were instrumental in lowering the national poverty rate for families from 18.1 percent in 1961 to 11.4 percent in 1967. The service and support system reflected in the legislation of the early to mid-1960s, however, seemed to have the opposite effect on the nation's AFDC program increasing case loads from the 1961 level of 3.3 million recipients to 5.0 million by 1967.

Reform Through Work and Economic Incentives

To reverse the trend, Congress turned to employment and training programs. The Social Security Amendments of 1967[34] established the Work Incentive (WIN) program, which required states to evaluate AFDC recipients for work and training programs. Initially, the program, which was administered jointly by the United States departments

---

[32]Public Law 89-10.

[33]*Social Security Act*, Title IV-A, Block Grants to States for Temporary Assistance for Needy Families, enacted as Title I of the *Personal Responsibility and Work Opportunity Reconciliation Act of 1996* (P.L. 104-193)

[34]Public Law 90-248.

of Health and Human Services (DHHS) and Labor (DOL), required all unemployed fathers to register for work or training. Later, all able-bodied AFDC recipients, except mothers with children under age 6, were required to register. Along with the registration requirement, the law extended financial incentives for AFDC recipients to work by providing favorable treatment for work expenses and earnings in AFDC benefit calculations.

Confronted with continued AFDC growth, which had reached 6.7 million recipients by 1969, Congress considered the Family Assistance Plan (FAP)[35]—a plan that would essentially replace the AFDC program with a guaranteed annual income of $1,600, a work disregard of $720, and a marginal taxable income rate of 50.0 percent for low wage earners. Despite success in the House, the Family Assistance Plan failed in the Senate for a variety of reasons, including its complex interfacing structure with other programs such as Medicaid and Food Stamps and its "notch" effect, which created work disincentives for persons at certain income levels. Although the plan failed, it marked a significant turning point in the welfare reform effort. From this point forward, reform plans would no longer be weighted in favor of service and support solutions, as had been the case during the "war on poverty," but would combine this approach with an ever increasing emphasis on work and economic incentives.

This became evident as welfare and employment and training policies evolved during the 1970s. In an attempt to consolidate the complex system of work programs, Congress passed the Comprehensive Employment and Training Act (CETA) in 1973. The legislation replaced categorical spending for the various programs with state and local manpower training grants that were allocated by formula.

The WIN program, which had mandated recipient registration for work or training, was off to a poor start. By 1974, only one-third of eligible AFDC caretakers were registered, and only about 500,000 of the 1.3 million registrants participated in the program.[36] Various reasons for its lack of success were given, including inadequate funding for child care and the cumbersome, dualistic management arrangement between DHHS and DOL.

Work incentives got a boost in 1975 when the Tax Code was modified to permit the Department of the Treasury to issue cash supplements to low-income wage earners in the form of refundable tax credits. Such Earned Income Tax Credit (EITC) payments

[35]H.R. 1, passed by the U.S. House of Representatives on June 22, 1971.

[36]Berkowitz, 136.

were ignored for purposes of AFDC and other means-tested programs. As with WIN, the CETA consolidation proved to be unsuccessful. The General Accounting Office attributed this to the legislation's failure to bring all of the major programs (especially the Employment Service—the program designated to list job openings) under one umbrella.[37] The results showed that between 1970 and 1980, the average monthly number of AFDC recipients rose from 7.4 million to 10.5 million. During the same decade, the share of all families with children who received AFDC increased from 6.6 to 11.5 percent. Total spending for the program almost tripled from $4.0 billion to $11.5 billion.[38]

Reform Through Policy Limits and State Experimentation

The 1981 Omnibus Budget Reconciliation Act (OBRA)[39] reversed the earlier concept of offering favorable work incentives to AFDC families. Allowances for both child care and work expenses were standardized and capped, limits were placed on a family's gross income, and the earned income disregard, which had been open-ended, was limited to four months. As a result, 408,000 families lost eligibility and another 299,000 lost benefits, for a total savings in 1983 of $1.1 billion.[40] The legislation also required that states "presume" working families were receiving the benefit of EITC regardless of when or if they received such payments. Another "presumption" mandated by OBRA was that a portion of income from certain family members, including stepparents and minor parents, was available to the entire family. Lump sum payments in excess of the state's need standard rendered the family ineligible for a period.

Although Congress later moderated some of these policies, the OBRA changes signaled a growing frustration with the program's continued expansion and lack of progress in the reforms attempted over the years. By adding funding for new job programs such as job search, work relief (Community Work Experience Programs—CWEP), and work supplementation, where a family's AFDC benefit was used to subsidize

---

[37] *Multiple Employment and Training Programs: Major Overhaul Is Needed.* The United States General Accounting Office, Report No. GAO/T-HEHS-94 -109, March 3, 1994.

[38] *1996 Green Book, Table 8-1*, U.S. House of Representatives; available at: *http://aspe.hhs.gov/1996gb/appeng.txt.*

[39] Public Law 97-35.

[40] *1994 Green Book, Section 10;* available at: *http://aspe.hhs.gov/94gb/sec10.txt.*

jobs, OBRA placed added emphasis on immediate job placement or “work first” type job programs.

An important feature of the Act was the offer of waivers to states wanting to design and test their own WIN demonstration programs. Although state demonstration authority of a general nature had been available under Section 1115 of Title XI of the Social Security Act since 1962, this opportunity was specific to WIN—a program that was clearly not performing as it should. Twenty-nine states, including Tennessee, took advantage of the flexibility to begin fashioning new solutions to the old problem.

Tennessee was granted a WIN Demonstration waiver in 1984. The VICTORY network, as the project was called, allowed Tennessee to improve the operation and accountability of the WIN program by creating a single-agency management design. Prior to VICTORY, federal WIN funds were channeled through the U.S. Department of Labor (DOL) to the state Department of Employment Security (DES). In theory, both the federal Department of Health and Human Services and the Tennessee Department of Human Services (DHS) were to participate in WIN planning and design with DOL and DES. In practice, however, such participation was severely restricted by Employment Security’s decision to allocate WIN dollars to its general fund and provide generic job services to all populations. Although administratively sound, the practice failed to provide individualized attention to AFDC recipients, who were generally less educated and experienced than the general population. As a result, few job placements were achieved under the WIN program.

With WIN Demonstration waiver authority, however, federal funding flowed from the U.S. Department of Labor to DHS. This change enabled the agency to earmark the funds for welfare recipients, develop special programs for this population, broaden the network of employment and training providers, and monitor contract performance. Between 1984 and 1987, the new approach increased both work participation and earnings rates for recipients in the 41 counties participating. When the Food Security Act of 1985 made funds available for education and training programs for food stamp recipients, Tennessee created a seamless delivery system by consolidating these funds with WIN funding and expanding employment and training services for AFDC recipients who also received food stamps.

The Job Training Partnership Act (JTPA) of 1982[41] repealed the fragmented CETA program and attempted to improve coordination among the growing number of employment and training programs by decentralizing planning and administration, mandating coordination among the respective programs, ensuring the active involvement of the business community, and establishing broad performance standards.

In 1988, Congress passed the Family Support Act,[42] which repealed the WIN program and altered welfare-to-work programs in several ways:

- Required states to established Job Opportunity and Basic Skills (JOBS) training programs that combined flexibility of design with certain mandated support services, including child care, transportation, and transitional Medicaid benefits for families exiting AFDC due to work or earnings increases.
- Mandated stronger cooperation with child support enforcement programs.
- Established minimum participation standards for non-exempt recipients, starting at 7.0 percent and increasing to 20.0 percent in 1995.
- Provided federal funding at the 50.0 percent rate for JOBS activities and support services.

In response to the legislation, Tennessee developed the JOBSWORK program, which built on the VICTORY single-agency management model and expanded operation beyond the 41 WIN Demonstration counties to all counties. Additionally, literacy and job training, along with case management services, were added through new funding and service agreements with JTPA and the Department of Education. As the Family Support Act mandated support services, which included child care, a regional system of child care brokers was created to assist welfare families identify available resources. As with other providers, child care brokers were selected based on competitive bids. Adding additional counties and expanding child care services forced DHS to restrict enrollment in JOBSWORK to recipients volunteering for the program. Nevertheless, the program met or exceeded the federal participation rates for all years. A University of Memphis study characterized JOBSWORK as a model for other states.[43] The report

[41]Public Law 102-367.

[42]Public Law 100-485.

[43]Jeff Wallace, *The Payoff of Job Training* (Memphis: The University of Memphis, Bureau of Business and Economic Research, July 1995).

compared the 163.0 percent earnings increases by JOBSWORK participants to the 16.0 percent increase by participants in California's GAIN program and the 16.5 percent national increase reported by JTPA.

Reform Through Devolution

By 1992, more than 40 states had taken advantage of the flexibility granted by Section 1115 of the Social Security Act or OBRA's WIN demonstration provisions to design and test new approaches to welfare reform. Though often limited in scope, as with Tennessee's 41-county VICTORY experiment, it was clear from the early results that the state programs were beginning to succeed where national initiatives had not. Nationally, between 1992 and 1996, employment among AFDC recipients increased from 19.0 percent to 25.0 percent.[44] The early success of these welfare reform experiments helped convince the states and the federal government that state and local innovation, rather than highly prescriptive national policies, was needed to overhaul the nation's welfare system. As the debate over what form welfare reform and devolution would take continued at the national level, Tennessee began developing the Families First program.

---

[44] *Temporary Assistance for Needy Families: First Annual Report to Congress* (U.S. Department of Health and Human Services, August 1998).

Section 1:
The Planning Phase

The Governor's Task Force on Welfare Reform

In May 1995, Governor Sundquist appointed select members of his cabinet to serve as the Task Force on Welfare Reform. Chaired by the Governor's Policy Chief Leonard K. Bradley, and consisting of commissioners Dr. Linda Rudolph (Department of Human Services), Dr. Jane Walters (Department of Education), Mr. Al Bodie (Department of Labor), Ms. Margaret Culpepper (Department of Employment Security), and ex-officio members Dr. Fredia Wadley (Department of Health) and Mr. Bob Corker (Finance and Administration), the Task Force was charged with the following: *Develop a welfare reform plan for Tennessee that will emphasize cutting unemployment among welfare recipients by promoting responsibility, self-sufficiency, and parenthood.*

At the outset, the Governor placed great emphasis on coordination and cooperation among the respective agencies, all of which would play key roles in any welfare reform plan. Additionally, each agency was asked to assign appropriate senior staff members to a working group to be led by Mr. Bradley. This group was to consist of persons experienced in Tennessee's earlier welfare reform efforts and would be responsible for developing detailed information to be used in policy development by the Task Force.

In developing the plan, the Task Force followed the general approach outlined below:

- Identify and build on the strengths of earlier reform programs within the state.
- Identify welfare reform practices in other states for possible application to Tennessee.
- Identify new or innovative ideas for possible application to Tennessee.
- Measure the impact of any changes.

Strengths of Earlier Programs

The Task Force recommended that the single-agency management design utilized in the VICTORY and JOBSWORK programs be part of the plan.

Nationally and in Tennessee, the original WIN program was limited by its administrative structure, which operated something like a government trust. Both funding and job service design were vested in state employment security agencies for the use and benefit of welfare recipients, whose eligibility and support services were the responsibility of a different agency — the state welfare agency. As welfare agencies had little leverage over the use of WIN funds or the design of employment and training services for recipients, there was a tendency by employment agencies to absorb the funds into their general operating budget and to develop generic programs that fit both welfare recipients and the general population alike. Tennessee's VICTORY and JOBSWORK designs replaced the former WIN administrative structure with one that consolidated responsibility for management, finance, and accountability within a single agency — the Department of Human Services. The Task Force believed this structure was essential to maintain a broad network of employment and training providers, tailor employment and training programs to the needs of welfare recipients, and monitor performance outcomes — elements it believed were critical to the success of welfare reform.

The Task Force recommended that the JOBSWORK program design for employment and training components be part of any new plan. The general design was as follows:

Adult Education Programs

In 1995, less than half of Tennessee's AFDC caretaker population had finished 12 years of education.[45] Under JOBSWORK, DHS and the Department of Education (DOE) developed a cooperative funding arrangement to build a statewide network of Adult Basic Education (ABE) and General Education Degree (GED) programs for AFDC recipients. The project also provided child care and transportation, if needed.

The Fresh Start Program

Developed by Dr. Linda Thurston, Kansas State University, for the JOBSWORK program, Fresh Start is a short-term, life-skills training course that provides recipients who have little work experience with the skills needed to make a successful transition

---

[45] *Aid to Families with Dependent Children, 1995 Case Characteristics Study* (Knoxville: The University of Tennessee Center for Business and Economic Research, College of Business Administration, December 1995).

to the workplace. Among the subjects addressed in the training are money management, parenting, health, nutrition, and intensive job readiness training.

Job Search/Job Club

This component was developed for recipients with a high school diploma or GED and those recipients interested in going directly to work. Such recipients begin individualized job search using automated job listing data, usually with the help of a job service specialist under contract with DHS. An alternative approach is to carry out such activities within a group, or Job Club, setting, usually with supervision and support of a specialist.

Community Work Experience Program (CWEP)/ On-Job-Training (OJT)/Community Service Jobs

For recipients unable to find work through Job Search, the CWEP program helps them find unpaid work with a public or community non-profit agency to gain needed work experience. Child care and transportation are available, and hours do not exceed the amount of the AFDC grant. Similarly, On-Job-Training (OJT) is used when private-sector jobs are available and funding is available to subsidize employment. Community Service Jobs is a variation on CWEP that limits work to community non-profit agencies but does not provide subsidies to employers.

Job and Skills Training

Generally used for recipients with both education and work experience who are interested in career advancement, Job Training courses are provided through a network of community agencies, colleges, and technical schools. Job Training is based on the needs of employers in each community. Pell grants and Vocational Rehabilitation services may also be available to defray the cost of such training.

Child Care/Transitional Child Care

The Family Support Act of 1988 mandated child care as a support service when needed by recipients and former recipients to gain or maintain employment. To assist recipients in making such arrangements, JOBSWORK established a child care broker network that identified available child care providers in the community. This service, along with the DHS child care referral line, had proven to be very helpful for recipients trying to locate resources within their communities. In 1995, for example, the brokers served over 20,000 families. Nevertheless, 50.0 percent of AFDC caretakers surveyed that year reported that they would require child care assistance in order to work.[46]

Child care was perhaps the most critical and complex issue of all the needed support services. The Task Force recognized that if Tennessee's welfare reform plan called for broad-based participation, which was likely, many important child care issues would need to be addressed for the plan to be successful. As the child care discussions at public meetings and legislative briefings evolved over the coming months, it became clear that the issue warranted special study. In January 1996, the Governor appointed a Task Force on Child Care. Discussion of that group's work is provided below.

Transitional Health Care

The JOBSWORK program provided 12 months of transitional Medicaid for families exiting the welfare program because of earnings. As many entry-level jobs did not include health care coverage, and because over 30.0 percent of recipients interviewed gave health problems as a reason for not working,[47] this work support was vital to the success of any welfare-to-work program. The Task Force recommended that transitional health care benefits be included in any reform plan adopted and that children's immunization and health checks be mandatory for parents.

Transportation

Because nearly 17.0 percent of AFDC caretakers gave "lack of transportation" as a reason for not working, and because only 42.0 percent lived in a house with a car,[48] the

---

[46] *Aid to Families with Dependent Children, 1995 Case Characteristics Study.*

[47] *Ibid.*

[48] *Ibid.*

Task Force viewed continuation of JOBSWORK's transportation support as an essential ingredient to the plan.

Financial Incentives

Two important financial incentives were seen as necessary to the success of the new plan, and the Task Force believed that even more emphasis should be given to both:

1. The Earned Income Tax Credit (EITC) – This incentive is a refundable tax credit for low-income wage earners approved by Congress in 1975, permitting the Department of the Treasury to issue cash supplements—monthly through employers and annually through the tax system.

2. AFDC Earnings Disregards – Tennessee and 16 other states had federal approval to expand earnings disregards for AFDC recipients through the budgeting process called "Fill-the-Gap." If there was a gap between the amount of the family's AFDC grant payment and the state's Need Standard (i.e., the amount the state computed as necessary to meet the family's financial need), the family could retain earnings and/or child support payments up to the gap amount. In 1994, for example, Tennessee's Need Standard for a family of three was $426 per month, and it's maximum AFDC grant for the same size family was $185. Thus, the family could earn $241 before their AFDC grant was reduced.

Case Management

To coordinate the various employment and training activities, along with the support services needed to participate in them, JOBSWORK had provided case management services via contract providers, including the departments of Employment Security, local Job Training Partnership Act agencies (JTPA), and Community-Based Organizations (CBOs). A more comprehensive program would require similar but expanded oversight and support for the participants.

Welfare Reform Practices in Other States

After reviewing a number of state welfare reform programs (including Georgia's Personal Accountability and Responsibility Project, Florida's Family Transition Program, California's GAIN Program, Colorado's Personal Responsibility and Employment Program, Iowa's Family Investment Program, Rhode Island's Pathways to Independence Program, Oregon's Jobs Plus Program, Wisconsin's Work Not Welfare Program, and Vermont's Family Independence Program), the Task Force recommended that the following components from other state projects be adopted for Tennessee:

Time Limits

By 1995, about half the states had placed lifetime and/or intermittent time limits on the receipt of benefits for at least some AFDC recipients.[49] Although the length of lifetime limits varied from state to state, as did the periods for receipt of intermittent benefits (i.e., those periods after which cash assistance would be stopped before recipients were again eligible), common to all time limit projects was the idea that temporary benefits would provide a strong incentive to work for those recipients who were able to work.

Florida may have been the first state to implement time limits, introducing the policy in 1994. Early results indicated that the state's Family Transition Program (FTP), which combined employment and training services with a 24-month time limit, had increased the percentage of working recipients; 52.0 percent of the FTP group was working after two years compared with 44.0 percent of the regular AFDC group.[50]

After reviewing various state approaches, the Task Force was convinced that the concept of temporary assistance, combined with strong support services such as those cited above, was the kind of fundamental change needed to improve the welfare system in Tennessee. Specifically, the Task Force recommended that cash assistance be limited to a maximum of 12 months for any one period, followed by a 12-month period of ineligibility during which transitional services would be available for 12 months. An exception to the 12-month "intermittent" eligibility period would be allowed in the case

---

[49] *Time Limits and Welfare Reform*, National Council of State Legislatures Brief, Vol. 4, No. 9, February 1996.

[50] Dan Bloom et al., *The Family Transition Program: Implementation and Interim Impacts of Florida's Initial Time-Limited Welfare Program* (Manpower Demonstration Research Corporation, March 1998).

of economic hardship (i.e., where a county's unadjusted unemployment rate, as reported by DES, is twice that of the state's unadjusted unemployment rate). As a result of public comments and legislative hearings, the period of eligibility was increased to 18 months (plus the 6-month economic hardship extension), and the period of ineligibility following an 18-month spell was reduced to 3 months. The length of time transitional benefits were available was also expanded to 18 months.

Work Requirements

Although JOBSWORK had been a voluntary work program, it was so by virtue of the fact that adequate state funding was not available to extend federally-mandated child care and transportation services to Tennessee's complement of potentially eligible participants. Even so, JOBSWORK could not serve all recipients interested in the program. On the other hand, there was ample evidence from case worker reports that a significant number of able-bodied recipients would not volunteer. Imposition of time limits would place these families in jeopardy of losing benefits without the proper preparation for separation from AFDC.

Virtually all other states required mandatory work participation as part of their welfare reform plans. Many, in fact, imposed a "work first" requirement on recipients before any other employment and training services were available. The Task Force concluded that work requirements should be mandatory and subject to sanctions of total family ineligibility if recipients failed to comply.

The Task Force also recommended that recipients have a full-time (40 hours per week) work requirement, and that recipients' work plans be tailored to their specific needs. If the recipient had no work experience, for example, job readiness training through the Fresh Start and CWEP programs could be substituted for work hours. Similar substitutions (up to a maximum of 20 hours per week) could also be made for work-related education or training, such as ABE and GED, and up to 12 months of vocational education training were recommended. Because eligibility for cash benefits would be time-limited, the Task Force did not recommend substitution of other post-secondary education courses for the work requirement.

As a result of public comments and legislative hearings, the 40-hour-per-week work requirement was adopted by the General Assembly, but the 20-hour-per-week limitation on the number of education and training hours that could be substituted for work hours was eliminated. In short, recipients still had a 40-hour-per-week commitment to work or work-related activity, but no limitation was placed on the number of hours that could be substituted between work and education or work-related activities. Additionally, hours of post-secondary education were added to the work-related category of activities that could be substituted for hours of work.

The Task Force recommended that work plans be developed for each recipient detailing both type of work activities and needed support services. The plans would be monitored by case managers, who would coordinate work support services and impose sanctions for non-compliance with plans when appropriate.

Exemptions from Time Limits and Work Requirements

Most states saw the need to exempt certain categories of individuals from time limits and work requirements. The Task Force recommended the following temporary or permanent exemptions from work and time limits:

- → Non-parental caretaker relatives.
- → The disabled.
- → Those temporarily incapacitated.
- → Aged caretakers (60 or older).
- → Parent of a newborn (under 4 months of age).
- → Caregiver of certain disabled children or adult relative in the home.

Later public comments and legislative hearings would broaden the list of exemptions. These modifications are discussed in Section 2, The Legislative Process.

Family Life Obligations

Marriage and Child Support. In 1995, 9 in 10 children receiving AFDC in Tennessee were dependent because of a parent's absence and failure to contribute financial support.[51] Only 14.0 percent of the families were receiving child support payments. Clearly, more effective paternity and support enforcement policies were needed. The Task Force recommended that AFDC caretakers cooperate in establishing child support or paternity. Failure to do so without good cause would result in total family ineligibility for AFDC benefits.

To facilitate the location of an absent parent, employers would be required to report "new hires" to the Department of Employment Security within 30 days. Additionally, certain licenses, including driver and professional licenses, would be revoked if absent parents failed to pay support.

The Task Force recommended that existing marriage penalties attached to AFDC be removed. A recipient who married during receipt of assistance, for example, would continue to be eligible for AFDC, if otherwise eligible, and both parents' needs would be computed for AFDC grant purposes. Additionally, the state share of any child support arrearage owed by an absent parent reuniting with the family would be suspended.

Parenting and Child Well-Being. Most state plans called for mandatory measures to strengthen parenting and improve the well-being of children. The most common duties imposed on AFDC parents were:

→ Mandatory school attendance for children.

→ Mandatory immunizations and health checks.

→ Mandatory inclusion of teen parents in the family unit, unless such arrangement would endanger the teen or her child.

→ Mandatory school attendance for teen parents, unless an alternative educational or training plan is more appropriate.

[51] *Aid to Families with Dependent Children, 1995 Case Characteristics Study.*

Heeding the Governor's charge to promote responsibility and parenting, and recognizing that the above measures are basic elements of individual and family well-being, the Task Force recommended that the measures be adopted for Tennessee's plan. Failure of parents to comply with the immunization and health checks and the mandatory school attendance provisions without good cause would result in an AFDC reduction of 20.0 percent. Teen parents would not be eligible for AFDC unless the living at home and school attendance provisions were met.

Family Cap Policy. In 1992, New Jersey implemented a policy decreeing that parents would receive no payments for children born after the family had enrolled in the AFDC program. The original intent of the family cap policy was to curb the rising rate of out-of-wedlock births among recipients, which had increased from 18.4 percent in 1980 to 30.1 percent in 1992.[52]

The policy was highly controversial, with critics charging that it would undermine the financial well-being of children and encourage abortion among women on welfare. New Jersey moved forward, reasoning that other policies had not stemmed the tide of extra marital births. Early reports based on the New Jersey agency's own data indicated that the new policy was having the desired effect, cutting the out-of-wedlock birth rate by 10.0 percent after 18 months.[53]

By 1995, 13 additional states had adopted the policy.[54] The Task Force recommended that the family cap policy be part of Tennessee's overall reform plan.

New or Innovative Ideas

During the course of its work, the Task Force identified several promising ideas that were just emerging from experimentation in Tennessee and other

---

[52]National Center for Health Statistics, October 2000.

[53]Robert Rector, *The Impact of New Jersey's Family Cap on Out-of-Wedlock Births and Abortions* (Heritage Foundation, September 6, 1995).

[54]*State Implementation of Major Changes to Welfare Policies, 1992-1998, Table W-5, Approval and Implementation of Family Caps* (U.S. Department of Health and Human Services, The Administration for Children and Families); available at: http://aspe.hhs.gov/search/hsp/Waiver-Policies99/W5fam_cap.htm.

states. As the "working plan" for Families First was presented for public discussion and legislative hearings, the Task Force continued to work on a number of these concepts.

IDAs

First conceived in 1991 by Michael Sherraden of Washington University at St. Louis,[55] an Individual Development Account complemented work programs for welfare recipients by allowing them to accumulate savings for certain purposes without exceeding resource limits for the program. These assets could be put to use for housing, education, business investment, or other purposes that would advance recipients' economic condition. By 1994, several Midwestern pilots, including community-based projects in Illinois and Wisconsin, were beginning to operate with funding from the Joyce Foundation. The Task Force believed that asset-building was an important ingredient to the long-term success of recipients moving toward self-sufficiency and recommended that a similar pilot be tried in Tennessee.

The Nashville Renewal House

During a brief period in 1995, the Davidson County Juvenile Court documented that out of 659 neglect/dependent cases filed in that court, over 60.0 percent involved cocaine-addicted mothers. Over 50.0 percent of the children in these cases were 6 years of age or younger. Placing these children in foster care costs the state $11,084 per child.

Modeled after a similar program in Knoxville, where 2 out of 3 mothers admitted to the residential program graduated and 75.0 percent of those who graduated retained custody of their children, the Nashville Renewal House Demonstration Project would test whether welfare families at risk of being broken apart due to the addiction of the mother to crack cocaine could be preserved through a residential treatment program where the children and mother live together. The program would be voluntary, and services would include assessment, evaluation and diagnostic services, inpatient medical detoxification, intensive outpatient substance abuse treatment, outpatient counseling, recovery programs, and aftercare services. Families First employment, education,

[55]Michael Sherraden and M.E. Sharpe, *Assets and the Poor: A New American Welfare Policy* (Armonk, NY, 1991).

training, and case management services would be available, along with support services such as child care and transportation. Life skill classes, parenting training, and classes in infectious diseases and general health would also be available.

The Full Employment Project

Developed by the American Institute for Full Employment and brought to the Task Force's attention by the Hyde Family Foundation, the Full Employment program (which was operating in a number of states, including Virginia, Mississippi, and Oregon) was a public/private venture to help recipients who were unable to find unsubsidized work obtain jobs through subsidized employment. AFDC applicants and recipients placed in the program would have their cash grant and the value of their food stamps diverted to a fund used to partially subsidize the employer for up to six months. The applicant/recipient would work regular hours and be paid regular wages.

Employers choosing to provide subsidized jobs would enter into an agreement with DHS stating that the subsidized job was newly created and did not displace regular employees. Additionally, the employer would also agree to provide necessary training and mentoring and would contribute $1.00 per hour to the recipient's IDA account.

The Full Employment program also offered applicants the option of accepting a one-time cash diversion payment, equivalent to the AFDC grant payment, for three months. Acceptance of the diversion payment would not preclude the individual from later receiving monthly cash benefits. However, repayment of the one-time cash payment would be recovered by a 10.0 percent reduction in future grant payments. The Task Force endorsed the program for Tennessee based on early returns from some of the states indicating that participants were being held over after the six-month subsidy period and that the grant diversion and employer IDA contribution features were working well.

Stabilization of Housing Costs

Successful transitions from welfare to work are often thwarted because of the "notch-effect"—a process that produces diminishing financial returns for recipients as their earnings increases are offset by reductions in their government benefits. Without some form of graduated reduction in means-tested benefits, the increase in wages can result in a decrease in overall income. Some programs, like the Food Stamp program, attempt to moderate this effect by reducing benefits by a ratio of one to three, a $1.00 reduction in benefits for each $3.00 increase in earnings. AFDC, too, offered work incentives by allowing a portion of increased earnings to be disregarded.

For public housing, however, where 38.0 percent of Tennessee's AFDC recipients resided,[56] there was no such offset against increased earnings. Public housing rents or payments under Section 8 housing went up in direct proportion to the increase in earnings. The Governor, who promoted the idea of stable and affordable housing for recipients, brought this issue to the attention of the Task Force, recommending that Tennessee seek waiver authority from the federal Housing and Urban Development agency (HUD) to permit a period of rent stabilization for public housing tenants and housing payment stabilization for Section 8 residents whose earnings increased. DHS submitted the request, and in April 1996, HUD approved a plan. The waiver approved rent stabilization for Families First participants living in public housing for the period they received cash assistance and for an 18-month transition period following receipt of aid. Payment stabilization was available for Families First participants with Section 8 payments during the receipt of cash assistance, but federal law did not permit waiver authority for a transitional period for these persons.

Measuring the Impact of Changes

Should the AFDC program be replaced with a program similar to the one being considered by the Governor and the Task Force, virtually every aspect of the existing welfare system would be changed. Although there were excellent models to draw from, including Tennessee's own reform efforts and those of other states, the impact of making such changes had to be measured and the plan's ongoing operation monitored and evaluated. As the broad outline of the Families First plan came together, the Task Force began to address the effect of these changes. In doing so, the Task Force followed the general outline below:

---

[56] *Aid to Families with Dependent Children, 1995 Case Characteristics Study.*

Baseline Study of AFDC Families

Data available from existing sources, such as administrative data from AFDC and JOBSWORK programs, were useful in projecting service levels and costs of child care, transportation, and training, but were of limited value in assessing the characteristics and needs of the overall population to be served. To gain more insight into this and establish a benchmark for future reference, the University of Tennessee's Center for Business and Economic Research, College of Business Administration, was asked to conduct a baseline study of Tennessee's AFDC families as of October 1995.

Extensive surveys of AFDC families, combined with administrative data from the DHS automated system, ACCENT, produced the following profile of the AFDC families at that time:

Average Family Size	2.6 persons
Average Age of Caretaker	32.1 years
Average Age of Youngest Child	4.8 years
Average Age of Oldest Child	9.4 years
Sex of Caretaker	94.9 % female
Race of Caretaker:	
Black	52.8 %
White	46.4 %
Caretakers with High School Diploma	50.0 %
Caretakers Receiving Child Support	14.1 %
Public Housing/Rent Subsidy	38.0 %
Live in a House with Car	42.0 %
Have Telephones	73.4 %
Have Worked in the Past	90.3 %
Presently Working	20.0 %
Main Reasons for Not Working:	
Health	33.0 %
Transportation	17.0 %
No Child Care	12.0 %

Budget Planning

Using information from multiple data sources, including ACCENT, the *1995 Case Characteristics Study*, and JOBSWORKS, along with input from comments made at public meetings, the Administration presented the General Assembly with the following 1996–1997 Improvement Budget for Families First:

Child Care	
Child Care Services for the Estimated 34,00 Additional Families Required to Participate in Work and Training Programs	$40,834,800
Expanded Child Care Broker Services	$3,296,100
Funding to Leverage Additional Head Start Dollars	$625,000
Total Increase for Child Care	$44,755,900
Training and Support Services	
Adult Education	$2,359,200
Fresh Start Training	$1,348,200
Job Training	$5,672,200
Transportation	$10,575,900
Support (i.e., dental, glasses, etc.)	$356,000
Job Clubs	$4,071,800
Testing	$84,700
Total Increase for Training and Support Services	$25,468,000
System Changes	$1,360,000
Total Increase for System Changes	$1,360,000
Grand Total of Families First Increase	$71,583,900

Following legislative committee meetings, an additional sum of $2.4 million was added to the budget by the House Finance Committee, and the Senate Finance Committee amended the budget to liberalize the "Fill-the-gap" incentive process by conditionally approving an increase in the AFDC Standard of Need.

The Working Plan

By September 22, 1995, a broad plan for Families First containing the elements discussed above (with the exception of the innovation practices, which were still under development) was approved by the Governor for discussions with interested parties, including business and faith-based leaders, recipients, agency personnel, community and non-profit groups, advocates, and others (see below). On November 8, 1995, at the annual Governor's Conference on Economic and Community Development, Governor Sundquist unveiled a working plan for Families First. Characterizing it as a starting point for full and open discussion, he announced that legislative briefings and legislation would follow. On January 31, 1996, Senator Ben Atchley and Representative Beth Halteman-Harwell, the Families First prime sponsors, filed Senate Bill 3151 and House Bill 3034 with the Tennessee General Assembly.

The Governor's Task Force on Child Care

In order for Families First participants to meet the training and work requirements of their Personal Responsibility Plan, the families required adequate and reliable care for their children. While many children attended school most of the year and others were cared for by relatives, concern grew about the adequacy of available child care in Tennessee to meet program needs. The *1995 Case Characteristics Study* indicated that approximately 50.0 percent of AFDC recipients must receive paid child care services under Families First.[57]

In January 1996, Governor Sundquist appointed a task force to study the availability, affordability, costs, and quality of child care as they related to the legislation on Families First and to make recommendations based on their findings. Ms. Margaruite Sallee, former Department of Human Services commissioner and chairperson of Corporate Family Solutions, chaired the task force of 54 business, social services, governmental, and religious leaders. An advisory committee of 23 Department of Human Services and related agency staff members supported the work of this task force.

---

[57] *Aid to Families with Dependent Children, 1995 Case Characteristics Study.*

Three principles were established for the basis of the study:

- → It is better for people to be gainfully employed, but their children must be protected and cared for;
- → It is in everyone's best interest to see that children have the best possible start in life; and
- → Since a child's ability to learn is formed early in life, child care needs must be understood and addressed (Governor's Task Force on Child Care, State of Tennessee, Spring 1996).

Of particular concern were questions about the availability of care in rural areas, care for parents working non-traditional schedules (nights and weekends), indicators of quality, and how the costs for quality child care could be met.

The report served as an excellent guide for policymaking and for the improvement of services at the present time and into the future. Many recommendations of the report have been accepted and written into law by the General Assembly or incorporated into the procedures of the Child Care Unit of the Department of Human Services.

Among the actions taken by the Sundquist Administration as a result of the report are:

- → After passage of the Families First Act, grants of $40,000 were awarded by DHS to each local Families First Council to enhance existing child care facilities or to create new services. The councils accepted proposals and determined the most efficient ways to use this money to expand the supply of child care in their area. Special attention was given to proposals that addressed the need for weekend or night care. This effort, along with the increase in working welfare and former welfare recipients, and steadily improving child care rates, drove up the number of subsidized child care enrollments from 38,340 in January 1996 to 56, 500 at the present time.
- → Reimbursement rates to centers were studied (by city or county) and adjusted to be more competitive with the rates charged by other child care facilities in the area. The Task Force recognized the limitations of the state budget but believed that raising the providers' reimbursement rate would be beneficial in attracting new facilities and improving quality. The child care rates paid by

DHS at the time of the study were based on 55.0 percent of the private market rate, meaning that parents were reimbursed at rates reflecting what 55.0 percent of parents in the private child care market paid. Based on the Task Force's recommendation, the rate has steadily increased until presently the rate of reimbursement is set at 70.0 percent of the private market rate.

- The Sundquist Administration encouraged churches and businesses to add child care through individual or cooperative arrangements. A law already on the books, which provided a one-time tax break for businesses implementing child care, was more widely publicized. Families First councils and regional DHS offices worked with churches to assist them in evaluating their facilities in light of child care facilities requirements.

- The locations of the training provided by the Tennessee Early Childhood Training Alliance (TECTA) were expanded in order to reach more child care providers. The Tennessee Board of Regents and DHS worked together to provide training programs in institutions of higher education across the state so that providers and workers could pursue certification or a degree. Additionally, scholarship money for tuition and books was increased by the Department of Human Services to support more participants and higher levels of education.

- Information about good business planning and practices was incorporated into the TECTA curriculum, and seminars were presented by other professional organizations. The Task Force report pointed out that many child care providers faced financial problems because of a lack of understanding of these topics.

- A rating system for determining quality was established with criteria to address adult/child ratios, the experience and education of child care workers, the teaching/learning curriculum, and safety and health guidelines in order that parents might have better indicators of quality. The General Assembly, at a later time, strengthened the guidelines on the transportation of children in child care vans in order to provide greater safety for children.

- The Department of Human Services developed a public service campaign with brochures, posters, and public service announcements describing quality. The Task Force had been very concerned about involving parents in the care of their children and addressed the need to educate parents about components of quality child care.

- → An additional 76 child care licensing counselors were employed to provide for enhanced technical assistance to providers and to increase the number of site inspections.

There were additional recommendations in the report related to implementing a recognition and rewards program, training Families First participants to be child care providers, rewriting local zoning laws, and implementing an ongoing evaluation system to monitor the child care system in Tennessee. From all the recommendations of this Task Force report, the Department of Human Services, with the collaboration of staff in related agencies such as Health and Education, developed a long-range plan for the improvement of child care in Tennessee.

The report concluded that child care in Tennessee has become a growing business that affects the economic condition of communities. The members of the Task Force recognized the relationship between quality child care and the growth of a community. Improved child care means workers who are more productive because they have fewer concerns about their children, and workers who miss fewer days of work and find their jobs more satisfying. Improving the quality of child care means that Tennessee is preparing the workers of tomorrow with a sound foundation for higher achievement in school and on the job. The Sundquist Administration was concerned not only with preparing the adults in Families First for productive work, it was also focused on preparing the children in the families of this program for a brighter future.

Involvement of Business and Faith-Based Leaders

The changes proposed by the Governor's Task Force on Welfare Reform were profound. Although there had been countless AFDC policy changes over the years, many of them relating to work and eligibility for benefits, never before had there been such a fundamental shift in the program's purpose and goals — from an entitlement program to a time-limited, temporary-assistance program; from voluntary work and training participation to mandatory participation in work and training; from encouragement and support for family life obligations to mandatory policies reinforcing such obligations.

Because of this, the Governor was committed to the broadest possible dialog on the changes. Two groups with great interest in the proposed changes were business and faith-based organizations. Although the subject matter of discussions with leaders of these groups often took different paths, communication with both remained open and constructive throughout the planning, legislative, and operational phases.

Business Leadership

As discussed earlier, until recent years, the performance of employment and training programs for welfare recipients was very poor. Both CETA and WIN had failed to find jobs for recipients or to develop solid working relationships with the private sector. Aware of this, and committed to establishing better linkage between government and business, the Sundquist Administration took the lead in asking the business community how to fashion programs that would meet both their needs and those of welfare families.

Meetings with members and leadership of the Tennessee Business Roundtable produced candid and valuable information on this point. First, the business leaders advised that policymakers and bureaucrats often do not listen to what business has to say. As a result, business is often hesitant to participate. Next, they indicated that the programs are too complex, unwieldy, and poorly managed by the agencies in charge. Finally, they expressed great frustration over the fact that the programs of the past have not worked.

Committed to improving the process, the Administration asked for specific recommendations for Families First. One of the first requests was for training that focused on the workplace needs of employers. Timely and dependable attendance, for example, is basic and essential—prospective employees must understand this. They also pointed out that employees must have workable transportation and child care plans, along with sound backup plans. Dress, grooming, and conduct on the job are important to most employers, and training should address these elements. Employers said it was essential that employees be drug-free, honest, and able to communicate effectively with the employer and the public.

The Administration asked business leaders to design the workplace training package and agreed to include this in Families First training. To ensure ongoing communication between business and government, a commitment was made to continuously survey employers in each county to determine if the workplace issues were being addressed and/or were changing.

The Administration also proposed to involve business leaders in ongoing program planning at both the state and county levels, and to become actively involved with associations such as Chambers of Commerce, Rotary, and the like. On a broader scale, plans were discussed to develop on-site training support for business that might include literacy and GED courses, as well as industry-specific training.

Further, the Families First case management function would be designed to support planning for child care and transportation. Case managers would be available to discuss workplace issues and problems with employers. To supplement case managers, a statewide mentoring system of local volunteers would be established to assist recipients with breakdowns in transportation or child care plans, and other support services.

As mentioned earlier, the American Institute for Full Employment's Full Employment program incorporated features that worked well for recipients and business alike. The idea of partially subsidizing employers for six months was attractive to the business community because it would help defray the cost of training new, generally inexperienced employees. Additionally, although this period was marked by a relatively robust economy, the Full Employment program would be very well suited to recessionary periods, when employers would normally be tentative about creating new jobs or adding new staff. During such times, trial jobs would be mutually beneficial to everyone involved.

Faith-Based Leadership

Faith-based organizations have always been an invaluable support to the state in serving AFDC and other low-income families. Contributing in every county in Tennessee, such groups provide essential services that government does not: food pantries, child care centers, second-hand clothing stores, homeless shelters, emergency relief, and family counseling and support. Not only are these entities staunch allies in service delivery, but they provide an important perspective in policy development for the families served. Their continued support is critical to the success of Families First, and their counsel helpful in planning the program. For these reasons, the Administration solicited their participation and input.

Dialog with faith-based groups took several forms. The Governor asked representative leaders from different faiths to work as an informal judicatory leadership group to assess the state's plan and provide input. Additionally, meetings were held with individual ministers and groups in Davidson and other counties to discuss Families First and to listen to the issues raised by the plan. The chair of the judicatory group, Bishop Kenneth L. Carder, United Methodist Church, was also asked to serve on the Governor's Child Care Task Force.

Although the meetings produced several important issues regarding Families First, virtually all groups agreed with the overarching goals of replacing welfare with work, strengthening family life, and promoting personal responsibility. Additionally, there was a strong commitment to work with the Administration on developing and implementing the program.

The major issues raised by the faith-based community related to the penalty aspects of the program. Specifically, the groups strongly opposed proposals to apply total family ineligibility as a sanction for parents failing to comply with the terms of their Personal Responsibility Plans, and the family cap provision that would deny additional payments for children born after the family was on welfare. The group pointed to several states that exempted children from imposition of financial sanctions. They also feared that the family cap provision would encourage abortions among welfare mothers.

In ongoing discussions, the Administration agreed to weigh both issues and continue discussions, but was convinced that strong penalties to reinforce both work and family life obligations were needed. Before the legislative session had ended, the Governor, Mr. Bradley, and Commissioner Rudolph had additional meetings on the issues with faith-based leaders.

Public Comments

Throughout the planning phase for Families First, the Task Force asked various interest groups for input on specific issues being discussed. As the broad outline of the plan began to take shape in September 1995, the Task Force conducted several comment sessions for invited guests, including the Tennessee Business Roundtable, Dollar General

Corporation, Tennessee Commission on Children and Youth, Tennessee Conference on Social Welfare, Legal Services of Tennessee, Tennessee Nonprofit Association, Tennessee Hunger Coalition, United Neighborhoods, Inc., Tennessee Board of Regents schools, metropolitan social services, human resource agencies, child care broker agencies, Job Training Partnership Act agencies, adult education centers, AFDC recipients, and the Tennessee departments of Human Services, Labor, Employment Security, and Education.

As with the faith-based leadership, there was general agreement with Families First's goals, but concerns were expressed with respect to specific policies, funding, and operation of the program. Although there were varying points of view, the following comments are representative of a significant number of participants:

Policy

- → Exemptions or extensions to participation requirements should be available when recipients live in high unemployment areas, are in pursuit of further education, or encounter problems beyond their control, such as the inability to obtain child care or transportation.
- → Post-secondary education should be an allowable work activity.
- → Adult education participants should not be required to work.
- → All transitional services, including TennCare, should be available for 18 months after case closure.
- → Provision should be made for families needing extended benefits after reaching their five-year lifetime time limit.
- → The provision requiring recipients to remain off welfare for 12 months, following an 18-month period of eligibility, should be reduced.
- → Financial penalties for non-compliance should be limited to parents, not applied to children.
- → "Good Cause" exceptions should apply in any penalty situation.
- → The family cap provision should be removed from the plan.

Funding

- → If adequate funding for increased activities and services is not available, the scope of the program should be cut back to budgeted levels.
- → Child care rates must be increased and quality child care provided.
- → Conflicting viewpoints were advanced on informal child care arrangements. An equal number supported a ban on informal child care arrangements as supported the proposition that such arrangements should be permitted.
- → Greater earnings incentives are needed. Both the AFDC grants and the Standard of Need should be increased.

Program Operation

- → Additional staff are needed for case management activities.
- → Additional training must be provided for case managers and supervisors.
- → Systems changes will be necessary.
- → As case managers must assume additional responsibilities, eligibility programs should be simplified.

The Administration held firm to certain aspects of the working plan, such as time limits, work requirements, and family life obligations, but believed many of the issues raised during the meetings were important public policy matters that should be fully explored by the Administration and the appropriate committees of the General Assembly. Agreeing to continue listening and working with the parties involved, the Administration moved in that direction.

Agency Planning [58]

General preparations for implementation of Families First began in the fall of 1995. At that point, it appeared likely that either state or federal welfare reform legislation (possibly both) would pass. There was also a chance that the implementation period for either might be short, allowing little time for a smooth transition. To minimize this, DHS began to examine ways to bring its existing service delivery system into line with the following demands of a new program:

- → Shifting from a benefit issuance system to an employment support system;
- → Acquiring the case management and supervisory skills necessary to do this;
- → Building strong links with business, the community, and project partners.

Workshops and Planning

With the assistance of the University of Tennessee School of Social Work, the DHS central office and district and county managers began the planning process with a series of structured workshops that explored effective change management techniques, the experience other states had gained from welfare reform transition, and elements of strategic planning. Each session built on the work from the prior session until a statewide implementation plan was developed, along with a strategic plan for each county. The plans addressed the need for a strong team approach within DHS and its project partners. Concurrently, central office staff began gathering data on a county by county basis for the purpose of providing preliminary projections of case load demographics, estimated contract service needs, and contract staffing projections. These data were presented to area managers and district directors for review and modification as they deemed necessary. Local county offices assumed responsibility for contracting for education, training, and employment services at the local level. To ensure continuity of services and provide needed experience, most services were purchased from providers who had contracted with DHS under the JOBSWORK program.

---

[58] The source for this information is the Department of Human Services' *Implementation Progress Report,* 1997.

The following training materials were developed to strengthen the agency's ability to manage the new process:

- A case management curricula and handbook were prepared by Dr. Linda Thurston, Kansas State University, and Dr. Beverly Ford, Consultant, to provide DHS counselors with the skills necessary to support recipients moving from welfare to self -sufficiency.
- The same consultants developed training materials for first-line supervisors to prepare them for supervising case managers.
- Training materials were developed to help case managers deal with special problems such as substance abuse, mental illness, domestic violence, and how to access available community resources.
- Periodic teleconferences were conducted, with the commissioner and all DHS managers participating, where broad goals and objectives were discussed.

The initial planning process evolved into three standing teams that would monitor implementation activities and coordinate the effort. These teams were:

The Local-Level Implementation Task Force

The Local-Level Implementation Task Force assumed responsibility for assessing what actions and activities needed to take place at the local level to ensure a successful transition to Families First. These tasks included developing new job plans for local staff, examining organizational issues, assessing staff development needs, planning for a phase-in of all AFDC cases, and designing ways to balance the work requirements of Families First and the ongoing eligibility demands of the Food Stamp and Medicaid programs. This group also began the process of preparing outcome measures for Families First and planned strategies to strengthen connections with community partners, including the business community.

The Policy, Procedures, and Automation Task Force

The Policy, Procedures, and Automation Task Force assumed the responsibility for planning the development of policies and procedures, preparing manuals for field staff, policy training, impacts on other programs, client awareness activities, automation needs, and continuing technical assistance to field offices.

The Service Delivery Task Force

The Service Delivery Task Force planned the contract process; explored staffing arrangements in county offices; planned curricula for component delivery such as Fresh Start, Job Search, Job Club, and Adult Basic Education services; as well as exploring the issues of child care, transportation, and other necessary support services.

District and Local-Level Planning

This planning and subsequent implementation of Families First was significantly strengthened by the involvement of senior managers at the district and local levels. These field supervisors and specialists worked on every aspect of the transition of AFDC to Families First, including, but not limited to, mechanisms for reinforcing and supporting programmatic and organizational culture, training, revision of job plans, performance evaluation, and team methods.

Section 2:
The Legislative Process

The Legislative Process

In January 1996, in his State of the State Address, Governor Don Sundquist asked the General Assembly to work with him to pass "compassionate welfare reform." The proposed legislation, an amendment to the current AFDC law, mandated the following requirements of the applicants for welfare and the existing 95,000 single- and two-parent families then receiving AFDC:

- A Personal Responsibility Plan (PRP).
- Engage in full-time work (40 hours per week) or part-time work in combination with a maximum of 20 hours per week of other training or work preparation activities for a total of 40 hours per week.
- Accept alternative referrals for other forms of financial assistance in lieu of AFDC, if eligible (ex: SSI, Vocational Rehabilitation).
- Keep all children in school.
- Secure required immunizations and health clinic screenings for children.
- Identify father(s) and assist in securing child support, unless good cause exists.
- Place and keep eligible children in kindergarten.
- Remain at parent's home (and in school) in the case of an unwed teen mother (unless extenuating circumstances exist).
- Attend Fresh Start and other classes or testing scheduled by DHS and cooperating agencies.

Those exempt from participation would include:

- Non-parental caretaker relatives.
- The disabled or those temporarily incapacitated (or those caring for a disabled relative child or adult in the home).
- Caretakers 60 years of age or older.
- Parents of newborn infants under four months of age.

Recipients not exempt would engage in full- or part-time work, or other training or work preparation activities consisting of:

- Employment.
- Work experience activities.
- On-the-job training.
- Job search and job readiness assistance.
- CWEP and Community Service programs.
- ABE, GED, or secondary school.
- Vocational education training for up to 12 months.
- Job skills training related to employment.
- High school or education related to employment for recipients 19 years of age or younger.

The state would agree to the following:

- For recipients in compliance with their PRPs, provide financial assistance for a single continuous period of 18 months, unless economic hardship exists (i.e., the county unemployment rate, as reported by DES, is twice the unadjusted unemployment rate for the state as a whole), in which case an additional 6 months of eligibility could be granted and a lifetime total of 60 months.
- Support services, including child care and transportation, would be provided during receipt of cash assistance. Provide transitional support, including child care and medical coverage, for 12 months following closure of the cash assistance case.
- There would be no increase in benefits for a family when a recipient becomes pregnant while receiving assistance.

Sanctions would be imposed in the following situations:

- Failure to comply with the work plan or the child support provision would result in total ineligibility for the family.

- Failure to comply with the immunization and school attendance requirements would result in a 20.0 percent reduction in cash benefits. Compliance would be required before the penalties were removed.

Additionally, the state would:

- Revoke certain licenses of absent fathers who fail to provide court-ordered child support (driver licenses, possibly professional licenses).
- Require employers to report "new hires" to DES within 30 days to facilitate child support collections.
- Include both parents in the cash assistance grant when the parents marry during receipt of assistance.
- Forgive the state's share of any of child support obligation if the family remains together.

Some 87 legislative hearings and caucus meetings were held during the 1996 legislative session to examine and discuss the proposal for welfare reform.

Legislative Compromises

As a result of the many discussions among legislative committees, numerous amendments to the proposed welfare reform bill were accepted. Leonard Bradley, Assistant to the Governor for Policy, pointed out that discussions with legislators, advocacy groups, and community organizations had made the Families First bill a better proposal and added more substance to the original framework. In addition to the Safety-Net and Family Cap compromises discussed above, a number of other substantive amendments were adopted:

1. Members of the clergy, organized labor groups, and advocates for the poor were very concerned about the provision to terminate families from receiving benefits for non-compliance with the program. The "Real Coalition on Welfare Reform," composed of social agencies that included groups such as the Catholic

Charities and the Tennessee Conference on Social Welfare, proposed a "Save the Children" amendment. This amendment would have cut off only the parent's portion of the monthly benefit—about $25 of a $185 monthly check for a family of three. Governor Sundquist, feeling very strongly that all benefits should be terminated, not just a small portion, threatened to veto his own bill if this amendment was accepted.

When the "Save the Children" amendment failed, another proposal suggested that the state pay rent and utilities directly to the utility company and landlord for those who were terminated from the rolls. The calculated cost to implement this amendment was over $100,000 annually, and it was not accepted.

A compromise amendment was negotiated with the amendment's sponsor and supporters whereby any case closed for a reason other than successful completion of a Personal Responsibility Plan would be referred to the Department of Health, which would monitor the family's well-being and visit the family within 30 days of the termination. Temporary assistance could be extended if, with the concurrence of DHS and the Department of Children's Services, the family needed such assistance to prevent the loss of housing, heat, light, or water, or to prevent the removal of the child from the parent's custody.

2. The original welfare reform proposal stated that cash benefits of participants would not increase as family size increased. However, a newborn child who fell under the family cap would be subject to child support, immunization, and school attendance requirements and would be eligible for Medicaid. Recipients who were pregnant at the time of application were exempt from this provision. The religious community was particularly worried about this provision, fearing that the family cap would increase the abortion rate in Tennessee and that children would suffer. After a meeting between the clergy, the DHS Commissioner, and the Governor, and follow-up meetings between the Commissioner and the clergy group, the provision was modified. New wording stated that if a family goes off welfare, and then returns at a later time, that entire family unit (including the financial needs of the previously exempted child) would be eligible for benefits.

3. Tennessee had one of the lowest Standards of Need in the country ($583 for a family of three), and the Standard of Need was scheduled for adjustment to $677 during 1996 as per previous legislation. The Administration was concerned about the financial impact on the state budget of this scheduled adjustment; therefore, a provision was included to allow the commissioners of Human Services and Finance and Administration to authorize a rollback if funds were short. Fortunately, up to this date, adequate funds have been available to meet the adjusted Standard of Need, and no rollback has been necessary.

4. Legislators had serious questions about the state's ability to provide essential services, such as transportation and child care. Therefore, an amendment was adopted to extend the time required to obtain employment or reach other goals, and for "good cause," should the state fail to live up to its commitment to provide these services as described in the Personal Responsibility Plan.

5. The Administration had proposed a 12-month transition period when TennCare and child care benefits would be provided. In order to ensure adequate support services for participants leaving the program and going to work, the General Assembly and the Administration agreed to increase the TennCare and child care assistance transitional benefit period from 12 to 18 months.

6. It was recognized that many participants on welfare do not have basic literacy skills and for this reason could not obtain and hold a job. Therefore, the bill was amended to provide that any participant functioning below ninth grade level would be excused from the work requirement until she/he achieved that level.

7. Realizing that Families First participants had to be prepared to meet the needs of the employers in the area, county Families First Councils were established by the law, composed mainly (60.0 percent) of employers, one family advocate, a member of the clergy, a recipient, and the Department of Human Services

area manager. The councils were formed to provide advice about employment and training needs and opportunities and to assess issues related to child care and transportation.

The law also established a 15-member state-level Families First Advisory Council, composed of representatives appointed by the speakers of the Senate and House and the Commissioner of Human Services to advise the Commissioner on issues related to the purpose, implementation, and evaluation of Families First.

8. The Administration had proposed that Families First participants be allowed to substitute a maximum of 20 hours of training, education, and/or work-related activities for part of the required 40 hours of work. The General Assembly added an amendment allowing any number of training, education, and/or work-related activities to be substituted for the 40-hour work requirement. The amendment also expanded the definition of allowable education activities to include post-secondary schooling.

9. It was recognized that reliable transportation was essential for participants if they were to be successful in finding and retaining employment. The "equity" value of a car (previously $1,500) which could be owned without financial penalty to the family was increased to $4,600.

10. Near the end of the session, the Administration proposed an amendment to establish a Full Employment pilot program as part of Families First. Patterned after the CWEP program, the Full Employment program was a public/private venture to help recipients who were unable to find unsubsidized work to obtain jobs through subsidized employment. AFDC applicants and recipients placed in the program would have both their cash grant and the value of their food stamps diverted to a fund used to partially subsidize the employer for up to six months. The applicant/recipient would work regular hours and be paid regular wages.

The project would also allow for a "grant diversion" process, which would offer applicants the option of accepting a one-time cash diversion payment, equivalent to the AFDC grant payment, for three months. Acceptance of the diversion payment would not preclude the individual from later receiving monthly cash benefits. However, repayment of the one-time cash payment would be recovered by a 10.0 percent reduction in future grant payments.

Reacting strongly to both the late timing of the amendment and the idea of subsidizing the private sector with welfare and food stamp funds, the General Assembly refused to pass the Full Employment program. In hearings, many members reacted negatively to the possibility of government funds being used to subsidize jobs, especially those produced by temporary employment agencies, expressing the view that Families First should attempt to find full-time jobs for welfare recipients.

The General Assembly added an amendment to restrict the Administration from using any form of employment subsidy in Families First, including CWEP, "cash-out," grant diversion, or any waivers other than the three listed below:

Renewal House

The Renewal House Pilot Project in Nashville is a residential community for mothers and children affected by addiction seeking to preserve families by:

- Helping mothers live sober, self-sufficient lives.
- Ensuring children a healthy start through early intervention.
- Providing education and prevention leadership to create a drug-free society.

The vision of Renewal House is mothers and children growing individually and together. This program serves parents and their children when the parent is addicted to drugs, especially crack cocaine, in the Davidson County area and surrounding counties. Services are provided in a safe, residential setting for an extended period of time to ensure adequate time for treatment, recovery, and counseling. Support for the recovery process is provided through access to Families First Fresh Start and Adult

Basic Education classes and by providing job search and job readiness assistance when the individual is ready to move into the workforce (hopefully within three months).

During its first year of operation, Renewal House served 14 families. Of this number, two graduated, two entered aftercare, two were discharged without aftercare, and the remainder continued in residence.[59] Because of the success of the Nashville Renewal House, a similar facility has been opened in Memphis.

Serving this very difficult population takes time and many more resources than can be made available to the rest of the Families First population. The success of this pilot has provided, and will continue to provide, valuable information for future efforts with difficult populations.

Responsible Fatherhood

The Responsible Fatherhood Pilot Project in Davidson County had as its primary goals:

- The reunification of absent fathers and their children.
- Focusing on the child's need for both parents in their lives in a non-adversarial relationship.
- Education, training, and employment for the absent father so that he can help support his children.
- The elimination of drugs and other dysfunctional behaviors such as gang membership violence, crime, child abuse, or domestic violence.

DHS contracted with the Institute of Responsible Fatherhood, Washington, D.C., for this pilot, which is part of a national program. The first year of operation was marked by contract development, staffing, developing interfaces, and recipient recruitment.

---

[59]The University of Tennessee College of Social Work, Office of Research and Public Service, *Families First Process Evaluation Interim Report*, Fall 1999.

Individual Development Accounts (IDAs)

The Department of Human Services worked with the Tennessee Network for Community Economic Development (TNCED) to solicit counties with non-profit agencies that are interested in assisting Families First participants to establish Individual Development Accounts. These accounts permit individuals who are Families First recipients to establish savings accounts up to $5,000 for the purpose of career development goals for post-secondary education for themselves or their children, small business development, home ownership, or transportation needs. Twelve counties with non-profit agencies that were interested in participating were identified. IDA policies and procedures were drafted and a memorandum of understanding was developed between the Department of Human Services and TNCED to govern the management of the projects.

11. In addition to the above restriction on pilot projects, the General Assembly, particularly the House Government Operations Committee, wanted to restrict policy development under Families First. In meetings with the Committee and Committee staff, the Administration gave assurances that unless contra to the Families First law, DHS would follow AFDC policy as it then existed. The Committee amended the bill to specifically require other state agencies involved with Families First to comment on any Families First policy (state rules) changes proposed by DHS and to distribute such comments to the House and Senate Government Operations Committees. Final state rule changes are subject to final review by the joint Government Operations Committee.

12. Prior to passage in the House, the Administration concurred with the following statement of legislative intent of Families First, which was read into the record:

Issues to Be Clarified Regarding the Legislative Intent of Families First

In Section 8(f), where the bill imposes 18-month and 60 month time limits on receipt of temporary assistance, the Administration has agreed to an amendment that creates exceptions where the Department of Human Services has failed to deliver services that are in the personal responsibility agreement or where there is other good cause.

In Section 5(h), where the bill removes a family from the program for failure to comply with the adult caretaker's personal responsibility contract, there is a similar exception for good cause.

"Good cause" means that there are factors that are beyond the control of the recipient where imposition of the time limit would otherwise be harmful to the children, defeat the purposes of the bill, or otherwise offend common notions of fairness. Obviously, we cannot anticipate all such circumstances at this time, which is why the bill imposes a general exception and leaves it to the administrative process to be further developed. But for purposes of illustration, the following examples would fall within the meaning of good cause:

(1) In spite of their best efforts, the recipients cannot find, or lose child care that is appropriate in light of the ages or disabilities of the children involved, and in terms of the location, safety, and qualifications of the child care providers.

(2) In spite of their best efforts, the recipients cannot arrange, or lose suitable transportation that is necessary for them to be able to work.

(3) The recipients have been abused or threatened with abuse and are in a shelter, or would otherwise be at risk if they took a job.

(4) If the recipient has less than 9th grade level educational proficiency, which the bill defines as being job-ready, Section 5(h) provides that the time limits do not run until the person reaches that level of proficiency, assuming that he/she is enrolled <u>for at least 20 hours per week in a GED program and making satisfactory progress</u>. Not having a suitable course available to him/her would constitute good cause for suspending the time limits until the recipient can become job-ready.

(5) With regard to compliance with a requirement that a person be employed, the person loses work through no fault of his own. Examples included illness, subjection to sexual harassment, jeopardy to health (e.g., working around dangerous machinery when the person has a seizure disorder), or other circumstances which would not disqualify the person from unemployment insurance benefits.

Passage and Waiver Approval

The General Assembly passed the Families First Act on March 25, 1996. With a House vote of 93-1, and a Senate vote of 31-1, the legislation was to be effective on September 1, 1996. Governor Sundquist signed the legislation on May 13, 1996.

As the Families First Act was undergoing review and discussion in the Tennessee General Assembly, DHS, in conjunction with Chassman-Barnard Consulting Company, began preparation of the Section 1115 Families First Waiver request. Upon passage of the Families First Act on April 25, 1996, the Department of Human Services reviewed the provisions of the bill and completed the waiver request, which was subsequently submitted to the Department of Health and Human Services on April 30, 1996. Thirty waivers of federal regulations were requested in order to implement the Families First Act. The waivers were approved as submitted or in some instances with minor revisions. The Department of Health and Human Services approved the 11-year 1115 Waiver on July 25, 1996.

Section 3: Implementation

Implementation[60]

Federal Legislation

One month following federal approval of Tennessee's Families First waiver (July 1996), the President signed the Personal Responsibility Work Opportunity Reconciliation Act of 1996 (PRWORA), creating the national Temporary Assistance for Needy Families (TANF) program. The Act allowed states with existing Section 1115 waivers to continue operating under such waivers until the waivers expired.[61] As a result, Tennessee continued preparing for its September 1, 1996, start date for the phased implementation of Families First.

Phased Implementation for Recipients

Although Families First was effective September 1, 1996, it was essential that all current recipients and new applicants have adequate notice of the new policies affecting them. Planned individual correspondence, brochures, local office videos, and public service announcements would all help in the outreach campaign, but it was also important that each recipient or applicant have personal notice of the new terms and conditions for the receipt and continued receipt of welfare in Tennessee. As a result, DHS case managers would schedule a personal interview with each Families First recipient to go over the new law and develop the family's Personal Responsibility Plan. In order to reach each recipient individually, the program had to be phased in over a six-month period beginning in September 1996. Full implementation was completed by March 28, 1997.

Although the program was phased in for recipients, most other Families First components were required to be in place by September. As will be seen in the following sections, the preliminary planning that began in the fall of 1995 and paralleled the Task Force and legislative processes was critical to achieve a timely and smooth transition.

---

[60] *DHS Implementation Report.*

[61] Section 415 (a) (1) of the *Social Security Act.*

Inter-Agency Cooperation

Tennessee agencies and contractors, consisting of DHS, DES, DOL, DOE, DOH, JTPA, Children's Services, and others, came together at both the state and local levels to coordinate and oversee the implementation of Families First. Regular meetings of these partners, which began during the planning stage in 1995, continued throughout the initial implementation and beyond. Starting with implementation in September 1996, weekly activity and status reports were exchanged between the agencies. Additionally, DHS offices provided monthly implementation progress reports, which are summarized later in this report.

Policy Development

State Rules

The public necessity rules were approved on September 3, 1996. Public hearings for the Families First state rules were conducted in Nashville on October 17,1996; Knoxville on October 21,1996; and Memphis on October 28,1996. The public necessity rules were approved by the Government Operations Committee on November 26, 1996. Permanent rules were approved by the Attorney General's office and filed with the Secretary of State on December 2, 1996. Copies of the rules were provided to the Tennessee departments of Labor, Employment Security, Health, Education, and Children's Services. The permanent rules became final on February 15, 1996.

Policy Manual and Training

A Families First manual, defining the policies and procedures based upon the Act, waiver provisions, and state rules, was written during June and July 1996. Handbooks were distributed to all Family Assistance staff and other individuals who were participating in the program implementation training program during August 1996. DHS central office staff provided policy and procedures training for all district-level staff on July 31 and August 1, 1996. In addition to other training, policy training was provided to all 1,500 county-level staff during August 1996.

Child Support

During Families First's initial implementation, systems designs for license revocation and new-hire reporting were developed. Use of these features, however, was not fully realized during the first year of operation because the Child Support program was in the final phase of implementing a broader, federally-mandated computer system. Nevertheless, approximately $13 million was collected through the new license revocation provision.

Management and Staffing

In response to work done by the Governor's Task Force and the staffing issues raised during public and legislative meetings, DHS and its partner agencies, particularly Employment Security, JTPA, and Community-Based Organizations (CBOs), developed a staffing plan to make positions available to DHS for the increased duties brought on by Families First. In all, approximately 400 positions were either detailed to DHS or new positions funded by these partner agencies to assume responsibility for the following duties: case management assistance, clerical, and job search activities. These positions were housed in DHS offices and supervised by DHS managers whenever possible. This group, many of whom had long experience working with AFDC families, formed an effective team of employment and training experts who could complement and work in tandem with DHS personnel. DHS district and area managers, along with senior supervisors and specialists, developed comprehensive transition plans for integration of these new positions into the agency.

Local managers, supervisors and specialists had developed initial service delivery models during the preliminary planning process, and these models were used during the initial implementation phase. Later, DHS managers would experiment with variations on service delivery designs, including a "team delivery model," which would be tested in each district. The University of Tennessee facilitated the development model and provided oversight and evaluation.

Additionally, because of the enormity of the change involved, DHS was very concerned about the resulting organizational climate after Families First was implemented. To provide a base line for measurement, an Organizational Climate Inventory (OCI) survey was taken in the fall of 1996, with follow-up surveys planned after implementation was completed in 1997, and annually thereafter. The OCI study collected data on both job satisfaction throughout the agency and its organizational climate.

Local-Level Activities

As indicated earlier, local-level preparations for Families First began with the development of county-specific implementation plans in 1995. Following passage of the legislation in the spring of 1996, DHS county offices made modifications based on the final legislation and began implementation of the plans. Major activities addressed by the plans and carried out by area managers include the following:

Systems Planning

Although preliminary planning for needed changes to DHS' automated system — ACCENT — started in 1995, final planning and development was not possible until legislation was passed and federal waivers approved in 1996. A delaying factor in development of needed systems changes for Families First was the utilization of needed departmental and state systems resources for completion of the Child Support system, which was mandated by the federal Department of Health and Human Services. As a result, many new functions, including service referrals, case management tracking, and interfaces between DHS and other state agencies (particularly those between DHS and the state departments of Health and Workforce Development) were carried out manually during the early years of the project.

Safety-Net Planning

During the legislative phase, the Administration agreed to a compromise amendment to create a safety net for any recipient whose case was closed for a reason other than successful completion of a Personal Responsibility Plan. This plan called for DHS to refer such cases to the Health Department, which would visit the family within 30 days of the termination. Temporary assistance could be extended if, with the concurrence of DHS and the Department of Children's Services, the family needed such assistance to prevent the loss of housing, heat, light, or water, or to prevent the removal of the child from the parent's custody. Taken literally, this process would result in DHS making referrals whenever a case was closed because a family moved out of state; voluntarily requested that their case be closed; the children reached maturity, died, or went to live with another relative; lost contact with the agency; etc.

Believing that the intent of the safety-net provision was not to follow up on every form of case closure, but to protect the well-being of families that were non-compliant with the requirements of the new program, DHS developed policies and procedures to refer such cases to the Health Department. Cases closed for other reasons, including out-of-state moves, voluntary requests for closure, and refusal to sign a Personal Responsibility Plan, were not referred.

Training for DHS and Contract Staff

Central office staff teamed with district and local managers to provide training for both DHS and newly integrated positions. Train-the-trainer sessions on case management were initially conducted over a four-month period for 40 case management trainers, who, in turn, delivered the course to over 1,500 DHS staff statewide in sessions comprised of no more than 20 staff each. When new positions were added to DHS offices in the summer of 1996, case management assistance, clerical, and job search staff were trained in the same case management concepts.

Three other courses for DHS staff were delivered during the summer of 1996:

→ Community Resource Training, which imparted information on state and community resources that might be required to support families' transition to self-sufficiency. Included in the materials was information on substance abuse, mental illness, domestic violence, and specific county services that might be needed.

→ Case Management for Supervisors, which imparted information on effectively managing change and techniques to reinforce case management principles.

→ Families First Policy and Procedures Training.

→ Contractor Training/Cross Training: As indicated, DHS added additional contract staff to its offices. To facilitate this transition, the following special courses were developed by DHS and contractors to facilitate the transition:

- Orientation to DHS,
- Families First Policies and Procedures,
- Fresh Start and Job Readiness Module and Classroom Concepts,
- Adult Basic Education and GED Instructor Concepts,
- Job Search/Job Club/Job Development Policies and Procedures.

Employer Surveys

Employers are central to the success of Families First, and it is essential that counties establish strong connections with employers in their communities. To this end, needs surveys of employers were conducted by DHS area managers. Working with an expert in the field,[62] groups of area managers were trained to conduct surveys (i.e., introducing themselves to the employers, facilitating focus group sessions with employers, and identifying employers interested in serving on Families First Councils).

The process was very successful. Over 5,000 employers were sent survey forms, and 46.0 percent responded. Many expressed an interest in hiring recipients, working with DHS, and serving on the local councils. Additionally, much insight was gained from the employers regarding jobs in the community and their expectations for prospective employees, whom they believe should have the following traits:

- Dependable – 95.0 percent.
- Follows instructions – 76.0 percent.
- Gets along well with supervisors, peers, and the public - 70.0 percent.
- Work ethic – 70.0 percent.

Dependability and trainability seemed to be the most important characteristics employers desired in a new employee. Few (44.0 percent) mentioned education or training as necessary for their company.

[62]Dent Davis, "Preliminary Report, Employee Skills, Credentials, Families Fist Components, and Systems Improvement," 5/20/98.

Client Awareness/Community Outreach

In addition to the statewide outreach activities described below, DHS district and area managers met with clients, media, and community and civic groups to share facts and answer questions about Families First. A significant level of support, interest, and participation emerged from these sessions.

Local Families First Councils

Families First legislation provided that each county establish a local Families First Council, composed of 60.0 percent employers, one family advocate, a member of the clergy, a recipient, and the DHS area manager. All Councils were appointed and had met by January 1996. The Councils aided DHS in reviewing issues relevant to the success of Families First, such as developing employment and training opportunities and assessing child care and transportation resources. Some took on automobile ownership projects for recipients, using zero interest loans and revolving loan funds. Churches were very involved, offering their facilities, funding, mentoring programs, clothes closets, child care operations, and many other services.

Recipient Outreach

A brief explanation of the major policy changes, such as time limits and Personal Responsibility Plan requirements, was mailed to recipients in early August 1996. Brochures explaining the Families First program were developed and provided to all Families First applicants and recipients. The applicants and recipients had an opportunity to view the Families First video prior to their interview with the case manager. Additional pamphlets explaining the value of work were prepared and given to clients during the interview process. Pamphlets on the earned income tax credit and low-income housing were made available to all county offices for distribution to recipients. Implementation of Families First was designed to ensure that each recipient had a "face to face" meeting with a case manager to review the new program. Additionally, DHS implemented a central Families First Helpline to provide recipients with a vehicle to receive additional information about the program or to seek resolution of concerns or issues unique to their personal situation.

Recipient and Advocacy Group Concerns

As indicated above, the Governor's Families First working plan and the Act were subject to extensive review, comment, and modification prior to passage. An area of concern to recipients and advocacy groups that was difficult to address until specific materials for recipient use were developed was that of effective communication with a population whose average education was less than the twelfth grade level. Although DHS had been cognizant of this in preparing written recipient outreach materials (even contracting with an expert for brochures in a "reader friendly" format), recipients and advocacy groups believed more needed to be done.

In meetings with these groups prior to implementation, two specific issues with the overall communication plan were raised. One concern was that there was not a comprehensive, "plain language" handbook for recipients describing all aspects of Families First. The other concern was that the text in DHS' computer-generated notices informing recipients of status changes in their cash and/or other benefits was not written in language appropriate to the reading level of the population.

After reviewing the matter, DHS concluded that a handbook was not necessary because the outreach materials already prepared, along with the planned individual meetings with each recipient, would adequately address the essential elements of the new law. The issue of ongoing notice was more problematic because such notice was prescribed by both state and federal laws and would require a major "plain language" rewrite and reprogramming for hundreds of notices that corresponded to countless changes in family circumstances that might occur under the new program. In order to be in compliance with the laws and go forward with program implementation, it was essential that DHS adopt a short-term and long-range solution to the notice issue.

The long-range plan called for the necessary reprogramming of the automated notice system, with new text prepared by an expert in the "plain language" field. In the short run, DHS would utilize a quasi-automated approach, relying on a number of computerized templates that could be populated centrally with plain language text inserts describing the individual recipient's circumstance. Although this was accomplished with some difficulty, adherence to the law was the overriding concern.

Section 4:
Early Impact

The six-month phase-in of Families First began on September 1, 1996, and was completed by February 28, 1997. During this period, all former AFDC recipients and new applicants were apprised of the Families First requirements through written materials, videos, and personal meetings with their DHS case manager. The results were immediate and dramatic, with case loads dropping by 21.0 percent, from 91,499 on September 1, 1996, to 72,320 by February 28, 1997.

Early reports provided insight into reasons for the case load decline, which would reach 33.0 percent in the first year. In three separate studies, The University of Memphis' Bureau of Business and Economic Research/Center for Manpower Studies reported on *Individuals Not Signing PRPs, Individuals Sanctioned for Non-Compliance,* and *Analysis of Employed Families First Clients.*[63]

With respect to individuals not signing Personal Responsibility Plans (which accounted for one-third of case closures between January and May 1997), the University found that:

- 34.0 percent were working or receiving other benefits.
- 22.0 percent could not/would not follow program requirements.
- 21.0 percent did not understand the program.
- 23.0 percent miscellaneous, including marriage, ineligibility, health, etc.

Twenty-eight percent of closures between January and April 1997 were the result of recipients being sanctioned for non-compliance with their Personal Responsibility Plans. The University found the following:

- 86.0 percent failed to cooperate with work or work-related requirements.
- 10.0 percent failed to cooperate with child support requirements.
- 3.0 percent terminated employment voluntarily.
- 1.0 percent failed to comply with children's immunizations and/or health checks.

[63]The University of Memphis, August 1997.

The University looked at the financial condition of these families and found:

- 39.0 percent were paying bills by working.
- 51.0 percent were receiving help paying bills, mostly from family (70.0 percent).
- 66.0 percent who were not employed were looking for work.

Those recipients whose cases were closed in March 1997 due to employment (or who were still active with Families First but were employed either full- or part-time) were interviewed in June 1997. The University found:

- 75.0 percent were working full- or part-time 13 weeks after leaving the program.
- 31.0 percent received raises.
- 8.0 percent received promotions.
- $5.82 was the average hourly wage reported.
- 78.0 percent reported no transportation problems.
- 85.0 percent were offered help by DHS with child care.
- 90.0 percent rated the quality of Families First as good/excellent or satisfactory.

The General Assembly requested that DHS commission a study on the well-being of children of families leaving the program. The study[64] provided the following insight into the well-being of these children:

- 60.0 percent of families were working.
- 81.0 percent of the children experienced no loss of material support.
- 90.0 percent of the children experienced no loss of motivational well-being.
- 78.0 percent of the children experienced no loss of emotional well-being.
- 79.0 percent of the children experienced no loss of parental interaction.

---

[64] *About the Children: A Study of Families First,* Huffman Bedford Consulting Group, April 1997.

Policy Impact

By September 1997, the Families First case load had dropped by 34.0 percent—from 91, 499 to 60, 466.[65] Approximately 29.0 percent of the cases were closed because the recipient had obtained employment. Another 31.0 percent requested that their case be closed. Nineteen percent were closed because the recipient refused to sign a PRP. Twenty-one percent of the closures resulted from recipients being sanctioned for failure to comply with the provisions of their PRP.

Although the total case load declined by approximately 31,000 cases, the actual number of cases closed was much greater—about 90,000. This was because of the dynamics of the Families First case load, which is marked by new cases being added each day and existing cases being closed each day.

As indicated earlier, under the safety-net provision of the Act, DHS was required to make referrals to the Health Department on cases closed for reasons other than successful completion of their PRP. In developing policy for the safety-net process, DHS had ruled out making referrals on cases closed at the client's request or those where clients refused to sign a PRP — approximately 45,000 cases.

Concerned with the sharp decline in case load and the large number of families leaving the rolls without work, client advocates challenged DHS' policy of not referring voluntary case closures or non-signers to the Health Department. Additionally, due to the large number of cases entering and leaving the welfare system, the advocates *expressed concern with DHS' ability to provide necessary access to clients experiencing problems with the program.*

After legal review and discussion with the advocates, DHS agreed to expand the population subject to Health Department referral to include both non-signers and voluntary closures, unless the request for closure was made in writing. The Department also agreed to an independent review process, termed Customer Service Reviews (CSRs), to ensure that such referrals were made properly and that clients had both adequate notice and access to DHS offices for resolution of problems.

[65] DHS Records.

Agency Impact

In order to access the effectiveness of the agency's shift from a culture heavily weighted in favor of eligibility determination to one that blends this function with that of service and support for recipients transitioning from welfare to work, DHS contracted with the University of Tennessee College of Social Work Office of Research and Public Service (SWORPS) to conduct an evaluation of this process. In a study issued in the fall of 1999,[66] SWORPS reported on a number of key activities measured by focus groups, surveys, and site visits conducted during the program's first year:

→ Implementation Issues: Overall, customers, staff members, and the community reacted positively to the goals of Families First.

→ Staffing Issues: Staff perceived that case loads had not changed with the advent of Families First. Although the number of cash-assistance cases dropped, the workload initially remained high due to the new case-management activities that were being performed. Early in the implementation, case managers reported concerns over fulfilling the required eligibility functions as well as the new case-manager tasks.

→ Organizational Issues: The results from the job satisfaction item showed that there were increases in job satisfaction for both urban and rural counties, with rural counties reporting higher levels of job satisfaction. The organizational climate was perceived to have improved for frontline workers, although it declined for managers and supervisors .

→ Automation Issues: In the first two quarters of implementation, staff reported that revisions to the computer system (ACCENT) were needed. During the spring 1997 site visits, staff members reported that the changes made to the computer system had been helpful. Additional suggestions were made .

→ Staff Training Issues: Staff members were neutral about the training they had received in preparation for Families First. By the spring of 1997, staff members reported that, in general, they had achieved a greater understanding of the policies and procedures but needed more information about specific policy areas.

---

[66] *Families First Process Evaluation Interim Report*, University of Tennessee College of Social Work, Office of Research and Public Service, Fall 1999.

Program Impact

Although the various state welfare reform programs differ widely, early reports by the federal Department of Health and Human Services indicated that Families First was among the most effective. In 1998, for example, Tennessee had attained the highest percentage of recipients participating in work or training in the Southeast (44.0 percent) — ninth highest in the nation.[67] Additionally, during the same period, the state's job placement rate for welfare clients was 62.0 percent—third highest in the nation.[68]

Comparing the University of Tennessee's *1995 Case Characteristics Study* with the study completed in 1997 shows progress in a number of areas:

→ Increased percentage of recipients with high school diploma or GED from 50.0 percent to 54.0 percent.

→ Increased the percentage of recipients reading above the 9th grade reading level by 16.0 percent.

→ 97.0 percent of children were current with immunizations and health checks.

→ 90.0 percent of children were attending school regularly.

→ The average child support collected for Families First participants had increased from $157 per month to $218 per month.

In August 1999, The University of Memphis Bureau of Business and Economic Research/Center for Manpower Studies completed an early cost-benefit analysis of the Families First program. Significant findings from the study are as follows:

→ Between 1996 and 1997, average earnings for active Families First cases rose from an average of $271 per month to $524 per month.

→ In the same period, average earnings by former recipients increased from $351 per month to $469 per month.

→ While approximately 38.0 percent of the cases available for work were working when the program started, by the end of the program's initial year, 87.0 percent of the cases available for work were employed.

---

[67] U.S. Department of Health and Human Services, 1999.

[68] *Ibid.*

→ During the program's first year, the monthly expenditures for cash assistance and food stamps fell, while spending on child care and transportation rose. The number of cases receiving child care more than doubled.

→ In 1997, the typical Families First recipient was female (95.8 percent), had an overall family size of 2.6 persons (0.7 adults and 1.9 children), and had an eleventh-grade education. The present value of a caretaker's future earnings if the caretaker began working at the mean Families First placement wage of $5.83 an hour and worked 34.6 hours per week for 50 weeks for 16 years (expected work life) would be $139,000 over the caretaker's work life. Having a high school diploma and the ability to gain a full-time job would increase the present value of the person's work life to $271,252.

→ Families First expenditures have generated tremendous increases in expected lifetime earnings for thousands of former AFDC recipients who are either no longer participating in the program or active in work-related components of the program.

→ Comparing total families First expenditures in 1997 and 1998 ($591.8 million) to new net earnings increases ($151.8 million) gives a return on expenditures of 26.0 percent for the two-year period. When compared with state expenditures of approximately $178.5 million ($413.3 million was federal spending), the return on state expenditures was 86.2 percent when compared with net earnings.

→ Families First activities also generated an additional $28.6 million in benefits for Tennessee government, which includes $20.6 million in spending reductions and $8.0 million in new tax revenues generated from the expanded earnings base for the two years under consideration. The return on state expenditures in terms of new tax revenue was 4.5 percent. If 30.0 percent of spending reductions are also assumed to be savings, then $6.2 million would represent an additional return on state spending of 3.4 percent.

→ In exchange for an initial investment of $178.5 million in state spending on Families First, over $251 million will be generated in new tax dollars—a 1.41 tax/benefit ratio over the 16-year period.

→ In comparison, if the state of Tennessee invested $178.5 million in long-term government bonds for 16 years, the expected yield would be only 5.5 percent, generating $243.8 million over the life of the investment. This results in a benefit-cost ratio of only 1.37 in absolute terms for the same 16-year period.

This report has focused on Tennessee's transition from AFDC to Families First and the progress made during its early years (1996 – 1998). Although the transition was smooth and significant progress was made during the first phase of the project, recipients, agency staff, advocates, legislators, and the Administration identified many areas for improvement. Beginning in 1999, these areas were explored in depth, and the planning for Phase II of the program began. Phase II planning, development, and implementation will be covered elsewhere.