

TANF HIGH PERFORMANCE BONUS AWARDS

Background

In August 2000, the final rule implementing Section 403(a)(4) of the Social Security Act was published, making \$1 billion available over a five-year period to reward states that achieved high performance levels under the Temporary Assistance to Needy Families (TANF) block grant program. Although the awards were intended to be issued for just five years, a series of continuing resolutions for TANF has extended the awards for later years. States receive awards based on their comparative rankings on workforce performance measures. The measures were designed to reflect a state's success in moving families from welfare to work. Full success was defined within the context of not only getting recipients into jobs, but also keeping them in jobs and increasing their earnings in order to reduce dependency.

Each year, states must indicate their intention to compete for the awards. Competing states submit raw data files containing the social security numbers (SSNs) of TANF adult cash assistance recipients, along with the year and month of assistance to the Administration for Children and Families (ACF). Upon receipt of these files, by matching SSNs with Unemployment Insurance (UI) quarterly wage and New Hire files, ACF computes each state's workforce measures.

The ten states with the best scores for each measure are eligible for bonus awards. A state is awarded funds based on its performance during the fiscal year prior to the award year (i.e., during its performance year) and on improvement in performance that occurred between the performance year and the year prior to the performance year.

TANF Workforce Performance Measures

The measures used by ACF to determine High Performance Bonus (HPB) awards are listed and defined as follows:

- 1) **Job Entry Rate** = # of TANF unemployed adult recipients who entered employment for the first time during the performance year as a percentage of the total # of adult recipients unemployed.
- 2) **Success in the Workforce** is a composite measure of job retention and earnings gain rates.
 - **Job Retention Rate** = # of employed adult recipients during a quarter of the performance year (i.e., reference quarter) who were also employed in the first, second and third subsequent quarters as a percentage of the # of employed adult recipients during the reference quarter.
 - **Earnings Gain Rate** = increase in earnings between the initial quarter (i.e., reference quarter) and second subsequent quarter of the performance year for adult recipients employed in both quarters as a percentage of earnings during the reference quarter.
- 3) **Improvement in the Job Entry Rate** = percentage point difference between the job entry rate for the performance year and the rate for the year prior to the performance year.

- 4) **Improvement in Success in the Workforce** = percentage point difference between the Success in the Workforce measure for the performance year and for the year prior to the performance year.

Wisconsin's Success in Achieving HPB Awards

Since the inception of the TANF High Performance Bonus awards, Wisconsin has been awarded nearly **\$58 million**. Performance awards by year are listed below:

Award Year	Performance Year	Outcome	Measures	
FFY 1999	FFY 1998	No award		
FFY 2000	FFY 1999	\$15,909,421	Success in the Workforce Improvement in Job Entry Rate Improvement in Success in the Workforce	\$2,835,182 \$7,668,747 \$5,405,492
FFY 2001	FFY 2000	\$14,320,736	Success in the Workforce Improvement in Success in the Workforce	\$3,553,737 \$10,766,999
FFY 2002	FFY 2001	\$10,288,002	Success in the Workforce	
FFY 2003	FFY 2002	No award		
FFY 2004	FFY 2003	\$10,860,369	Success in the Workforce Family Formation and Stability*	\$8,051,553 \$2,808,816
FFY 2005	FFY 2004	\$ 6,415,765	Success in the Workforce	
	Total	\$57,794,293		

* Family Formation and Stability is a non-workforce award for improvement from 2002 to 2003 and is based on increases in the percentage of all children (not just low-income children) living in married-couple families as computed by the U.S. Census Bureau.

For Award Year 2005, Wisconsin's ranking and percentages for each of the workforce performance measures were as follows:

- Job Entry Rate – 41st 32.74%
- Success in Workforce – 9th 59.97% job retention, 51.44% earnings gain
- Improvement in the Job Entry Rate – 27th 1.26%
- Improvement in Success in the Workforce – 35th 1.25% job retention, 1.67% earnings gain

The likelihood of any state receiving a bonus cannot be determined because performance is always relative to other competing states and their rankings on each of the measures. States

do not have access to other states' files of TANF adult recipients, national UI wage records and New Hire files, which would be necessary to compare one state's performance relative to another state's performance.

Impact of Pending TANF Reauthorization

Reauthorization of TANF has been operating under a series of continuing resolutions since September 30, 2003. Pending reauthorization bills replace the High Performance Bonuses with annual "Bonuses to Reward Employment Achievement" of \$100 million. The proposed bills include measures of job entry and job retention/earnings gain on an absolute basis and on the basis of improvement in performance using the current formula. For comparison, funding of these same measures based upon performance in 2004 and awarded in 2005 was nearly \$137 million. The pending reauthorization bills are consistent with the common measures being proposed across all employment and training programs.

Performance Standards Used to Administer Wisconsin Works

The Wisconsin Works (W-2) program has Performance Standards to measure appropriate and quality services being provided to W-2 and Food Stamp Employment and Training (FSET) participants by W-2 agencies. To the extent possible, Wisconsin aligned its 2004-2005 W-2 performance standards with the proposed common performance measures for all federal employment and training programs. Accordingly, the state measures now include the following work-related standards: recorded employment, job retention and earnings gain.

The following work-related required standards will be used to determine an individual agency's eligibility for the next contract's right-of-first selection. The first, third and fourth measures listed below are used for performance bonus calculations (contingent upon the availability of bonus funding).

- 1) **Entered Employment Rate** = # of full-time newly employed W-2 and FSET participants as a percentage of all W-2 and FSET participants served during the contract period.
- 2) **Recorded Employment Rate** = # of W-2 participants with UI wages in unsubsidized employment or selected case management placements plus the # of FSET participants with UI wages who left the FSET program as a percentage of the # of W-2 participants in unsubsidized employment or selected case management placements and FSET participants who left the program.
- 3) **Job Retention Rate** = # of W-2 participants with UI earnings in each of the three quarters after entry into unsubsidized employment or selected case management placements, plus the # of FSET participants with UI earnings in each of the three quarters after leaving the FSET program as a percentage of all FSET and W-2 participants with a recorded employment (numerator of #2).
- 4) **Earnings Gain** = # of W-2 participants with UI earnings where the amount earned in the 3rd quarter is greater than the amount of the 1st quarter after entry into unsubsidized employment or selected case management placements, plus the # of FSET participants with UI earnings where the amount earned in the 3rd quarter is greater than the amount of the 1st quarter after leaving the FSET program as a percentage of all FSET and W-2 participants with a recorded employment (numerator of #2).

The table below identifies each of the TANF workforce performance measures and the comparable work measures in the W-2 program.

TANF Measure	W-2 Contract Measure
Job Entry Rate	Entered Employment Placement Rate Recorded Employment Placement Rate
Success in Workforce:	
Job Retention Rate	Job Retention Rate
Earnings Gain Rate	Earnings Gain
Improvement for Job Entry Rate	No similar measure, but could calculate
Improvement for Success in the Workforce	No similar measure, but could calculate

Differences Between TANF and W-2 Contract Measures

1) Different Populations Measured

TANF -The population measured is adult W-2 participants who are from families that receive cash assistance funded by TANF¹. About three-fourths of the W-2 cases receive TANF cash assistance. TANF adult recipients do not have to end cash assistance to be included in these measures; simply being an adult and in a family receiving cash assistance means that the adult will be included in the measures.

W-2 Contract - The population measured includes all adult W-2 participants in placements who have left the program for unsubsidized employment. This constitutes less than one-fifth of the W-2 caseload at any point in time. The W-2 participants may, or may not, have received TANF cash assistance in the past. The population measured also includes FSET participants who left the FSET program.

2) Different Criteria and Conditions Underlying the Measures

TANF - Under TANF, job entry is counted if it follows a quarter of unemployment, either sometime during the performance year or during the quarter immediately preceding that year. Job retention and earnings gain rates similarly require a quarter of unemployment.

W-2 Contract – Under the W-2 contract, the measures do not require a quarter of unemployment preceding job entry, but contain many detailed conditions and criteria about when a participant is included in each measure. For example, to be included in the recorded employment measure, an individual must meet one of the following criteria – the participant must have left W-2 or FSET and have not returned for the following three quarters, or the W-2 participant was moved into a case management follow-up placement. In addition, the participant must also show earnings in the UI database in the quarter following leaving W-2 or FSET or moving to case management follow-up services.

¹ Although child-only cases such as Kinship Care and SSI Caretaker Supplement receive TANF cash assistance, adult caretakers in those cases are not eligible and thus are excluded from the measured population.

3) Different Time Periods Measured

TANF - The measures are computed using federal fiscal years (October 1st through September 30th of the following year). The performance year and the year prior to the performance year define the time parameters underlying each measure. For example, for the FY 2004 award year, the measures are based upon performance that occurred between October 2002 and September 2003 and improvement from October 2001 through September 2002.

W-2 Contract - The measures are tied to a two-year contract period, which currently runs from January 1, 2004 through December 31, 2005. For the measures using UI wages, the measures will not be available until five quarters after the event(s) tied to the measure.

4) Different Data Sources Used to Compute the Measures

TANF - ACF computes the measures using state files of TANF adult recipients, national quarterly UI wage records and New Hire files. The competing states receive their scores for each measure and their rankings from ACF. There is no procedure to appeal or request a recalculation of a measure.

W-2 Contract - The measures are computed by DWS staff using entered employment entries made by FEPs into CARES and Wisconsin UI wage data. Entered employments in CARES are the result of single queries of the New Hire database, but often are the result of reports from the participants. No wage or hire data is available from other states to use in these calculations.

Rationale for Having Separate Federal/State Measures

The TANF performance measures examine the population of adult W-2 participants, the bulk of whom may not be ready for unsubsidized employment within the year of measurement (i.e., CSJs and W-2Ts). Using federal performance measures as “state measures” would result in more emphasis on quickly getting participants unsubsidized employment within the measurement year, rather than providing participants with the necessary services and support to make them truly job-ready² (which could cross a federal measurement year). W-2 also identifies participants with significant barriers who may never be job-ready and should be referred to SSI. These participant groups could be harmed if Wisconsin promoted program policies and practices that were driven primarily by success on the federal measures.

Many states put everyone into cash assistance upon application for TANF. The W-2 program assesses the job-readiness of each individual and places them either into case management-only or cash assistance. Those placed in case management-only are deemed job-ready. These job-ready participants often obtain employment but, because they never received cash assistance, would never be counted in the federal measures. So, in this instance, W-2 agencies that are meeting the state’s W-2 goal of up-front workforce attachment would be penalized by the measure.

For continuously employed individuals who apply for W-2, obtaining better employment is not recognized by the federal measures. Thus, using these measures would penalize W-2 agencies that meet the state’s goal of workforce advancement by promoting self-sufficiency and moving families above the federal poverty line.

² This includes increasing job-readiness skills by addressing employment barriers and promoting interviewing skills, consistent attendance, and basic education and training levels.