

ACT 30 REPORT:
IMPLEMENTATION OF EXPANSION AND MODIFICATION
OF VERMONT'S REACH-UP PROGRAM

Presented to:
House and Senate Committees on Appropriations
House Human Services Committee
Senate Health and Welfare Committee
Joint Fiscal Committee

Submitted by:
Stephen R. Dale, Commissioner
Department for Children and Families

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Basis for this Plan

In accordance with subsection 25 (a) of Act 30, the department for children and families has developed this three-year plan to implement Reach First (RF), Reach Ahead (RA) and Reach Up (RU) changes. The plan covers September 15, 2007 to September 14, 2010 and is structured in accordance with the subsections of relevant law as reproduced below. The authorizing section of the law is as follows:

Act 30 Sec. 25. IMPLEMENTATION PLAN

(a) The department for children and families shall develop a three-year implementation plan with the goal of establishing Reach First on April 1, 2008, establishing Reach Ahead for families who leave Reach Up on October 1, 2008, as provided for in 33 V.S.A. § 1203(1) and establishing Reach Ahead for all other families as provided for in 33 V.S.A. § 1203 no later than April 1, 2009.

(b) The plan shall include the estimated amount of appropriations necessary to fund the programs established under this act; an assessment of the information technology requirements and modifications necessary to implement the provisions of this act, including the costs; the operational issues and a time frame for the necessary information technology and other solutions; and target dates for adopting rules or rule modifications necessary to implement the changes in this act. The plan shall make recommendations where applicable for additional resources and describe the consequences of not providing additional funding to enable the successful implementation of the provisions of this act.

(c) The plan shall be submitted to the house committees on appropriations and human services, the senate committees on appropriations and health and welfare, and the joint fiscal committee no later than September 15, 2007.

Background

The national Temporary Assistance for Needy Families (TANF) block grant program began in 1996. Prior to that, Vermont had received a waiver from the federal rules to implement its own demonstration project in welfare reform. That waiver expired in 2001 and Vermont adjusted its program to conform fully with TANF. Through federal fiscal year '06 Vermont complied with federal TANF requirements and met federally-imposed work participation rates. Throughout the decade 1995-2005, the caseload fell steadily, resulting in more than a 50% overall reduction during that time period.

In February 2006, Congress reauthorized TANF in the Deficit Reduction Act of 2005 (DRA). The DRA modified the federal TANF law in three distinct ways:

- It changed the formula for calculating the case load reduction credit states had relied on to meet their work participation rates by changing the base year from 1995 to 2005, virtually eliminating the credit.
- It required that families served in separate state programs, such as Vermont's postsecondary program, now be included in the work participation rates.

- It authorized the Secretary of Health and Human Services to promulgate TANF rules specifying the activities that count toward a state's work requirement and how states document and verify hours in work activities.

To respond to these changes, Vermont, like most states, had to modify its laws and policies to help families gain self-sufficiency while ensuring continuing receipt of the full block grant. Through a series of meetings involving a wide variety of stakeholders, the Department for Children and Families (DCF) and the Vermont General Assembly began to examine the DRA effects and alternative responses to the new rules. In May of 2007, the legislature passed, and the governor signed, Act 30. This law made significant changes to the Reach Up Program and requires DCF to prepare this three-year implementation plan projecting timeframes and resources needed to implement the new three-part program.

Context for this Plan/Recent Challenges

This plan outlines in detail what will be required to implement each part of the new program as required in Act 30. It assumes an April 1, 2008 start up date for Reach First and for changes in Reach Up. It outlines what will be required to implement Reach Ahead by the required date of October 1, 2008. It also describes the requirements for extending the Reach Ahead implementation date to April 1, 2009.

Since the passage of this law, three factors have emerged which make implementation even more complex. These factors will be further analyzed over the next three months prior to the start of the 2008 legislative session. This plan will need to be re-considered in the context of the full information available at that time.

- Vermont's Reach Up caseload increased for the first time in SFY '07, reversing what was a decade-long downward trend. The caseload has increased further in the first two months of SFY '08. This change creates significant budgetary pressure.
- Second, late this summer, the Office of Child Support received guidance from the federal Department of Health and Human Services (HHS) which prohibits federal financial participation for any activities that support solely state-funded programs, including modifications of systems to track and distribute child support for families in those programs. The costs of adjusting these systems could be substantial and are still under analysis.
- As noted above, the DRA significantly changed the calculation of the caseload reduction credits states had relied upon to meet their work participation rates. Recent informal communication from HHS indicates that federal regulators have chosen to limit options available to states for maximizing the caseload reduction credit. No definitive information has yet been provided, however this adds complexity to the overall TANF program.

Important note regarding budget estimates in this plan: The costs outlined in this report do not address overall caseload trends that may be occurring outside of any changes in the program. If the implementation of the particular component is expected to increase the caseload, that is included specifically in the estimate.

IMPLEMENTATION PLAN FOR REACH FIRST, REACH UP, AND REACH AHEAD

Subsection 25(b) Goal: Establish Reach First by April 1, 2008.

Act 30 creates Reach First, a new entry program designed to serve many new families applying for financial assistance. The purpose of this program is to divert appropriate families away from the ongoing assistance program, Reach Up. Reach First provides TANF non-assistance to address an immediate crisis for a limited time (no more than 4 months) while participants wait for recall to existing job or families' situations, strengths, and needs are assessed to determine appropriate referral. Participants likely to avoid referral to an ongoing assistance program may receive financial help equal to 4 months of Reach Up assistance for their size family.

Estimated amount of appropriations to fund the program

The operational costs for Reach First are divided into two categories —

(1) Program Administration:

Costs in the following areas of program administration will be covered by re-allocating existing resources.

Training: Because Reach First is a new program, staff assigned to eligibility, screening, and in-depth assessment will receive comprehensive training and ongoing support.

Staffing: An essential part of Reach First is an expedited assessment process. Reach First Assessment Teams will need access to a variety of external professional resources.

(2) Services and Benefits:

The total amount of short-term cash payments paid to families is intended to be cost neutral. Some individual families may need enhanced support services to ensure a smooth transition back to work, but overall costs should not increase.

- ***Assessment of information technology requirements and modifications necessary to implement the provisions of this act, including the costs.***

To meet the time frames in Act 30, the Reach Up IT team will have to focus almost exclusively on the Act 30 changes for the next 12 – 18 months. There is significant IT work that needs to be completed to implement Reach First by April 1, 2008. This work will be covered within existing appropriations.

- ***Operational issues***

Detailed planning has already begun and must be completed in the following areas:

- Analysis of the law and its interaction with current and proposed rules
 - Connection to medical support and child support
 - Medicaid eligibility and Transitional Medicaid
 - Screening and assessment tools
 - Define connections between RF and Emergency and General Assistance (EA/GA)
 - Alignment of program flows between RF and RU or solely state-funded programs (SSFPS).
 - Identification and resolution of the Deficit Reduction Act of 2005 (DRA) related issues
 - Development of data collection for evaluation and outcome measurements
- ***Time frame for the necessary information technology (IT)***

The estimates for required resources assume the time frames in Act 30 will be met.

- ***Time frame for other solutions***

Staff work groups met over the summer to conceptually frame Reach First. ESD staff will meet, with stakeholders and the advocacy community, in early October. Timely implementation of Reach First requires resolution of issues outlined above, completion of design, testing and implementation of IT changes, finalization of rulemaking, and staff training and orientation.

Proposed Implementation Timeline:

Rules filed with ICAR	October 15, 2007
Program design finalized	February 1, 2008
IT changes	March 31, 2008
Staff Training	March 31, 2008

- ***Target dates for adopting rules or rule modifications necessary to implement the changes in this act.***

For rules to be in place and effective by April 1, 2008, the rule must be in form to be filed with ICAR no later than mid-October or November. To meet the standard for this initial filing the program concept must be sufficiently developed, known IT and operational issues recognized with a timely plan for resolution, stakeholder and advocacy input sought and incorporated, and Agency of Human Services (AHS) internal review and sign off complete.

- ***Recommendations for additional resources***

The Reach Up Program received additional appropriations totaling \$1,700,000 for SFY '08 — increases of \$1.3 in administrative costs and \$400,000 in support services were included in the department's approved budget. No new appropriation will be needed to implement Reach First in April of 2008. Assuming that the \$1,700, 000 remains in the department's base for SFY '09, the annualized cost of Reach First would not require additional resources in either SFY '09 or SFY '10.

- ***Description of the consequences of not providing additional funding to enable the successful implementation of the provisions of this act***

No additional funding is recommended specifically to implement the Reach First program. We believe Reach First can be implemented with existing resources assuming the \$1.7 Million outlined above remains in the FY'09 budget.

Subsection 25(b) Goal: Modify Reach Up by April 1, 2008

Act 30 makes moderate changes to existing law affecting Reach Up, Vermont's financial assistance program for families with minor children. Changes include, but are not limited to:

- increases in earned income disregard;
 - moves assessment and evaluation functions to Reach First;
 - changes funding and creates separate state programs (such as Post-Secondary Education and deferment to care for child under 2) to solely-state-funded programs not claimed for MOE; and
 - establishes authority for DCF commissioner to create other solely-state-funded programs to meet the intent and purposes of the law.
- ***Estimated amount of appropriations to fund the program***

The operational costs for Reach Up changes are divided into two categories —

(1) Program Administration:

Training and case management will be provided through existing resources.

(2) Services and Benefits:

With existing resources the department will develop pilot projects that provide better access to job development services and provide more access to support services as families transition to work.

The increased cost of benefits due to the increase in the earned income disregard was included in the SFY '08 budget.

- ***Assessment of information technology requirements and modifications necessary to implement the provisions of this act, including the costs.***

To meet the time frames in Act 30, the Reach Up IT team will have to focus almost exclusively on the Act 30 changes for the next 12 – 18 months. There is a modest amount of IT work that needs to be completed to make the necessary changes to Reach Up and the PSE program. This work will be covered within existing appropriations.

Some additional costs will likely be incurred to complete the IT changes related to child support for some Reach Up families. The analysis of the requirements for this work is continuing. The actual cost and a plan for how the department will proceed will be included in the report due on November 30, 2007 in accordance with subsection 19 (a).

- ***Operational issues***

Detailed planning has already begun and must be completed in the following areas:

- Analysis of law and its interaction with current and proposed rules
- Maintenance of transitional program flows during the Postsecondary Education Program (PSE) transition
- Alignment of PSE with Reach Up wherever possible
- Evaluation and redesign of vocational rehabilitation (VR) referral process
- Evaluation of new assessment process for families under a financial sanction
- Alignment of program flows between Reach Up and Reach First assessment services
- Identification and resolution of child support distribution issues
- Identification and resolution of DRA-related issues
- Development of data collection for evaluation and outcome measurements

- ***Time frame for the necessary information technology***

The estimates for required resources assume the time frames in Act 30 will be met.

- ***Time frame for other solutions***

Proposed Implementation Timeline:

Rules filed with ICAR	October 15, 2007
Program design finalized	December 1, 2007
IT changes	March 31, 2008
Staff Training	February 29, 2008

ESD will schedule meetings with stakeholders interested in the PSE program, VR services, and working with families in sanctions will be scheduled for the fall. Based on input from these meetings work groups of program staff will design program changes.

- ***Target dates for adopting rules or rule modifications necessary to implement the changes in this act***

For rules to be in place and effective by April 1, 2008, the rule must be in form to be filed with ICAR no later than mid-October. To meet the standard for this initial filing the following must be in place: the solely state-funded program concept must be sufficiently developed, PSE changes evaluated and incorporated, known IT and operational issues recognized with a timely plan for resolution, stakeholder and advocacy input sought and incorporated, and AHS internal review and sign off.

- ***Recommendations for additional resources***

Reach Up received additional appropriations totaling \$1,700,000 for SFY '08 — increases of \$1.3 in administrative costs and \$400,000 in support services were included in the department's approved budget. An additional \$400,000 was added during the legislative session to support the increase in the earned income disregard for Reach Up participants. No new appropriation will be needed to implement Reach Up changes in April of 2008. Assuming that the \$2,100,000 remains in the department's base for SFY '09, the annualized cost of Reach Up would not require additional resources in either SFY '09 or SFY '10.

This estimate does not include increases in program participation that would result from an increase in the asset limit from \$1,000 to \$2,000 in accordance with subsection 4 (c) (5). It is the best judgment of the department that this change will not result in a material caseload increase.

- ***Description of the consequences of not providing additional funding to enable the successful implementation of the provisions of this act***

The consequences of inadequately resourcing Reach Up are:

1. Recidivism rate for Reach Up leavers could remain near 20% in the first six months; this continuous churn in and out of the program adversely affects both families and Vermont's Work Participation Rate (WPR).
2. Without the ability to pilot and replicate effective strategies that move participants into countable activities and transition them into the labor market,

Vermont is not likely to see the kind of program performance improvement needed to double Vermont's all-family WPR, thereby avoiding federal fiscal penalties.

3. Families do not get what they need to gain social and financial resilience.

Subsection 25(b) Goal: Establish Reach Ahead for Reach Up leavers by October 1, 2008 and for all others by April 1, 2009

Act 30 establishes Reach Ahead, a program that provides a monthly "food assistance" benefit to Reach Up leavers and food stamp families. Eligible families must be working sufficient hours to meet a TANF work requirement and have a dependent child. The program's purpose is to prevent families from returning to Reach Up or coming on Reach Up. Program participants receive a benefit of \$100 / month for the first six months and \$50/month for months 7 – 12. They also receive some level of case management and support services. The statute requires an implementation date for Reach Up leavers on October 1, 2008 and, subject to an appropriation, for food stamp families on April 1, 2009. Because some costs are driven by implementation date, this section offers information both on the statutorily required dates, as well as an April 1, 2009 date for Reach Up Leavers.

- *Estimated amount of appropriations to fund the program*

The costs of serving the two populations will vary significantly and are outlined separately below.

Reach-Up Leavers

(1) Program Administration

Primary costs will include staff training and case management. Training costs will be absorbed by the existing staff. Implementation of the Reach Ahead Program for Reach Up leavers can be implemented as a minimal-involvement program with crisis intervention as needed, or it can be a more intensive program requiring additional case management capacity. The minimal case management can largely be absorbed within the existing program. If there is an expectation of program-initiated support to proactively help people maintain their employment, some case management capacity would have to be added. Ten additional case managers would cost an additional \$600,000 annually. If the program begins on October 1, 2008, the annual cost would be \$450,000. If the start date is April 1, 2009, the cost would be \$150,000.

(2) Services and Benefits.

The cost estimate of providing Reach Ahead financial benefits to Reach Up leavers for SFY '09, beginning on October 1, 2008, is \$950,000. The estimated cost of benefits for this same group for SFY '10 is \$1,270,000.

Food Stamp Families (Subject to appropriation)

(1) Program Administration

Additional training for staff will not be significantly greater than for the leavers. Case management capacity would need to be substantially expanded. The minimal case management plan outlined above would require 3 case managers just to track and monitor the new benefits and to provide response to client crisis. The annual cost would be \$180,000, with \$45,000 needed for an April 1 start date in FY'09. If we are to do pro-active case management with this population, we would need a total of 12 case managers for an annual cost of \$720,000, with \$180,000 needed for an April 1 start date in FY'09.

(2) Services and Benefits

The estimated cost of providing Reach Ahead benefits to food stamps eligible families for one quarter of SFY '09 is \$618,000. The estimated cost of benefits for this same group for SFY '10 is \$1,320,000. Because there are no data on the food stamps participants' eligibility criterion of meeting the hourly work requirement, the projections for the participants in this group and their benefit costs are based upon current participants' family configuration and earnings.

- ***Assessment of information technology requirements and modifications necessary to implement the provisions of this act, including the costs***

To meet the time frames in Act 30, the Reach Up IT team will have to focus almost exclusively on the Act 30 changes for the next 12 – 18 months. Assuming the division could support this sustained level of commitment, the team would still need additional resources to complete the work within the mandated time frames. There is a significant amount of IT work that needs to be completed to implement the Reach Ahead Program. The IT team will need to add resources estimated at \$170,000 to implement the Reach Ahead Program for Reach Up leavers by October 1, 2008. Should the time frame be extended to April 1, 2009, we believe the work can be done in-house.

Every effort will be made to build a system that would allow for the expansion of the RA program to other families without additional modifications.

- ***Operational issues***

Detailed planning has already begun and must be completed in the following areas:

- Analysis of costs
 - Analysis and assessment of complexity of addressing different eligibility criteria for RA standards for operations, IT, and regulations
 - Work requirement and verification
 - Define service continuum
 - Transition issues
 - Child support
 - Tracking and maintaining participation and months of benefits
 - Data collection and federal reporting connections
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- ***Timeframe for the necessary information technology***

The estimates for required resources assume the time frames in Act 30 will be met.

The department does have overall concerns about the timeframe for the development and implementation of Reach Ahead for leavers. The department will need to contract for development work to meet the October deadline. It also makes more sense for the 2008 legislature to make long term decisions about this entire program component before DCF begins necessary IT work. There may be different requirements depending on whether food stamps families are included.

For purposes of costs and efficiency the department recommends that the implementation of Reach Ahead for Reach Up leavers be moved ahead to April 1, 2009. Delaying the start by six months would ensure that the program design and IT systems reflect funding decisions. It may also make it possible to complete the IT work within existing resources. If this recommendation is accepted, the implementation timeline would be modified as outlined below.

- ***Time frame for other solutions***

Implementation Timeline for October 1, 2008 Start Date:

Rules filed with ICAR	April 15, 2008
Program design finalized	June 1, 2008
IT changes	September 30, 2008
Staff Training	August 30, 2008

ESD staff will meet with stakeholders interested in the Reach Ahead Program in December 2007. Based on this input from this meeting, a work group of program staff will design the program by the end of May. Assuming all IT issues can be resolved and

timely completion of the rulemaking process, the department should train staff to implement the program for Reach Up leavers in August with benefits commencing in October.

Modified Time frame for April 1, 2009 Start Date:

Program design finalized	July 1, 2008
Rules filed with ICAR	October 1, 2008
IT changes	March 31, 2009
Staff Training	February 28, 2009

ESD staff will meet with stakeholders interested in the Reach Ahead Program in April of 2008. Based on input from this meeting, a work group of program staff will design the program by the end of June. Assuming all IT issues can be resolved and timely completion of the rulemaking process, the department should train staff to implement the program for Reach Up leavers in March with benefits commencing in April.

- ***Target dates for adopting rules or rule modifications necessary to implement the changes in this act.***

For rules to be in place and effective by October 1, 2008, the rule must be in form to be filed with ICAR no later than mid-April 2008. To meet the standard for this initial filing the following must be in place: the program concept must be fully developed, known IT and operational issues recognized with a timely plan for resolution, stakeholder and advocacy input sought and incorporated, and AHS internal review and sign off.

If the implementation date is moved back to April 1, 2009, rules must be in form to file with ICAR no later than October 1, 2008.

- ***Recommendations for additional resources***

Additional resources will be required to implement the Reach Ahead Program. The amount will be dependent on two factors: effective date, and details of program design. Below is a table which summarizes the information in the above narrative.

Reach Ahead-- Summary of Options and Costs			
	FY '08	FY '09	FY '10

Reach Up Leavers

<i>Minimal Case Management</i>			
October 1, 2008 Start	\$50,000	\$1,070,000	\$1,270,000
April 1, 2009 Start		\$270,000	\$1,340,000
<i>Pro-Active Case Management</i>			
October 1, 2008 Start	\$50,000	\$1,520,000	\$1,870,000
April 1, 2009 Start		\$420,000	\$1,940,000
Food Stamp Families April 1, 2009			
Minimal Case Management		\$665,000	\$1,500,000
Pro-Active Case Management		\$800,000	\$2,040,000

- ***Description of the consequences of not providing additional funding to enable the successful implementation of the provisions of this act***

The consequences of inadequately resourcing Reach Ahead are:

1. Without adequate resources it would be impossible to implement this new program and the state would not achieve the significant improvements to its WPR we expect to derive from this program.
2. Families leaving Reach Up would not receive a supplemental food benefit to ease their transition into the workforce and reduce recidivism.

Summary and Recommendation

DCF plans to implement Reach First and the changes in Reach Up by April, 2008, following this plan. Given the overall uncertainties surrounding the TANF Program, including caseload trends, federal rules around work participation rates, and the challenges of building the SFY'09 budget, it is recommended that the Reach Ahead program be revisited during the legislative session to determine its financial feasibility prior to initiating rules or IT development. At a minimum, DCF strongly recommends moving the implementation date back to April 1, 2009.