

32762

No. 0532



## Social Protection Discussion Paper Series

# Implementing Means-Tested Welfare Systems in the United States

**Kathy Lindert**

**June 2005**

Social Protection Unit  
Human Development Network  
The World Bank

Social Protection Discussion Papers are not formal publications of the World Bank. They present preliminary and unpolished results of analysis that are circulated to encourage discussion and comment; citation and the use of such a paper should take account of its provisional character. The findings, interpretations, and conclusions expressed in this paper are entirely those of the author(s) and should not be attributed in any manner to the World Bank, to its affiliated organizations or to members of its Board of Executive Directors or the countries they represent.

For free copies of this paper, please contact the Social Protection Advisory Service, The World Bank, 1818 H Street, N.W., Washington, D.C. 20433 USA. Telephone: (202) 458-5267, Fax: (202) 614-0471, E-mail: [socialprotection@worldbank.org](mailto:socialprotection@worldbank.org). Or visit the Social Protection website at <http://www.worldbank.org/sp>.

# Implementing Means-Tested Welfare Systems in the United States

*Kathy Lindert*<sup>1</sup>

June 2005\*

WORLD BANK INSTITUTE  
*Promoting knowledge and learning for a better world*



The findings, interpretations, and conclusions expressed in this paper are entirely those of the author(s) and should not be attributed in any manner to the World Bank, to its affiliated organizations or to members of its Board of Executive Directors or the countries they represent.

\*This study was completed in September 2003.

---

<sup>1</sup> The author would like to thank Lorena Cohan for her valuable research assistance and Marize Santos for her help with computer graphics. This study is based on two types of information: (a) information collected from multiple site visits at the federal, state and county levels; and (b) a review of existing data and literature. The author would like to thank officials from the Office of Family Assistance (HHS), the Food and Nutrition Service (USDA), the Family Investment Administration (State of Maryland), and Department of Health and Human Services (Montgomery County, MD) for their time, information and thoughts on US welfare programs.

# Social Safety Net Primer Series

The World Bank Social Safety Nets Primer is intended to provide a practical resource for those engaged in the design and implementation of safety net programs around the world. Readers will find information on good practices for a variety of types of interventions, country contexts, themes and target groups, as well as current thinking of specialists and practitioners on the role of social safety nets in the broader development agenda. Primer papers are designed to reflect a high standard of quality as well as a degree of consensus among the World Bank safety nets team and general practitioners on good practice and policy. Primer topics are initially reviewed by a steering committee composed of both World Bank and outside specialists, and draft papers are subject to peer review for quality control. Yet the format of the series is flexible enough to reflect important developments in the field in a timely fashion.

The primer series contributes to the teaching materials covered in the annual Social Safety Nets course offered in Washington, DC as well as various other Bank-sponsored courses. The Social Safety Nets Primer and the annual course are jointly supported by the Social Protection unit of the Human Development Network and by the World Bank Institute. The World Bank Institute also offers customized regional courses through Distance Learning on a regular basis.

For more information on the primer paper series and papers on other safety nets topics, please contact the Social Protection Advisory Service; telephone (202) 458-5267; fax (202) 614-0471; email: [socialprotection@worldbank.org](mailto:socialprotection@worldbank.org). Copies of related safety nets papers, including the Social Safety Nets Primer series, are available in electronic form at [www.worldbank.org/safetynets](http://www.worldbank.org/safetynets). The website also contains translated versions of the papers as they become available. An ambitious translation plan is underway (especially for Spanish and French, some in Russian). For more information about WBI courses on social safety nets, please visit the website [www.worldbank.org/wbi/socialsafetynets](http://www.worldbank.org/wbi/socialsafetynets).

## Papers in the Safety Nets Primer as of June 2005

<i>Theme</i>	<i>Author</i>
<b><i>Program Interventions</i></b>	
Cash Transfers	Tabor, Steve
Cash Transfers Benefits	Lafaurie and Valasquez
Community-based Health Insurance	Tabor, Steve
Conditional Cash Transfers	Rawlings, Laura
Fee Waivers in Health	Bitran and Giedion
Fee Waivers in Housing	Katsura and Romanik
Food Related Programs	Rogers and Coates
Micro Credit and Informal Insurance	Sharma and Morduch
Mitigating Social Risks	Tesliuc, Emil
Price and Tax Subsidies	Alderman, Harold
Public Works	Subbarao, Kalanidhi
<b><i>Cross-cutting Issues</i></b>	
Evaluation	Blomquist, John
Gender	Ezemenari, Chaudhury and Owens
Institutions	de Neubourg, Chris
Political Economy Aspects of Targeting	Pritchett, Lant
Public Attitudes and Political Economy	Graham, Carol
Safety Nets for Poverty Reduction	Ravillion, Martin
Targeting	Coady, Grosh and Hoddinott
Targeting: Lessons from LAC – Overview	Lindert et al
Targeting in Brazil	Lindert and Brière
Targeting in Chile (Spanish)	Larraña, Osvaldo
Targeting in Colombia	Castañeda, Tarsicio
Targeting in Costa Rica (Spanish)	Viguez, Roxana
Targeting in Mexico (Spanish)	Orozco and Hubert
Testing Vietnam's Public Safety Nets	van de Walle, Dominique
<b><i>Country Setting/Target Group</i></b>	
Poverty and Aging in Africa	Subbarao, Schwartz and Kakwani
Transition Economies	Fox, Louise
Very Low Income Countries	Smith and Subbarao
<b><i>Special Vulnerable Group</i></b>	
Disability	Mitra, Sophie

# Preface

This case study is part of six Country Case Study Reports that were commissioned in 2003 by the World Bank specifically for the purposes of a summary report on the design and implementation of household targeting systems in the following countries: Chile, Colombia, Costa Rica, Mexico, Brazil and the United States. Research findings and earlier drafts of the report were presented at numerous workshops and seminars (two in Brazil in November 2003; two at the World Bank in Washington in November 2003 and January 2005; and one at the Second International Workshop of Conditional Cash Transfers in Sao Paulo in April 2004). The final version of the report as well as the other country case studies have been published as Social Protection Discussion Paper No. 0526 to 0532 and can be found at [www.worldbank.org/safetynets](http://www.worldbank.org/safetynets).

# Abstract

While targeting can effectively channel resources to the poor, implementation details matter tremendously to distributive outcomes. Several key factors affect performance, including: data collection processes; information management; household assessment mechanisms; institutional arrangements; and monitoring and oversight mechanisms. This report conducts an in-depth assessment of key design and implementation factors and their potential impact on outcomes for the household targeting system used in the United States to target social programs to the poor and vulnerable.

# Table of Contents

OVERVIEW AND OBJECTIVES.....	5
POVERTY AND POLICY CONTEXT .....	5
Poverty Context.....	5
Overview of the Social Safety Net in the United States.....	6
Social Safety Net or Patchwork Quilt? .....	6
Local Attempts to Better Integrate the Safety Net .....	6
Recent Reforms: Shifting from Income Maintenance to Self-Sufficiency for Beneficiaries .....	7
Overview of the Main Welfare Programs .....	7
Institutional Roles by Level of Government .....	12
TARGETING MECHANISMS & ELIGIBILITY CRITERIA.....	13
DETERMINING ELIGIBILITY: APPLICATIONS PROCESSES.....	17
VERIFYING ELIGIBILITY .....	21
Verifying and Tracking Client Identity .....	21
Verifying Income and Asset Information.....	22
ERRORS IN ELIGIBILITY: QUALITY CONTROL AND FRAUD .....	23
Quality Control and “Error Rates”: Strong Emphasis of the Food Stamps Program.....	23
Controlling Fraud .....	24
AUTOMATED WELFARE INFORMATION SYSTEMS .....	25
What Automated Welfare Information Systems Do .....	26
Systems’ Success as Tool for Eligibility, Accuracy .....	27
Challenges Facing Automated Welfare Information Systems .....	27
Upgrading Automated Systems to Better Serve Welfare Policy.....	29
Costs of Automated Systems.....	31
EVALUATIONS OF OUTCOMES: TARGET ACCURACY.....	33
Targeting Outcomes: Absolute Incidence .....	33
Error Rates Reveal the Importance of Verifications .....	35
Coverage and Errors of Exclusion .....	36
CONCLUSIONS AND IMPLICATIONS FOR LAC .....	37

# IMPLEMENTING MEANS-TESTED WELFARE SYSTEMS IN THE US

## OVERVIEW AND OBJECTIVES

The objectives of this study are to conduct an overview of means-tested welfare systems in the US so as to draw on lessons-learned for middle-income countries in Latin America and the Caribbean (LAC) who may be reforming or designing such systems themselves. The review is part of a six-country study of the implementation of means-tested safety net systems (the other countries being Brazil, Chile, Colombia, Mexico and Costa Rica). LAC policy makers and systems designers can benefit not only from the experiences in other countries so as to build on the positive experiences and avoid the negative ones made by other countries, including the US.

Most middle-income LAC countries use proxy variables (instead of income) for eligibility purposes. Some are considering shifting to income-based eligibility, while others are already using unverified incomes as the basis for beneficiary selection.

The systems in the US are of interest because they rely in means-testing eligibility criteria based on incomes and assets as well as rigorous verification systems to improve target accuracy. These systems have indeed resulted in very well targeted programs in the US, with extremely low leakage rates to the non-poor. However, participation rates among potentially eligible families have also fallen (errors of exclusion), suggesting that complex procedures across numerous programs, work requirements and other program design features may be discouraging potential applicants. Outreach efforts and changes in performance-based management to focus on both target accuracy and poverty reduction could help improve participation rates. The US case is also interesting because it shows just how complex it can be to try to integrate a fragmented safety net (with over 80 federal programs) at the local level. LAC countries likewise tend to face a proliferation of social assistance programs. The US experience suggests that – if political conditions permit – other countries should consider avoiding such a situation and aim to better integrate or coordinate programs at their origins (federal level).

The review begins with an overview of the social safety net in the United States, as well as recent reforms, which is important for understanding the complex maze of means-tested systems in the US. It then turns to a review of eligibility criteria and applications processes for the main programs. The issues of verifying eligibility and reducing errors in eligibility and fraud – which receive extensive attention in the US – are then reviewed. The study then reviews crucial role of automated information systems in supporting the implementation of means-tested programs in the US. Finally, the study reviews available evidence on targeting accuracy as an outcome of these processes.

## POVERTY AND POLICY CONTEXT

### Poverty Context

Poverty in the United States averaged about 13.7% of the population during the decade of the 1990s. Poverty rates fell dramatically at the end of the 1990s, reaching a historical low of 11.3% in 2000.<sup>1</sup> With the recent recession and rising unemployment, however, poverty rates have inched up in recent years (to 11.7% in 2001 with even higher predicted rates for 2002).<sup>2</sup> Poverty rates are historically highest in the South and lowest in the Midwest. They are also far higher among children, with about 18.2% of all American children living in poverty in 2001 (up from 17.8% in 2000). Poverty is also higher among the black (22.6%), indigenous (22.5%) and Hispanic (21.5%) populations, as compared with the white population (9.7%).

## Overview of the Social Safety Net in the United States

Over 80 means-tested federal programs provide assistance – in cash and in kind – to low-income individuals and households in the United States (Table 1). Such programs constitute the “social safety net” or public welfare system. They cost an estimated US\$437 billion in FY2000, representing 4.4% of GDP.<sup>3</sup> About 70% was financed with federal funds, with the remainder coming from state and local coffers. Total safety net spending in FY2000 set a new record high, up 7% from the previous peak in FY1999.

Over half of all welfare spending goes to medical-related assistance, with another fifth going to cash-based transfers (Table 1). Food- and housing-based in-kind transfer programs each account for about 8% of spending on the safety net.

**Table 1 – Total Spending on Federal Means-Tested Social Assistance by Type of Program, 2000**

	Number of Programs	Federal, \$bn	State-Local, \$bn	Total, \$bn	% of Total
Medical Care	9	131.5	94.4	225.9	52%
Cash Transfers	11	72.5	19.2	91.7	21%
Food-Based Transfers	11	32.2	2.2	34.3	8%
Housing Assistance	16	29.3	5.6	34.9	8%
Education Aid	14	19.0	1.3	20.4	5%
Services	9	14.2	6.5	20.7	5%
Jobs/training	12	6.2	1.1	7.4	2%
Energy Aid	2	1.6	0.1	1.7	0%
<b>Total</b>	<b>84</b>	<b>306.5</b>	<b>130.5</b>	<b>437.0</b>	<b>100%</b>

Burke, Vee (November 2001). “Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY1998-2000. Congressional Research Service (CRS) Report for Congress.

### Social Safety Net or Patchwork Quilt?<sup>4</sup>

The US system of social assistance for low-income families falls short of a tightly-woven safety net.<sup>5</sup> Numerous federal departments and agencies, state and local offices, community-based organizations, and other entities are responsible for administering these programs.<sup>6</sup> Authorized by different congressional committees at different points in time (many spanning back to the 1930s), these programs were created to meet the specific needs of different poor and vulnerable groups. Some programs (such as Medicaid, discussed below), constitute entitlements that guarantee benefits to all eligible applicants, while others (such as child care and housing) operate with discretionary funds that are sufficient to cover only a fraction of qualifying applicants. Different sets of rules and regulations govern benefit eligibility across the 80-some programs that serve low-income individuals and families. When viewed as a whole, the proliferation of programs has given rise to longstanding concerns that the nation’s “safety net” is more of a “patchwork quilt”<sup>7</sup> that is fragmented, difficult and costly to administer and too complex for the poor to navigate. Indeed, the fragmentation of the safety net contributes to inefficiencies, such as duplication of administrative activities and undue burden on the clients.

### Local Attempts to Better Integrate the Safety Net

While politics and bureaucracy have so far prevented integration of the safety net at the federal level, many efforts have been made to try to simplify and better coordinate programs at the state- and local-levels. These include: (a) developing joint application processes for many welfare programs; (b) taking advantage of recent reforms to better realign financial eligibility rules across programs; and (c) using computer information systems as a tool to streamline eligibility determination.<sup>8</sup> Attempts have also been made to better integrate social assistance programs with social services and workforce development services (including through the use of joint “one-stop shops”). Many of these issues are discussed in more detail below.



## **Recent Reforms: Shifting from Income Maintenance to Self-Sufficiency for Beneficiaries**

Social assistance in the US has also undergone a significant policy shift, culminating in the major welfare reforms passed by Congress in 1996 (the “PRWORA Reforms” or Personal Responsibility and Work Opportunity Reconciliation Act). Prior to these reforms, the social assistance system adopted a more “passive” welfare policy, whereby “need is a circumstance that aid in and of itself alleviates” (poverty alleviation and income maintenance).<sup>9</sup> Passive assistance programs emphasize income maintenance and support, and the key design concerns involve eligibility (targeting) and benefit calculations.

In contrast, the reforms made a dramatic philosophical shift, adopting an “active stance” towards welfare in which “need is treated as a situation that aid alters” (poverty reduction and self-sufficiency). Active programs serve not only to catch people when they fall (safety net), but also to help them pull out of poverty (springboard).<sup>10</sup> Active welfare programs emphasize helping clients achieve self-sufficiency, and key design concerns involve (a) behavioral change, usually through conditions requiring work and human capital investments on behalf of beneficiaries; and (b) active case management, linking clients to complementary support services (such as child care, transport subsidies, employment assistance, etc.) and tracking their progress towards mutually-agreed goals.

## **Overview of the Main Welfare Programs**

The “traditional welfare package” consists of cash assistance (now through the Temporary Assistance for Needy Families Program, TANF), food stamps, and assistance with health care costs (under the Medicaid program). Basic program data for these programs are included in Table 2. Of these, the way in which cash assistance is implemented has undergone the most significant change in the post-reform era.

**Cash Assistance – With a Twist.** Historically, cash assistance was provided under the program known as “Aid to Families with Dependent Children (AFDC).” This program adopted the “passive” welfare policy approach, with the main focus being the provision of income support. Over time, critiques mounted that this entitlement program created multiple generations of welfare dependence, trapped families in poverty, and encouraged births outside of marriage. To overcome some of these problems, states were granted legal “waivers” exempting them from certain AFDC requirements and allowing them to experiment with alternative approaches to welfare. Building on these innovative experiments, the 1996 reforms eliminated the AFDC program, replacing it with TANF. TANF continues to provide cash transfers to low-income families, but its emphasis is largely on helping these families achieve economic independence. Three key features help promote self-sufficiency through an “active” welfare policy: (a) work requirements (Table 3); (b) lifetime welfare time limits (Table 3); and (c) support for, and links to, other key complementary social and work services, such as child care, transport subsidies, and employment services. Many states also impose additional conditionalities geared towards behavioral change and long-run investments in human capital, such as requirements involving school attendance or achievement, immunizations and health screening (Table 3).

TANF is funded through a block grant to states (which was set at the amount spent on AFDC in the mid-1990s; coincidentally, these years recorded the highest levels of spending in history). States are required to spend a certain minimum of their own money on the program, which is based on a certain percentage<sup>11</sup> of non-federal spending on AFDC in 1994 (known as the “maintenance of effort” requirement). Total spending (federal and state) on TANF amounted to US\$24 billion in FY2000, or about 5.5% of total safety net spending. Of this, less than half funded direct cash transfers, with the remainder funding child care subsidies, work activities, other work supports, and administrative costs (Table 2).

TANF covers over five million recipients (5.9 million in 2000 and 5.4 million in 2001), which is down from 12.6 million at the advent of reforms in 1996. Many cite this dramatic decrease as a signal of success of the program, attributing it to increased self-sufficiency of the low-income population. Others link it to the strong

economy in the 1990s, though the recent recession would not explain the continued downward trend in recent years. Recent studies have concluded that the reduction in the caseload is primarily the result of implementation of welfare reforms.<sup>12</sup> Whether this is to be interpreted as a success depends in part on the political leanings of the analyst. Regardless of political affiliation, however, studies have shown that some of the decline occurred because a smaller percentage of *eligible* families now participate in the program.<sup>13</sup> Some likely factors contributing to self-selection out of the program include: the heavy work requirements imposed on beneficiaries (some even required before eligibility is determined, as discussed below), the maze of different rules governing eligibility, and tighter restrictions on immigrant eligibility.

In addition, an important feature of TANF is the use of welfare diversion policies, which could also explain part of the decline in TANF participation. Diversion strategies seek to meet the needs of potential welfare recipients in ways other than through monthly cash assistance, such as by having them engage in immediate job search to obtain employment quickly, providing one-time cash payments (welfare avoidance grants), or providing support services such as child care and medical assistance.<sup>14</sup> As of 1999, 22 states had introduced formal diversion payments. Families applying for a diversion payment must still meet TANF eligibility criteria (discussed below), and are usually ineligible for regular TANF cash transfers for a certain period of time after receiving the “welfare avoidance grant.”<sup>15</sup>

Reflecting the shift in emphasis, key performance indicators for the TANF include: (a) work participation rates (Table 3); (b) other employment-related indicators (% of adult TANF recipients who become newly employed; job duration and retention; earnings rates for adult TANF recipients/former recipients; and (c) time limits indicators.<sup>16</sup>

**Food Stamps – More Traditional Support.** Dating back to the 1930s and reinstated as a permanent program in the 1960s, the food stamps program is an enduring cornerstone of traditional US welfare policy. The program aims to “serve as the first line of defense against hunger” by enabling low income families to buy food with coupons and electronic benefit transfer cards. These “near-cash” income supports cost the government about US\$20 billion in 2000, or just under 5% of total safety net spending. The benefits of the program are completely funded by the federal government, which also funds 50% of the program’s administrative costs (with state-local governments funding the rest).

While the thrust of the 1996 welfare reforms focused on cash transfers, food stamps were not immune to these reforms. Rather, they were affected directly through provisions to (a) introduce limited work requirements, (b) impose time limits on unemployed able-bodied adults without dependents; and (c) disqualify most permanent resident aliens. In addition, TANF reforms affected food stamps, as many potentially eligible beneficiaries apply jointly for these benefits and hence shied away from food stamps as well as TANF (due to various requirements and the complexity of different eligibility rules governing the different programs, as discussed further below). This can help explain the dramatic drop in beneficiaries from 28 million persons in 1994 (the program’s peak) to some 18 million in FY2000, as well as the fall in the participation rate of potentially eligible individuals. These issues are discussed in more detail below.

Despite these reforms, food stamps essentially remain a “passive” income-maintenance program. As such the focus of their design, monitoring and evaluation is on eligibility (target accuracy). Indeed, one of the main program indicators that is monitored is the “error rate,” which represents the share of benefits that are miscalculated— either paying too much or too little to applicants and beneficiaries due to mis-targeting. Significant efforts are made to monitor these error rates (“quality control,” as discussed in more detail below), and states pay significant penalties (“sanctions”) if their error rates exceed the national average. Other key performance indicators include the participation of eligible households, characteristics of beneficiary households, appropriate use of food stamps (spending on food), and fraud.

**Medicaid – the Largest Social Assistance Program.** Medicaid was launched in 1965 as a jointly-funded cooperative venture between the Federal and State governments to assist States in the provision of adequate

medical care to needy persons. It is the largest program in the safety net portfolio, accounting for almost half of total social assistance spending in FY2000. It is also the largest program providing medical and health-related services to the poor and specific categories of groups (Table 5). State Medicaid programs must provide certain federally-mandated benefits, such as physician services, inpatient and outpatient hospital services, laboratory and x-ray services. In addition, states may offer optional services, such as dental, physical therapy, prescription drugs, and case management services. Medicaid also provides assistance to hospitals for the cost of uncompensated care.<sup>17</sup>

**Other Programs – Piecing together the Patchwork Quilt.** While the traditional welfare package (TANF, food stamps, and Medicaid) accounts for close to 60% of total social assistance spending, another 81 programs piece together to form the safety net. Table 2 summarizes the main features and program data for eight other major programs (in addition to TANF, food stamps, and Medicaid), which account for 22% of total safety net spending in the US. These include other cash programs (EITC and SSI), food-based programs (school lunches, WIC), the state children’s health insurance program, and various housing and energy support programs to low-income households, all run by different agencies.

**Table 2 – Main Means-Tested Welfare Programs in the U.S.: Description, Funding, Spending, Beneficiaries**

<b>Program</b>	<b>Description / Type of Benefits</b>	<b>Funding Source</b>	<b>Federal Agency</b>	<b>Total Spending (FY 2000, US\$ bn)</b>	<b>Administrative Costs (% of total)</b>	<b>Average Benefits (per person/year)</b>	<b># of Recipients (FY 2000, mn)</b>
TANF (Temporary Assistance for Needy Families)	<ul style="list-style-type: none"> <li>• Cash transfers conditional on work requirements</li> <li>• Also funds child care subsidies and other work support services</li> </ul>	<ul style="list-style-type: none"> <li>• Federal block grant to states</li> <li>• States also provide funding</li> </ul>	HHS	\$24 bn, of which: <ul style="list-style-type: none"> <li>• 48% on cash transfers (\$11.5 bn)</li> <li>• 13% on child care</li> <li>• 10% on work activities</li> <li>• 19% on other work support programs</li> <li>• 10% on admin costs</li> </ul>	10% (\$2.4 bn, 2000), of which: \$321 on information systems, \$2.1 on admin. costs  (This is well below the federal limit of 15%)	\$1935 for cash benefits (about 41% of FPL in 2000)*  \$3661 for total TANF benefits (cash + non-cash)*	5.9 million
Food Stamps	<ul style="list-style-type: none"> <li>• Near cash assistance in form of food coupons or electronic benefit transfer cards that can be used in authorized retail stores to purchase food</li> </ul>	<ul style="list-style-type: none"> <li>• Federal government funds 100% of benefits, 50% of admin. costs</li> </ul>	USDA	\$20.3 bn (2000)  Of which: <ul style="list-style-type: none"> <li>• \$18 bn paid out in benefits (food stamps)</li> </ul>	11% (2002)	\$876 (about 19% of FPL in 2000)*	18.2 million
Medicaid	<ul style="list-style-type: none"> <li>• Medical- and health-related services</li> </ul>	<ul style="list-style-type: none"> <li>• Joint federal-state</li> </ul>	HHS	<ul style="list-style-type: none"> <li>• \$207.2 billion</li> </ul>	2.1% (1998)	\$4827 (about 102% of FPL in 2000)*	42 million (1999)
SCHIP (State Children’s Health Insurance Program)	<ul style="list-style-type: none"> <li>• Health insurance for uninsured children from low-income working families with incomes too high to qualify for medicaid</li> </ul>	<ul style="list-style-type: none"> <li>• Jointly federal-state</li> </ul>	HHS	<ul style="list-style-type: none"> <li>• \$2.5 billion</li> </ul>	n.a.	\$750 (about 16% of FPL in 2000)*	3.3 million
EITC (Earned Income Tax Credit)	<ul style="list-style-type: none"> <li>• A “refundable” tax credit for working low income families</li> </ul>	<ul style="list-style-type: none"> <li>• 100% federally funded</li> </ul>	IRS	<ul style="list-style-type: none"> <li>• 25.8</li> </ul>	n.a.	\$466 (about 10% of FPL in 2000)*	55.3 million
SSI (Supplemental Security Income)	<ul style="list-style-type: none"> <li>• Provide minimum income floor for low-income persons who are aged 65+, blind or disabled</li> </ul>	<ul style="list-style-type: none"> <li>• Mostly federal with some supplemental state funding</li> </ul>	SSA	<ul style="list-style-type: none"> <li>• 35.1</li> </ul>	7.0% (1998)	\$4933 (about 105% of FPL in 2000)*	6.6 million

Continued Next Page

**Table 2 – Main Means-Tested Welfare Programs in the U.S.: Description, Funding, Spending, Beneficiaries -- Continued**

<b>Program</b>	<b>Description / Type of Benefits</b>	<b>Funding Source</b>	<b>Federal Agency</b>	<b>Total Spending (FY 2000, US\$ bn)</b>	<b>Administrative Costs (% of total)</b>	<b>Average Benefits (per person/year)</b>	<b># of Recipients (FY 2000, mn)</b>
School Lunch	<ul style="list-style-type: none"> <li>Free and reduced prices lunches for school children</li> </ul>	<ul style="list-style-type: none"> <li>Federal subsidy</li> </ul>	USDA	<ul style="list-style-type: none"> <li>5.6 (federal only)</li> </ul>	7.8% (1998)	\$335 (about 7% of FPL in 2000)*	5.6 million
WIC (Supplemental Nutrition Program for Women and Infant Children)	<ul style="list-style-type: none"> <li>Food commodity rations, nutrition services</li> </ul>	<ul style="list-style-type: none"> <li>All federal</li> </ul>	USDA	<ul style="list-style-type: none"> <li>3.9</li> </ul>	9.0% (1998)	\$498 (about 11% of FPL in 2000)*	3.9 million
Low Income Housing (Section 8)	<ul style="list-style-type: none"> <li>Rent subsidies and vouchers</li> </ul>	<ul style="list-style-type: none"> <li>All federal</li> </ul>	HUD	<ul style="list-style-type: none"> <li>16.0</li> </ul>	5.2% (1998)	\$4738 per HH (about 33% of FPL in 2000)*	16.0 million
Low rent public housing	<ul style="list-style-type: none"> <li>Public housing</li> </ul>	<ul style="list-style-type: none"> <li>All federal</li> </ul>	HUD	<ul style="list-style-type: none"> <li>6.5</li> </ul>	22.3% (1998)	\$4002 per HH (about 28% of FPL in 2000)*	6.5 million
LIHEAP (Low Income Home Energy Assistance Program)	<ul style="list-style-type: none"> <li>Transfers for energy exp.</li> </ul>	<ul style="list-style-type: none"> <li>100% federal, block grants</li> </ul>	HHS	<ul style="list-style-type: none"> <li>1.5</li> </ul>	9.1% (1998)	\$331 per HH (about 2% of FPL in 2000)*	1.5 million

Compiled by the author. Spending, beneficiary information from:

- Burke, Vee (November 2001). "Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY1998-2000. Congressional Research Service (CRS) Report for Congress.
- Information on TANF from Office of Family Assistance (April 2002). Temporary Assistance for Needy Families (TANF): Fourth Annual Report to Congress.
- Administrative cost data for food stamps from: USDA/FNS (July 2003). "Characteristics of Food Stamp Households: Fiscal Year 2002, advance report).
- Administrative cost data for other programs from: General Accounting Office (November 2001): Means-Tested Programs: Determining Financial Eligibility is Cumbersome and Can Be Simplified. GAO-02-58.
- \*Average benefit levels (per recipient per year) calculated as (total program spending – administrative costs)/total recipients; TANF calculated as total spending on cash benefits/total recipients; and (total spending – administrative costs)/total recipients. Benefits per household for housing/energy assistance. % federal poverty line (FPL) calculated as average benefit per family of 3 (HH) / FPL for a family of 3 for 2000.

**Table 3 – Conditionalities and Requirements for TANF and Food Stamps Recipients**

	Number of States with Requirements (1999)	
	TANF	Food Stamps
<b>Time Limits</b>	<ul style="list-style-type: none"> <li>• All (federal requirement): 5 year lifetime limit</li> <li>• 8 states have adopted even shorter lifetime limits</li> <li>• 16 states also impose other intermittent time limits (e.g., XX months followed by YY months of ineligibility)</li> </ul>	<ul style="list-style-type: none"> <li>• All (federal requirement):</li> <li>• 3 year limit (36) months for able-bodied adults between 18-50 without children if they do not work or participate in a workfare or employment training program other than job search</li> </ul>
<b>Work Participation Requirements</b>	<p>All (federal requirement):</p> <ul style="list-style-type: none"> <li>• 40 hours for all non-exempt adults (regardless of number of parents, 2003 reforms)</li> <li>• Participation rates: <ul style="list-style-type: none"> <li>○ 50% all families, 90% for 2-parent families until 2002</li> <li>○ 2003 reforms: increasing until 70% for all families in 2007</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• All (federal requirement):</li> <li>• Able-bodied adults between 16-60 must register for work, take part in an employment and training program, and accept or continue suitable employment for at least 20 hours per week</li> </ul>
<b>School Conditionalities</b> (minimum attendance or minimum grade-point average, otherwise sanctions apply)	34	n.a.
<b>School Bonuses</b> (financial incentives for meeting minimum attendance or achievement standards)	6	n.a.
<b>Immunization Requirements</b> (otherwise sanctions apply)	26	n.a.
<b>Health screening requirements</b> (otherwise sanctions apply)	6	n.a.
<b>Other Screening</b> - Participation in Early and Periodic Screening, Diagnosis, and Treatment Program (EPSDT)	2	n.a.

Sources: Compiled by author with information from: Rowe, Gretchen (November 2000). "Welfare Rules Databook: State TANF policies as of July 1999." Urban Institute; and USDA/FNS and HHS/OFA websites.

### **Institutional Roles by Level of Government**

Safety net programs in the US differ in the degree of devolution and decentralization. Although the main programs are still very separate at the federal level (e.g., with separate financing sources, legislative and executive oversight), their implementation has been significantly delegated to, and integrated at, the "retail levels." Implementation of most programs is highly decentralized, with state and local (county) governments responsible for most aspects of program execution. However, each program differs in the degree to which federal guidelines govern implementation. With food stamps, for example, local governments implement the program under strict uniform federal criteria governing eligibility and benefit calculations (Tables 4 and 5). In contrast, with the TANF program – which is financed through federal block grants in addition to state funding – the determination of most of these criteria has been devolved to the states (Tables 4 and 5). Federal requirements are few, focusing mainly on the work requirements and time limits imposed under the PRWORA reforms in 1996. States even operate TANF under programs with their own names, such as "Wisconsin Works," "Work First New Jersey," or Maryland's "Family Investment Administration / Temporary Cash Assistance (TCA)" program.

<b>Table 4 – TANF and Food Stamps in the US: Key Roles and Features by Level of Government</b>		
<b>Role</b>	<b>TANF<sup>18</sup></b>	<b>Food Stamps</b>
Federal Oversight	Department of Health and Human Services, Office of Family Assistance; Legislative Committee: House Appropriations	Department of Agriculture, Food and Nutrition Service Legislative Committee: Agriculture
Definition of Eligibility Criteria	<b>State</b> determined. Main federal criteria: children, citizenship	<b>Federal.</b>
Screening and Determination of Eligibility	<b>Local:</b> Usually using a unified applicant data collection system operated by the state. Information system is unified, but criteria are program-specific	
Time limits (exit criteria)	<b>Federal</b> maximum, states can implement lower maximums and some exemptions	<b>Federal</b> time limits that limit benefits to working-age childless with a three month maximum in a three year period
Management of beneficiary database and information systems	<b>State/local</b> level (usually integrated for traditional welfare package)	
Determination of Benefit Levels	<b>State</b> -wide formula, <sup>19</sup> applied at local offices ( <u>not</u> federal)	<b>Federal</b> (complex formula)
Financing	Fixed <b>federal</b> block grants to states (established at highest levels in history). <b>States</b> required to maintain at least 75% of pre-reform state spending levels in order to receive full block grant. Federal reserve fund available to provide additional resources in event of sudden increase of needs.	<b>Federal</b> entitlement: federal government will pay states 100% of transfer costs and 50% (matching) of administrative costs.
Payment of transfers	Usually <b>state</b> (e.g., the state comptroller), some via electronic debit cards, some via check	<b>State</b> issues electronic benefit card to beneficiaries
Main Performance Monitoring Indicators (federal oversight)	<b>Federal</b> indicators: Work participation rates, financial penalties imposed on states for non-performance	<b>Federal</b> indicators: (a) Target accuracy based on “error rates” and “Quality Control.” Financial penalties imposed on states whose error rates exceed the national average. (b) Use of food stamps (purchasing only eligible food items)
Beneficiary interface (applications, interactions with system and with case workers)	<b>Local</b> (county) welfare offices. Increasingly, these activities are being “integrated” at the retail level (integrated application forms, screening and eligibility reviews, case worker services) to link beneficiaries with social assistance (TANF, food stamps, medicaid, other), social services (e.g., substance abuse, domestic violence, child support), and work services (job readiness, job search, etc.)	
Other	<b>Federal</b> government helps states share information and experiences via the welfare peer assistance network	

### TARGETING MECHANISMS & ELIGIBILITY CRITERIA

Means testing is the main mechanism used to target safety net programs to poor and low-income individuals in the United States. Most programs adopt a rigorous form of means-testing, applying several “tests” for eligibility with intensive verification and cross-checking of all information provided (discussed below). Table 5 provides examples of criteria for the three traditional welfare programs. Eligibility criteria are extremely complex and vary significantly across all 84 programs in the U.S. safety net. Moreover, for some programs, states have the responsibility for establishing eligibility criteria. As such, these differ by state (and sometimes by county). Such is the case for the TANF program. In contrast the food stamps program adopts uniform national eligibility criteria. Depending on the program and state, eligibility tests can include:

- **Asset tests:** (a) comparing financial assets to some pre-determined threshold; and (b) vehicle asset tests (allowing up to a certain amount of the fair market value of vehicles possessed by applicants);
- **Gross income tests:** comparing gross earned and unearned income to some pre-determined threshold (taking into account household size);

- **Net income tests:** calculating net income (gross income minus some set of standard deductions and exemptions) and comparing it to some pre-determined threshold (taking into account household size); and
- **Benefit calculations:** implicit means tests whereby benefits are calculated as the maximum benefit level minus the income (net or gross) of the household (taking into account household size).

Criteria differ across programs and states not only in terms of the types of tests performed (as per above), but also in terms of the definitions of incomes used (earned vs. unearned, amounts of income deductions and disregards, etc.) and for the definition of the beneficiary unit (household, family, assistance unit, etc.), as illustrated in Table 5.

In terms of overall income thresholds, on average, state criteria for the TANF program imply a slightly poorer target population than the uniform federal criteria for the food stamps program and the threshold for the Medicaid program (Table 5). The average income threshold for TANF equals about 60% of the federal poverty line. This compares with gross and net income thresholds for the food stamps program of 128% and 99% of the federal program respectively, and a threshold of 133% of the federal poverty line for Medicaid. Strict comparisons, however, are complicated by the fact that each program counts incomes differently.<sup>21</sup>

#### **Box 1 – Incentive Effects of Means-Testing**

Much attention has been given to the potential negative incentive effects of **income testing on labor market participation**. Discincentives to work can be created if benefits are reduced as earned incomes rise. Indeed, reducing such negative incentives and their potential for creating a poverty trap, is what has motivated many of the changes under the 1996 welfare reforms, including (a) work requirements; (b) higher earnings disregards (the amounts of earned income that is not counted for eligibility); and (c) higher income thresholds and continued eligibility for non-cash benefits (food stamps, Medicaid) for TANF beneficiaries when they become ineligible for TANF due to higher incomes.

Relatively less attention has been given in international literature to the potential effects of **asset testing on savings** among the poor. Asset tests have been used to assure that assistance does not go to people with ample resources of their own. Empirical evidence from several studies on beneficiaries of various welfare programs suggests that asset tests may reduce savings by lower-income families.<sup>20</sup>

In addition to means-testing, to some extent, the TANF program has additional features that introduce self-targeting mechanisms into its design. These include the imposition of strict work requirements and time limits. Such requirements could dissuade certain potentially eligible individuals from applying. As discussed below, however, this self-selection could discourage applicants both (a) at the higher end of the low-income spectrum from applying (e.g., those who are already working and for whom the extra benefits from the program may not outweigh the extra costs of the work requirements); and (b) possibly those at the lower end of the spectrum (e.g., the hard-to-serve). These issues are both discussed in more detail under the “targeting outcomes” section below.



**Table 5 – Eligibility Criteria for Traditional Welfare Package: TANF, Food Stamps, Medicaid**

Program	Governance	Definition of Beneficiary Unit	Technical Criteria	Asset Test	Income Criteria	Maximum Income Threshold	Maximum Benefits
TANF	States set eligibility criteria within federal guidelines	<ul style="list-style-type: none"> <li>Family definition of the “assistance unit” (AU)</li> <li>Generally includes: children, siblings, parents or other caretaker</li> <li>Can exclude members of the household for whom AU is not applying for assistance (e.g., if some members don’t fit the citizenship criteria)</li> </ul>	<ul style="list-style-type: none"> <li>AU must include a child</li> <li>Most non-citizens are not eligible for federally-funded TANF</li> <li>Some states use own funds for eligible non-citizens</li> <li>Citizen rules apply to individuals not families (so some members may be eligible while others ineligible)</li> </ul>	<ul style="list-style-type: none"> <li>No federal limits</li> <li>State-established limits on financial assets: \$1,000-\$10,000 depending on state</li> <li>Vehicles: state option; most states disregard value up to close to \$5000 for one vehicle</li> </ul>	<ul style="list-style-type: none"> <li>No federal criteria</li> <li>States define definition of income used (earned, unearned, which members’ income to count, disregards)</li> <li>States determine the type of income test performed: gross income, gross earnings, net income. These tests are in addition to the implicit income test imposed by benefit calculation procedure</li> </ul>	<ul style="list-style-type: none"> <li>No federal criteria</li> <li>States define the thresholds</li> <li>Thresholds depend on family size</li> <li>Average annual income threshold for a family of 3 in 1999: <ul style="list-style-type: none"> <li>\$8340</li> <li>Or <b>60% of the FPL</b></li> </ul> </li> <li>Annual income thresholds range from \$2460 in Alabama to \$19692 in Hawaii (per year for a family of 3, 1999)</li> <li>These thresholds represent between 18-123% of FPL for a family of 3 (1999)</li> </ul>	<ul style="list-style-type: none"> <li>No federal criteria</li> <li>States define benefits</li> <li>Depends on family size</li> <li>Average maximum benefit for family of 3 in 1999: <ul style="list-style-type: none"> <li>\$4,884</li> <li>Or <b>35% of the FPL</b></li> </ul> </li> <li>Range from \$1,968 in Alabama to \$11,076 in Alaska (per year for a family of three, 1999)</li> <li>This range represents between 14-64% of FPL</li> </ul>
Food Stamps	Federal sets eligibility criteria	<ul style="list-style-type: none"> <li>Household definition</li> <li>A person or group of people who reside together and customarily purchase and prepare their food together</li> </ul>	<ul style="list-style-type: none"> <li>All households eligible (even single person and no-child households)</li> <li>Most non-citizens are ineligible</li> </ul>	<ul style="list-style-type: none"> <li>Federal limits</li> <li>Financial assets &lt;\$2000 for non-elderly, &lt;\$3000 for elderly</li> <li>Vehicles: federal criteria – certain vehicles completely exempt (e.g. if used for work). If not exempt, all but \$4,650 of the fair market value (FMV) of one vehicle is counted toward the asset limit.</li> <li>States may substitute TANF rules as of 07/01/01.</li> </ul>	<ul style="list-style-type: none"> <li>Federal criteria</li> <li>Gross and net income tests depending on household size</li> <li>Various deductions: <ul style="list-style-type: none"> <li>20% of earned income</li> <li>\$134 for all HH</li> <li>For medical expenses &gt;\$35 for elderly or disabled Legally-owed child support payments</li> <li>Shelter costs</li> <li>Child care costs</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Federal criteria</li> <li>Depends on household size</li> <li>Limits for family of three (2003): <ul style="list-style-type: none"> <li>Gross: \$19,536 (or <b>128% of FPL</b>)</li> <li>Net: \$15,024 (or <b>99% of FPL</b>)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Federal criteria</li> <li>Depends on household size</li> <li>Calculated as Maximum Allotment minus 30% of net income (because beneficiaries expected to spend 30% of own resources on food)</li> <li>Maximum Allotment for a family of 3 (per year in 2003): <ul style="list-style-type: none"> <li>\$4,392</li> <li>Or <b>29% of FPL</b></li> </ul> </li> </ul>

**Table 5 – Eligibility Criteria for Traditional Welfare Package: TANF, Food Stamps, Medicaid -- Continued**

Program	Governance	Definition of Beneficiary Unit	Technical Criteria	Asset Test	Income Criteria	Maximum Income Threshold	Maximum Benefits
Medicaid	States set eligibility criteria within federal guidelines	<ul style="list-style-type: none"> <li>• Based on AFDC definitions<sup>a</sup></li> <li>• States have flexibility to define family or household and those for whom income and assistance will be counted</li> </ul>	<ul style="list-style-type: none"> <li>• Automatic categorical eligibility for many groups:                             <ul style="list-style-type: none"> <li>○ Anyone receiving or recently receiving TANF,</li> <li>○ Low income families with children (defined under AFDC)</li> <li>○ Those receiving SSI</li> <li>○ Pregnant women and children &lt;6 whose family income is &lt;133% of FPL</li> <li>○ Other special groups</li> </ul> </li> <li>• Legal immigrants ineligible for 5 years</li> </ul>	<ul style="list-style-type: none"> <li>• State option but can't be more restrictive than AFDC rules</li> <li>• States have the option to raise the limit or eliminate the asset test completely</li> <li>• Vehicles: Many states disregard the value of one vehicle up to \$4,650 or one vehicle</li> </ul>	<ul style="list-style-type: none"> <li>• States determine calculation of income, including amounts of earned income disregarded in determining initial program eligibility</li> <li>• Anyone meeting AFDC eligibility as of 1996 eligible</li> </ul>	<ul style="list-style-type: none"> <li>• Federal criteria</li> <li>• Children &lt; 6 years and pregnant women whose family income is &lt; <b>133% of FPL</b></li> <li>• In some states can be higher if approved by certain dates</li> </ul>	<ul style="list-style-type: none"> <li>• Health care costs</li> </ul>

Sources: Compiled by author drawing on information from: Rowe, Gretchen (November 2000). "Welfare Rules Databook: State TANF policies as of July 1999." Urban Institute; GAO (November 2001). Means-tested Programs: Determining Financial Eligibility is Cumbersome and Can Be Simplified. GAO-02-58; Burke, Vee (November 2001). "Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY1998-2000. Congressional Research Service (CRS) Report for Congress; and HHS/OFA and USDA/FNS websites

a.) Medicaid eligibility for children and families is still based upon AFDC standards and methodologies (even though AFDC was eliminated when TANF introduced).

FPL = federal poverty line (from Federal Register)

## DETERMINING ELIGIBILITY: APPLICATIONS PROCESSES<sup>22</sup>

Applications for eligibility for social assistance programs in the US are made on a permanent “on-demand basis,” meaning that entry into welfare programs is essentially available to anyone, anywhere, and at any time provided that they apply and meet the eligibility criteria (Box 2). Most states have integrated the application process for TANF, food stamps and Medicaid, but applicants can also apply for each program separately.

### Box 2 - Two Distinguishing Features for Program Access: US vs. LAC

Two key features distinguish access to the US safety net from social assistance programs in many Latin American countries. The first is “permanent access” and the second is “on-demand applications.” In the US, entry into welfare programs is essentially available to anyone, anywhere, and at any time provided they apply and meet the eligibility criteria. Consideration for entry is essentially done on an “on-demand” basis, whereby potential beneficiaries apply for consideration of eligibility on their own initiative, with some screening themselves out if they perceive that the time costs of application outweigh the potential benefits of approval.

In contrast, in Latin America, entry into many social assistance programs is limited over time. Consideration for entry into the programs is commonly carried out during a single round of surveying and eligibility testing of a particular area, usually under the limits of a rationed household quota. This massive review of households for eligibility is implemented once a year, or even once every few years. Although some households can request consideration for applications at other times, most access is limited to those who were considered during the survey sweep. This means that if a household gets on the beneficiary list, it remains on that list for quite sometime (years), since updating occurs infrequently. It also means that if a household is excluded from the list at the time of the single round of screening, or if a household later “falls” into poverty, that family is shut out of the program (even when it is deserving of the benefits). As such, errors of exclusion and inclusion will likely grow over time. It also means that the programs are not really serving as a “safety net” to catch people when they fall, but rather provide long-term assistance for a subset of the deserving poor (with fairly extensive welfare dependency).

Two key inputs make “permanent and on-going access” to US welfare programs possible. The **first** is financing. The budgets of the main US welfare programs have been adequate enough to ensure financing of benefit levels for all who apply and are deemed eligible. When budget cuts are enacted, the auxiliary support services that complement the transfers are the activities that take the hit, rather than the number of beneficiaries or levels of transfers themselves.

The **second** is physical access to the programs. The physical network of welfare offices is extensive enough so that virtually all of the population can apply without prohibitively lengthy transport time or costs. Applications by mail and on-line also expand the ability of potential beneficiaries to apply (though most offices require some face-to-face contact for eligibility determination, as discussed below).

Since applications are handled by local offices throughout the country, overall, there is considerable variation in such processes. Depending on the policies of the state and county, this process can be relatively simple and straightforward, or it can be much more complex, involving numerous steps and visits to various agencies (Box 3).<sup>23</sup> The processes are typically detailed in lengthy operations manuals (binders), prepared by state and local offices.<sup>24</sup>

Nonetheless, typical steps involved in applying for the traditional welfare package (TANF, food stamps, and Medicaid) include:

- **Reception/Intake.** The initial point of contact with the welfare system typically occurs with the reception/intake clerk in the reception area of the local welfare office. Receptionists/intake clerks provide blank applications, receive completed applications,<sup>25</sup> and answer general questions. In some offices, receptionists also conduct initial screenings to determine which types of assistance they need, want, and might be eligible for. (See below for information on applications).
- **Initial Screening.** Initial screenings are also common, and serve many purposes including: (a) entering initial application data into computer system and generating a client identification number (see below); (b) determining the need for expedited food stamps or other emergency

services; (c) conducting an up-front assessment for the purpose of diverting applicants from TANF to other programs (e.g., one-time cash payments in lieu of welfare, unemployment, disability); (d) informing customers of key features of the programs, conditionalities, and the types of documentation they will need to submit; and (e) simplifying and shortening the eligibility interview. In Montgomery County, Maryland, these initial screenings usually take about ten minutes.

- **Group Orientation.** It is also common to require applicants to attend a group orientation to learn about program rules and expectations, particularly for TANF applicants. In Montgomery County, Maryland, for example, group orientations are conducted on the same day as reception/intake and initial screenings. Group orientations provide an efficient way to communicate standard information to (rules, conditionalities, expectations), and go over basic documentation with, a group of 7-10 customers per day (rather than repeating the entire process one-on-one). During this group orientation, every customer is required to read and sign a *Personal Responsibility Plan* as part of the TANF application process. This form explains the goals of the program (employment, financial independence), as well as key features such as work requirements, lifetime time limits (5 year limit total in USA), and welfare avoidance grant (WAG) alternatives. Customers are also informed<sup>26</sup> about up-front requirements for TANF. During group orientation, customers are also given an appointment for an eligibility interview, along with a computer-generated client identification number and information about documentation needed for the interview. These group orientation sessions usually last about 45 minutes to an hour.
- **Up-Front Requirements.** Many offices have certain up-front requirements that applicants must fulfill even before eligibility determination. These can include: (a) mandatory registration in work activities as part of a “work first” policy (e.g., registration with employment services agencies);<sup>27</sup> (b) substance abuse screening (with trained specialists); (c) mandatory cooperation with child-support searches (with court clerks);<sup>28</sup> (d) finger imaging and photographing;<sup>29</sup> and/or (e) home visits. In Montgomery County, Maryland, for example, all applicants must register with the employment services agency and those without certified barriers must begin serving the 40-hours per week work requirement within five days of their initial application – well before eligibility determination.
- **Eligibility Interview.** Face-to-face interviews are required for TANF and food stamps in most states, and typically (although not always) requires applicants to make an additional trip to the welfare office.<sup>30</sup> Eligibility interviews are conducted by trained case workers who conduct a needs assessment,<sup>31</sup> review applications and documentation. Case workers also take the opportunity to resolve any unclear, inconsistent or missing information (often prompted by a computer that guides them on additional information needed) and run cross-checks as information is entered in real-time during the interview. Case workers are also responsible for verification (see below). The interview also offers the opportunity for the case worker and the client to explore alternatives to welfare, develop a mutually-agreed upon “independence plan,” which outlines the family’s goals, steps to achieve the goals, and responsibilities of the applicant and the local department to implement those steps. In this way, the role of the case worker often extends far beyond simple eligibility determination, but also attempts to create an atmosphere of trust, mentoring, and coaching. These interviews usually take about           minutes.
- **Eligibility Decisions.** Once all steps, documentation and verifications (see below) are complete, the customer is informed in writing of the decision to either award or deny benefits. Decisions and issuance of payments (pro-rated back to the date of application) are typically made within a certain required time period (e.g., 30 days).

In addition, the programs establish clear requirements for **updating information** (re-certification). Updates to eligibility occur in two ways. **First**, beneficiaries are required to continually provide information to

welfare offices about changes in their circumstances, including changes in: household composition (death, birth, someone leaving or joining the family), address or shelter costs, assets, expenses, and income (earned and unearned). Penalties are levied on households that do not report such changes within a certain time period (usually 10 days), and specific forms are provided for reporting changes in circumstances.

**Second**, beneficiaries must undergo a complete re-certification on a periodic basis. Re-certification involves a complete re-review of all technical and financial eligibility criteria and supporting documentation (verification, see below). For *food stamps*, federal criteria establish 12-month eligibility periods (except if all household members are elderly or disabled, in which case they are extended to 24 months), after which households must be re-certified.<sup>32</sup> Some states, however, have implemented shorter eligibility periods – requiring more frequent re-certification for all or some more “error prone” households (those whose circumstances change more frequently).<sup>33</sup> States have taken such measures as a way to improve target accuracy, reduce their “error rates” and potential liability for financial penalties by the federal government (see below), since more regular updating of beneficiary information is likely to reduce errors. For *TANF*, re-certification periods vary by state, and usually depend on the type of household involved. For example, in Maryland, re-certification is required only on an annual (12 month) basis for child-only cases or cases in which the household head or other adult is actively working on his or her “independence plan” (work requirements) with regular contact with case workers. Most households are required to be re-certified every six months, however, and some (e.g., those with substance abuse problems) must be re-certified every four months.

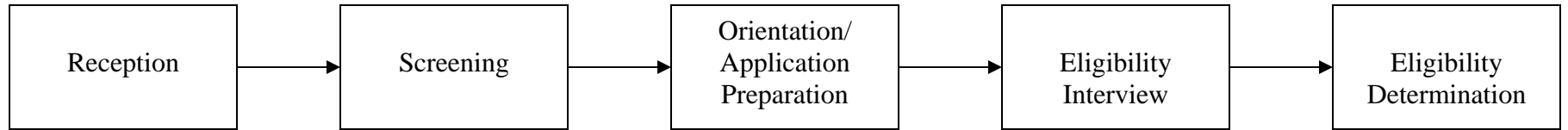
Finally, applicants have the right to **appeal** rejected applications for benefits under US safety net programs. Applicants have the right to know the reason for their rejection, and to a “fair hearing” for contested cases. The right to appeals and fair hearings are communicated to applicants during the intake process and clear guidelines are provided to applicants and local welfare offices as to the procedures for appeals and hearings. Typically there is a time-bound period in which applicants must contest their cases.

**BOX 3 – EXAMPLE WELFARE APPLICATION PROCESSES BY OFFICE**

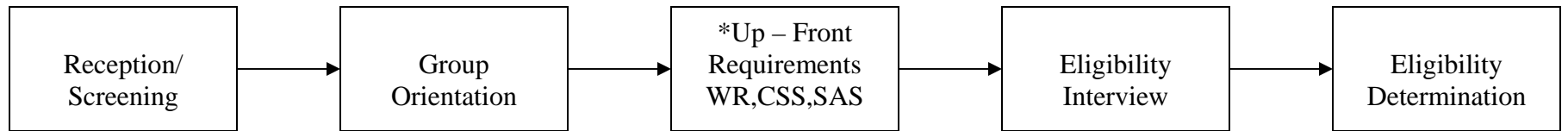
**Seattle, Washington**



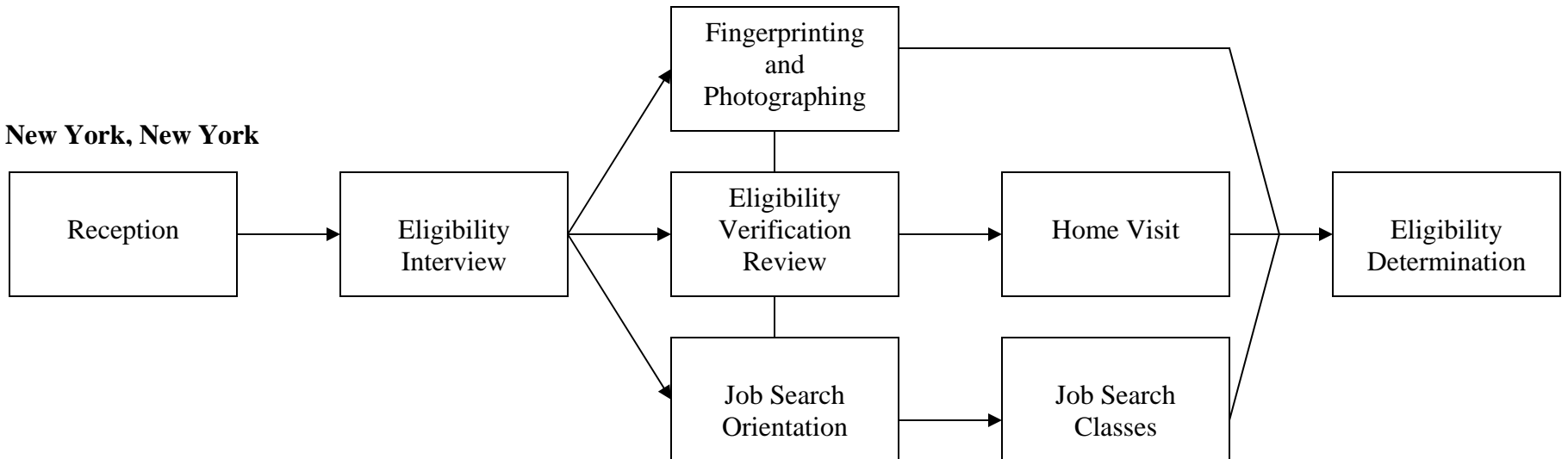
**Arlington, Virginia**



**Montgomery County, Maryland**



**New York, New York**



\* WR = Work Registration (for TANF only), CSS = Child Support Search, SAS = Substance Abuse Screening. Sources: Holcomb et.al. (January 2003) plus author's

## VERIFYING ELIGIBILITY

Eligibility for social assistance programs is subject to extensive verifications. Such verifications cover various aspects of eligibility, including client identity and information provided on assets and incomes. Verification takes many forms, including the provision of documents, computer matches through automated systems, and, in some cases, additional “detective work” by case workers to track down information via phone calls and personal contacts.

### Verifying and Tracking Client Identity

At the most basic level, verifying and tracking client identity is crucial to avoid duplications in payments, fraud or other errors in processing. The states and counties use several tools to track and verify identity:

- **Traditional approach: computer matches of applicant characteristics and identification numbers.** One of the first steps in the application process is to identify the applicant and whether or not the applicant is “known to the system” under a previous application. This process involves obtaining basic identifying information about the applicant: name, age, date of birth, sex, race, social security number (Box 4), driver’s license,<sup>34</sup> address, citizen status, and so forth. This information is entered into the welfare information system database during the application process. The system then runs checks against all other applicants / beneficiaries in the system to see if there are any matches of identity or “near” matches (e.g., similar but not identical social security numbers). The system identifies all “hits”(other applicants with similar characteristics) and the case worker compares these to the applicant. If the applicant is confirmed to be new to the system, the computer assigns that applicant two numbers: (a) a “soundex” number that is based on the characteristics provided (a meaningful number that helps the computer identify the applicant based on such characteristics. This “soundex” number is only used internally in the information system (it is not given to the client); and (b) a formal client identification number that identifies the applicant with related numbers for all “co-applicants”(household/family members) to establish the assistance unit. This client identification number is shared with the applicant (who must use the number as a reference for future communications about his/her application and benefits). Citizenship status and social security numbers are also verified during this phase.
- **New Approaches: Biometric Technology and Digital Fingerprinting.** Nine states have begun using biometric information (primarily digital fingerprinting)<sup>35</sup> to identify applicants and reduce fraud (e.g., from people receiving welfare benefits under more than one name, providing false documents, or from people falsely claiming benefits on behalf of others).<sup>36</sup> Connecticut has apparently saved some \$9 million from 1996-98 by using a biometric fingerprint identification system to spot welfare fraud (the system itself has cost the state some \$5 million over three years).<sup>37</sup> The fingerprints, along with a digital facial portrait and signature, are stored in a database and cross-checked against others in the database. The process takes no more than five minutes per person, and the applicant, in turn, receives a tamper-proof, secure photo identification card.<sup>38</sup> The gathering of this information is subject to state confidentiality rules and the information cannot be used for other

#### Box 4 - Social Security Numbers

In the absence of a national identification card, most programs require the provision of a social security number (SSN) for all members of the household (e.g., in the case of food stamps) or all members of the unit applying for assistance (e.g., assistance unit, in the case of TANF). Since some applicants may lack social security numbers, intake workers and case managers assist applicants in obtaining these numbers. In cases where an individual possesses more than one SSN, he/she must provide all the numbers and the case worker must document the situation. Social security numbers must be verified by case managers.

Social security numbers are then used (along with other basic characteristics) to determine if the system “knows” the customers previously. They are also used to run “matches” with other information systems to cross check information.

purposes. Similar systems have been developed in California, Arizona, Illinois, Massachusetts, New Jersey, New York, Pennsylvania, and Texas as a way to create a unique identification system for all applicants and beneficiaries.

### **Verifying Income and Asset Information**

Extensive efforts are made to verify information provided on income and assets. Two tools are generally used for verification purposes: documentation and computer matches. During the interview, the case manager typically explains to the customer the types of verification that will be conducted, and identifies what documentation will be needed (giving a deadline – usually 10 days – to return verification documents). Case workers are required to follow up and investigate all “questionable information” (e.g., inconsistent information on expenses and incomes). All relevant “notes” on the process must be narrated and entered into the applicant’s computer file.<sup>39</sup>

**Documentation.** In addition to their SSN, proof of identity, household composition and proof of address, applicants must provide extensive documentation to verify incomes, assets, and expenditures. For *income* (earned and unearned), such documentation generally covers the past two months and include documents such as: pay stubs, employer wage statements, benefit letters from other programs (social security, unemployment compensation, pensions, etc.), employer letters, etc. For *assets* (cash or non-cash), such documentation must include the applicant’s most recent banking statements (savings and checking), value of stocks or bonds, life insurance policies, vehicle documentation, etc. For *expenses*, applicants must provide documents on: shelter costs, most recent utility bills (gas, electricity, water), written statement of child care costs, real estate tax bills, recent medical bills, and child support payments made by the applicant. Such documentation helps confirm the income, asset and expense information provided verbally by the applicant, prevent fraud or misstatement, and reduce errors.

**Computer Matches.** The use of computer matching systems has increased dramatically over the past decade (see also discussion of automated systems below). Although the welfare reforms of 1996 no longer mandate most computer matches, most states still use them because they help prevent errors and improve target accuracy. Indeed, the use of computer matching systems has almost doubled since 1991. At that time, the average number of system matches was about 7.5; it is currently about 14.<sup>40</sup> Just some examples of computer matches that are commonly performed by states include:<sup>41</sup>

- **The Department of Labor’s New Hires Registry**, which provides information about individuals who are newly employed (name, SSN, employer’s name and address, first day of work, salary, pay frequency). Matches typically run automatically by automated information systems (see below) on a daily basis.
- **Income Eligibility Verification System (EIVS)**, which conducts matches to verify household income using several databases: (a) information from the Beneficiary and Earnings Data Exchange (BENDEX) operated by the Social Security Administration (SSA), which provides information on social security benefits, private pensions, out-of-state wages, veterans and other government benefits, and self-employment; (b) the State Data Exchange, also operated by SSA, which provides information on SSI customers; (c) SSN verification with SSA; and (d) the Internal Revenue Service (IRS), including information on assets, unearned income, earnings, and gambling winnings, all as reported to the IRS.<sup>42</sup>
- **Department of Motor Vehicles** databases, to help verify identity, address information, vehicle asset information.
- **Within State Automated Benefits Systems.** Most state’s operate automated systems to verify employment and payments of benefits within each state, including: employment and wage information, payment of unemployment insurance, etc.



- **SSA’s Death Match**, which matches against national death records to detect the possible collection of benefits for deceased individuals (a federally mandated match).
- **Prisoner Verification System**, which matches against the databases of the Federal Bureau of Prisons to check for prisoners receiving benefits (not eligible) (a federally mandated match).
- **Child Support database**, to identify information on applicants not reporting child support income.
- **Bank match**, to match with bank records maintained by the Treasury Department for asset and eligibility information.
- **State Lottery Winners** database for asset information.
- **Systematic Alien Verification Eligibility (SAVE)** system operated by the Immigration and Naturalization Service to track immigration status of applicants.

Improvements in technology have greatly increased state capabilities for matching. States can now send cases to be matched and can receive match results via communications networks rather than by traditional shipping of CDs, disks and magnetic tapes. These advances have led to much more rapid responses from external databases. For example, 38% of all matches can now be accessed on line (vs. 12.5% in 1991), many agencies have developed common interfaces to various databases allowing single queries for multiple matches (e.g., SSA databases, EIVS, etc.), and most states have greatly improved the degree of within-state automation (as discussed below).<sup>43</sup>

#### **ERRORS IN ELIGIBILITY: QUALITY CONTROL AND FRAUD**

The US has invested many efforts to reduce eligibility errors – both intentional and non-intentional. Non-intentional errors from innocuous mistakes by recipients, eligibility workers, or computer programmers in computing income, assets and benefit levels. Intentional errors arise when recipients hide or provide incorrect information to receive benefits or apply for benefits under more than one name or in more than one state. The government (federal and state) have invested significant resources to monitor and control both kinds of efforts, particularly for the food stamps program. Moreover, under the food stamps program, financial incentives (sanctions) are imposed against both the states (for non-intentional clerical errors) and individuals (for intentional fraud) to provide incentives to reduce such errors. The states in turn use these error rates to measure the performance of local offices and individual workers.<sup>44</sup>

#### **Quality Control and “Error Rates”: Strong Emphasis of the Food Stamps Program**

A thorough system of “quality control” has been developed to monitor and reduce errors in eligibility. Quality control (QC) is mandated by the Federal Government for the food stamps program to ensure that federal funds are spent appropriately (since food stamps are entirely federally funded). This emphasis on QC is consistent with the emphasis of the food stamps program on eligibility as a key indicator of success. Indeed, the accuracy data generated by QC provide the main indicators of program performance for the food stamps program.

Quality Control measures the accuracy of states’ eligibility decisions and benefit calculations. Each month, the states randomly select a specified number of cases from two “sample frames.” The first is a sample of all cases that were issued benefits in a given month (known as “active cases”). The second is a sample of cases that were denied benefits, or whose benefits were terminated, in a given month (referred to as “negative cases”). Nationwide, the states review random samples of about 50,000 active and 30,000 negative cases each year.<sup>45</sup> The Federal Government then conducts a random re-review of about 30% of this QC sample to verify that the state’s QC review was conducted appropriately.

The purpose of “active case” reviews is to determine whether the household was eligible and whether it received the correct amount of food stamp benefits in that month. For active cases, the state’s quality control reviewers conduct both detailed examinations of the case file and in-depth field reviews, including an interview with an adult member of the household as well as contact with other persons (such as landlords or employers) with knowledge of the household’s circumstances. If the QC reviewer determines that the household received an incorrect allotment, the case is cited with an “error” in the dollar amount of the incorrect payment. Two types of errors are calculated: (a) overpayment errors,<sup>46</sup> which count the benefits issued to ineligible households plus those issued to eligible households in excess of the appropriate benefit level (depending on household size and incomes); and (b) underpayment errors, which measure errors in which eligible households received fewer benefits than they were eligible to receive (it does not include the value of benefits that should have been paid to households that were denied or terminated from the program). These errors are then added (not netted) to yield the “combined error rate” (as a share of total benefits paid that month).<sup>47</sup>

“Negative case” reviews determine the share of wrongly classified ineligible or wrongly terminated cases in the total caseload. They are less rigorous, usually consisting of a desk review of the eligibility case worker’s case record.<sup>48</sup> Negative case errors are computed in terms of *cases* (individuals) not *benefits* (dollar amounts).

The food stamps program attaches financial incentives to target accuracy. States are subject to financial sanctions if their combined error rate (overpayment + underpayment) is higher than the national average. Conversely, they can receive enhanced administrative funding if their combined error rate is below 6% and they do not have a high negative case error rate. This means that even if all states make progress in reducing their error rates, roughly half of all states can expect financial penalties if their rates are higher than the national average. In 2002, the average national combined error rate was 9.9%, and states paid federal penalties of about \$46 million (see section on Targeting Outcomes below for additional discussion of error rates).<sup>49</sup>

## **Controlling Fraud**

Any safety net program of the magnitude of those in the US (both in terms of total dollars and in terms of the size of the actual benefits per recipient) will be subject to fraud and abuse. Fraud -- or “intentional program violations” (IPV) – occurs when applicants or recipients intentionally misrepresent information on their identities, incomes, or assets to claim benefits. Types of fraud observed in US safety net programs include: (a) intentional withholding or misrepresenting of information to receive benefits; (b) persons applying for multiple benefits under more than one name; (c) persons applying for benefits in more than one state; (d) persons collecting benefits on behalf of deceased individuals; (e) prisoners collecting benefits (they’re not eligible); and (e) “trafficking” of food stamps (using them for purposes other than food or exchanging them for cash).<sup>50</sup>

By its very covert nature, the extent of fraud is difficult if not impossible to quantify. Some studies have turned up the following estimates based on analysis of *samples* (of states, beneficiaries – hence not nationally representative): (a) at least 20,000 individuals were counted as receiving multiple food stamps benefits in at least two states in 1996 (study of four states), collecting an estimated \$3.9 million in food stamp benefits (in those four states alone);<sup>51</sup> (b) some 12,138 prison inmates collected some \$3.5 million in food stamp benefits (in four states alone) in 1995;<sup>52</sup> (c) some 26,000 deceased individuals in four states were included in households receiving food stamps over two years (1995-1996), collecting an estimated \$8.5 million in improper food stamps payments;<sup>53</sup> and (d) the USDA estimates that some \$815 million in food stamps (approximately 4% of total food stamps payments) were illegally traded for cash at retail stores (known as “trafficking”) in 1993.<sup>54</sup> While fraud also occurs under the TANF program (as with any program to some degree), the issue has been less analyzed (given the relatively higher emphasis on eligibility accuracy under the food stamps program).

The federal and state governments have developed numerous measures and systems to control fraud. These include many of the issues discussed elsewhere in this paper, including: (a) quality control audits under the food stamps program; (b) technologies and procedures to verify identity (applicant characteristic “matches” and biometric technologies such as fingerprinting); (c) verifications of income and asset information; (d) computer matches using automated systems, including for income, identity, deceased individuals, prisoners, duplicate participation, etc.; and (e) negative incentives for those who are caught, such as repaying the erroneous benefits, program disqualification (permanent or temporary depending on the severity of the infraction), and possible criminal enforcement mechanisms.<sup>55</sup> Local welfare offices also typically have a fraud investigator as part of their staff.

### **AUTOMATED WELFARE INFORMATION SYSTEMS<sup>56</sup>**

Given the complexity of the application, eligibility determination, and verification processes, automated systems have become an indispensable tool for the management and implementation of welfare programs in the US. Much of the eligibility process is assisted by automated computer information systems. Such systems have greatly facilitated beneficiary registry, eligibility determination, benefits calculations, verifications, and payments issuance. Indeed, billions of dollars have been invested in such systems in the US since the 1980s.<sup>57</sup>

Even with these investments, there is no single national database for beneficiaries of welfare programs. This reflects the history, fragmentation and decentralization of the social safety net in the U.S. While decentralization allows the states to tailor their systems to their specific priorities and program configurations, the lack of a national beneficiary registry involves several drawbacks, particularly in the context of the post-reform welfare system, as discussed in more detail below.

In lieu of a national system, the states (and in some cases counties)<sup>58</sup> have each developed their own automated welfare information systems. Systems development generally began in the 1970s, well before the current post-reform welfare system was designed. In most states, these early systems were developed separately for specific welfare programs (cash transfers (AFDC), food stamps and Medicaid eligibility determination). In fact, by 1993, 52 (of 54) states and territories indicated they were operating multiple automated systems – ranging from 2 to 12 different systems -- to support their various programs.<sup>59</sup>

The fragmented development of separate (rather than integrated) state automated systems for the various welfare programs reflects in part the historical funding arrangements between states and the Federal Government. The Federal Government has historically shared the cost of state-based development of automated systems, with the federal government providing enhanced funding in many cases (e.g., more than 50%) but the cost-sharing arrangement has been bureaucratic and cumbersome but with few guarantees of cost limits or quality. Federal funds have been channeled through different funding streams with different and varying cost-shares, representing the fragmentation of the federal safety net across three main programs: TANF/AFDC and Medicaid under the Department of Health and Human Services and food stamps under the USDA. To obtain federal co-financing of these systems, states had to follow an Advance Planning Document (APD) process, submitting detailed plans to develop and implement the systems. If a system were to be used for more than one program (desired integration), separate APDs had to be submitted for each program with the development costs pro-rated and allocated to each program. Each federal agency then had to monitor development and operation of the systems to make sure each agency’s requirements were met. These policies complicated states’ attempts to integrate automated systems across programs. While the APD process remains in place for Medicaid and food stamps, it was abolished for TANF and states may now use whatever portion of their capped federal TANF block grant funds they wish for developing and operating systems. However, no legislatively mandated ceilings exist to specifically limit federal funding of systems supporting Medicaid and food stamps.

Despite the lack of a national system or registry, the federal government did work to provide guidance to the states in the development of their automated systems. In fact, the federal Department of Health and Human Services (HHS) developed a general system to improve the capability of states to administer welfare programs. Known as “FAMIS” (Family Assistance Management Information System), this general system sought to enable states to better control and account for all factors in the eligibility determination process, as well as the costs, quality and delivery of benefits and services to program participants. By 1993, 32 states has been certified as meeting FAMIS functional requirements, with most others in various stages of developing their FAMIS systems.

A stop-gap measure has been developed through the use of the Public Assistance Information System (PARIS). PARIS serves as a *periodic* (not continuous or real-time) inter-state matching process co-sponsored by HHS and the Veteran’s Administration (VA). States submit caseloads to the VIA, which combines all the state files and reports back to each affected state any household members that are present on other state files and remaining time of eligibility.<sup>60</sup> Nonetheless, even with these measures, state systems remain incompatible across states.

### **What Automated Welfare Information Systems Do**

Most state automated welfare information systems perform a standard set of functions, though the particular structure, design and functioning of these systems differs across the states. Moreover, most states have managed to integrate eligibility determination under these systems for at least the traditional package of welfare programs (TANF, food stamps, Medicaid). These functions include:

- **Determining intake and on-going eligibility.** With the complexity of eligibility requirements for the various welfare programs, most states and counties rely on automated systems to assist case workers in determining eligibility, both at initial intake and on an on-going basis (for recertifications). As discussed above, these automated systems prompt case workers for key information, run cross-checks, and use the entered data to calculate eligibility for the various programs.
- **Verifying eligibility and information.** An important function of automated systems is their ability to interface with other databases to run computer matches for the purposes of verifying information and eligibility (as discussed above). This can help reduce errors and fraud, thereby reducing the costs of the various programs.
- **Recording applicant case histories.** The automated systems likewise serve as an archiving tool to register applicant information and store historical data. Such information is then updated and augmented as the customers are denied, approved and pass through the system. As such, the systems serve as an applicant registry, covering both beneficiaries and non-beneficiary applicants.
- **Calculating benefit levels.** Since the benefit levels for TANF and food stamps depends on complex calculations based on family composition, incomes and needs (as discussed above), automated systems have proved quite useful in performing such calculations.
- **Triggering payment issuance.** Virtually all state automated systems trigger the issuance of payments, which is now usually done through links between the automated systems and the banking system which issues payments via electronic benefit transfers (EBTs), usually on a monthly schedule according to the alphabetical order of the beneficiary’s family name.<sup>61</sup>
- **Supporting case management.**<sup>62</sup> Case workers also use automated systems to help with case management and maintenance. Some of the supports provided by such systems include: scheduling appointments (for initial interviews and recertification updates), monitoring other benefits awarded to clients, tracking client use of complementary services, tracking the status of applicant and

beneficiary cases, monitoring progress of beneficiaries in work activities, though some of these capabilities are deficient, as discussed below.

- **Monitoring conditionality compliance.** Some automated systems are being upgraded to allow case workers and program planners the ability to monitor compliance of beneficiaries with key program conditionalities, such as the federal work participation requirement or other state-imposed health and education conditionalities (see above). For example, the State of Wisconsin is currently upgrading its system to reflect the state's strong emphasis on tracking TANF recipients' progress towards economic independence by providing information on work participation activities, post-TANF earnings, job entry and retention rates, etc. The State of Maryland's Client Automated Resource and Eligibility System (Maryland CARES) has interfaces with (a) the state Department of Education to monitor school attendance, which is a state-level condition for benefits; and (b) the Work Opportunities Management Information System (WOMIS), which tracks compliance with work participation requirements.
- **Supporting service planning.**<sup>63</sup> Automated welfare information systems also provide information on the characteristics and case loads of welfare recipients to help program managers (state and local) in planning. Nonetheless, as discussed below, some important gaps exist in the ability of automated systems to provide information needed for service planning.
- **Monitoring program performance.**<sup>64</sup> Automated systems have increasingly been called upon to generate information needed to monitor key performance benchmarks, such as work participation rates, diversion of potential welfare recipients to other services (discussed above), and use of other programs after leaving welfare. Time limits are another key performance benchmark, though the ability of automated systems to provide necessary information on this indicator is limited, as discussed below.
- **Supporting statistical reporting.** Automated systems also provide data necessary for federal and state financial and statistical reporting, program planning, budget preparation, and program evaluations.

### **Systems' Success as Tool for Eligibility, Accuracy**

The initial objectives of automated systems were to increase the accuracy of eligibility determinations and benefit calculations, reduce error rates, and detect and deter fraud and abuse in major entitlement programs. For the most part, these systems did succeed in helping achieve these objectives, as discussed below in the section on Targeting Outcomes and above in the section on fraud and error rates.

### **Challenges Facing Automated Welfare Information Systems**

The 1996 reforms brought about sweeping changes in the complexity of welfare programs and reporting requirements, in particular with the shift in emphasis from income maintenance to self-sufficiency. These changes in turn have had profound implications for the information needs of states and the automated systems designed to meet those needs. Although the automated systems in most states support these needs in many ways, most present major limitations in (a) meeting the needs of the post-reform welfare system; and (b) their use as a performance management tool.

**Automated Systems, Service Delivery, and the Implementation of Welfare Reforms.** Most states automated systems were developed in the 1970s and 1980s<sup>65</sup> -- well before the advent of the 1996 reforms. As such, many were designed for a more "passive" welfare policy, whereby "need is a circumstance that aid in and of itself alleviates" (poverty alleviation and income maintenance).<sup>66</sup> As discussed above, passive public assistance systems emphasize current transactions: eligibility is reviewed and benefits paid accordingly, independent of previous payments, actions, or assessments. Such was the system under AFDC prior to the 1996 reforms. As such, most automated welfare information systems simply conducted

eligibility screening and issued payments accordingly, with little regard to the actions of beneficiaries, past or present. The post-reform scenario, however, was dramatically altered, serving more as an “active” public assistance system, in which “need is treated as a situation that aid alters” (poverty reduction and self-sufficiency). Active welfare systems emphasize history and case management: situations are diagnosed, treatments are prescribed, behaviors monitored (conditionalities), and outcomes (changes in situation) are observed in real time. What happens next is very much a function of what came before. The implication is that automated systems must include not only current actions, but also transactions histories.

Such is the challenge facing the states under the post-reform welfare system. Specifically, the new “active” system requires states to (a) enforce federally-mandated time limits; (b) track compliance with program conditionalities (work requirements, and in some cases, other conditionalities such as school attendance) that would ultimately bring about behavioral changes to help beneficiaries reach self-sufficiency (poverty reduction); and (c) work across programs and social services using a more extensive case management approach. These central aspects of the post-reform welfare system present significant challenges for automated information systems.

The lack of a national beneficiary database completely undermines the enforcement of *time limits*, a central tenet of welfare reforms. As discussed above, federal law imposes a lifetime time limit of 5 years of benefits from cash assistance (TANF). Time limits also apply to certain beneficiaries for food stamps. Such limits apply whether or not the benefits were paid in Maryland, Virginia or both. However, state automated systems have no way of interfacing *across states* and there is no national database to facilitate cross-state verification of previous payment of benefits (though policy makers are exploring the possibility of constructing one, as discussed below). As such, states either do not collect such data or rely on TANF clients to disclose this information (with little likely reliability due to the incentives involved).<sup>67</sup> During site visits conducted for the preparation of this paper, officials in Maryland (both state and local) repeatedly mentioned the apparently common occurrence of former beneficiaries of welfare in New York migrating to Maryland in search of continued benefits. True to their predictions, during our observations of intake and screening in Montgomery County, one couple applying for benefits inadvertently revealed to the case worker that they had just moved from New York. The case worker discovered they had indeed been receiving benefits there. The enforcement of time limits – one of the central tenets of the post-reform welfare system -- should not rely on such haphazard revelations.

The lack of inter-state interfaces or a national database can also result in payment of *duplicate benefits*. Duplicate participation is a concern across all means-tested programs, but is particularly problematic with the imposition of time limits. In August 1998, the General Accounting Office published the results of an investigation of interstate duplicate food stamp benefits in California, Texas, Florida and New York, finding over 20,000 duplicate individuals and an overpayment of nearly \$4 million in those states alone.<sup>68</sup> Nonetheless, as with the enforcement of time limits, there is currently no automated way for states to track the payment of interstate duplicate benefits (state-wide automated systems have, however, significantly reduced the payment of duplicate benefits within states).

The post-reform welfare policy also requires states to implement *program conditionalities* designed to help beneficiaries escape from poverty, most notably the *work participation requirements*. Other states also impose state-specific conditionalities, such as those for school attendance. The implementation of these conditionalities requires coordination and communication across agencies and services, from the welfare case manager to those involved in the provision of employment and other social services or the Department of Education (for school attendance conditionalities). A recent analysis by the General Accounting Office<sup>69</sup> reveals that, while existing automated systems do provide some of the information needed, significant gaps remain. Indeed, a major shortcoming of current automated systems is that the multiple systems used by the multiple agencies involved in providing such services to TANF recipients do not share data on beneficiaries. This shortcoming constrains the ability of case managers to arrange needed services, ensure that these services are provided, and respond quickly when problems arise (or when conditionalities are not met).

Examples of such deficiencies abound, with reports of erroneous sanctions being applied to clients for whom information on work activities was not transferred electronically between the automated systems of the labor and welfare departments.

A lack of information on the receipt of *complementary social services* by welfare clients also hinders the ability of case managers to devise appropriate services strategies for their clients. While most case managers in a recent GAO survey indicate that they do have desktop access to data in automated systems for the main welfare programs (TANF, food stamps and Medicaid), many do not have access to information on unemployment insurance, child care subsidies, job listings, child welfare programs, vocational rehabilitation and subsidized housing. For example, local officials in New Jersey and Ohio report that case managers are unable to determine which of the children receiving TANF assistance are also involved in the child welfare system.<sup>70</sup>

**Automated Systems as a Tool for Performance-Based Management.** The 1996 welfare reforms also brought about far-reaching changes in reporting requirements. These changes have presented challenges for automated systems in their role as a tool for performance-based management, both for service planners and for program managers. A recent General Accounting Office Report found that while existing systems provide some information needed for planning services and evaluating program performance, other significant gaps remain.

With respect to *service planning*, local officials in particular indicated that it is often difficult to extract information on caseload characteristics, such as previous work experience of beneficiaries, clients with substance abuse or mental health problems, and the share of cases that have cycled on-and-off of welfare over the past five years (repeat clients). Gaps in information occur for two reasons: (a) the desired data are not contained in automated systems; and (b) even though the data exist, they are difficult or impossible to extract in a way that answers the particular question of concern to the program manager.

Existing automated systems also have some shortcomings in their ability to generate information for *program oversight*, evaluation and reporting requirements. The inability of the systems to track time of beneficiaries against federal *time limits* (across states) is a key deficiency for one of the main performance indicators of welfare reform. Program managers, particularly those at the local level, also cite problems in reporting of *work participation rates* for their area from the state, receiving state-calculated rates that do not match the locality's own-calculated figures, and not being able to interpret the state-provided reports on local participation rates. These shortcomings hinder the evaluation of program performance and the use of automated systems and program data as a tool for results-based management.

### **Upgrading Automated Systems to Better Serve Welfare Policy**

Some of these information obstacles to the implementation of welfare policy and performance-based management stem from a lack of *inter-state* systems or a *national* database (e.g., time limits, duplicate benefits), while others stem from a lack of *cross-program* systems interfaces within states (e.g., implementation of conditionalities, provision of complementary support services). In fact, the Federal Government and specific state agencies are exploring or implementing solutions for both types of problems.

**Options for Creating a National Database.** A national database to track participation in federal means-tested welfare programs is warranted for to monitor federal lifetime time limits and to prevent duplication in benefits across states. Delegation of automated systems to the states also results in a duplication of administrative costs that could have been avoided if the federal government had instead developed a national database.

Several recent government reports have explored options for creating a national database to track participation in federal means-tested public assistance programs. In fact, recognizing the challenges that welfare reform would place on existing state automated information systems, the 1996 reforms directed the Secretary of **HHS** to prepare a report on the status of state systems to support the requirements of the reforms and to identify options for constructing a system capable of tracking recipients over time and across states. Congress also directed that the report include a plan for building on the automated data processing systems of the States to establish a national system, and estimates of the cost and the amount of time required to establish such a system. In its December 1997 report to Congress,<sup>71</sup> **HHS** identified five alternative architectures<sup>72</sup> for meeting the participant tracking requirements of the law. The **USDA** then followed up in 1999 with a study of the feasibility of these options for constructing a national database to track participation in public assistance programs.<sup>73</sup> This study concluded that the development of an eligibility database architecture<sup>74</sup> (one of the five options identified in the HHS report) would be feasible and cost-effective if developed jointly for both TANF and the food stamps program. In fact, while the development of such a system is likely to be costly (an estimated total five-year cost of some US\$39 million), the estimated benefits in recovered or avoided food stamps and TANF payments is likely to be higher (an estimated US\$72 million over five years). The **GAO** followed up with related recommendations in support of federal coordination in automated systems.

Despite the abundance of federal reports on the subject, a national beneficiary database has not been established. The main obstacles appear to be: (a) a lack of approved funding for the project; (b) existing federal funding and institutional arrangements for the food stamps and TANF programs (separate ministries and funding streams); and (c) perhaps a lack of political will across the states (e.g., entrenched interests for existing systems, reticence on behalf of some states to truly enforce time limits, existing constituencies for the status quo, etc.).

**State Projects for Systems Upgrades.** Despite the lack of action on the federal level, virtually all states are undertaking projects to improve their own automated welfare information systems. Such improvements involve both (a) upgrading the technologies and capacities of the systems used; and (b) expanding and improving the functions that these systems perform.<sup>75</sup>

As discussed above, many states are still fumbling with 1970s and 1980s mainframe *technologies*. The age of these systems has limited their ability to take advantage of technological improvements because the underlying equipment and software platforms are incompatible with new technologies. In New York, for example, costs and time have prevented a full modernization and replacement of the state's large mainframe system; instead, the state operates a dual system, relying primarily on its mainframe, but with a separate system to meet new data reporting requirements. Other states are adding upgrades and enhancements to existing systems, while still others are installing entirely new systems.<sup>76</sup>

Indeed, various innovations in technology offer significant opportunities for improving the delivery of human services.<sup>77</sup> Personal computers can now process more data at lower costs, making it possible to automate even small service providers in local communities. Telecommunications networks are more widely available, providing greater opportunities for data sharing among different programs that serve the same populations. The Internet provides opportunities to link program applicants, recipients, case managers and administrators to each other, and to a wealth of information needed to achieve various objectives. Many technologies (graphical user interfaces, photographs, movies, sound clips) can facilitate program orientation, assessment and training. Geographic referencing and mapping allows program planners to target services to families and neighborhoods. Other technological advances make it possible to store and retrieve large volumes of data with greater efficiency at less cost than was possible when most US systems were originally developed for the purposes of reporting and performance management. Most states are working to upgrade or replace old systems to take advantage of these new technologies.



Two main types of *functional* improvements include:<sup>78</sup>

- (a) **Improving system support to program implementation and service delivery.** Many states are adopting projects to increase the desktop access of frontline case managers to data on beneficiaries across programs. These include developing links among separate systems, replacing existing systems with new integrated systems, and constructing electronic networks to link agencies and service providers. The goal is to allow frontline workers improved desktop access to data so that they can obtain a more holistic view of beneficiaries and their families to better assess their needs and strengths for improved case management. Some practitioners have indicated that simplifying access for clients and linking programs and services does not require cutting edge technology or the development of physical “one-stop shops” (co-locating staff from different programs at single integrated offices), rather simple desktop technologies can help promote such integration through “one-screen” innovations, that is, making data from different programs available to a case-worker on a single computer screen.<sup>79</sup>
- (b) **Improving systems use as a tool for performance-based management.** States are also working to improve the capabilities of program managers to obtain and analyze data from different programs through new databases and query tools. These tools enable users to perform on-line queries and generate customized reports that meet their particular information needs. In addition, states are extracting and consolidating data from multiple systems into data marts, data warehouses, and other specialized databases (see below) to which more sophisticated query tools can be applied.<sup>80</sup>

In addition to costs (discussed below), three key challenges for systems modernization in the United States include: (a) enhancing strategic collaboration among different levels of government, and in particular, involving localities (not just states and federal agencies) in the design and conception of new systems under a common collaborative framework; (b) simplifying the cumbersome approval process for obtaining federal funding for information systems (discussed above); and (c) obtaining staff expertise in project management and information technology, particularly given the competition with the private sector for such personnel.<sup>81</sup>

### Costs of Automated Systems

The development and constant upgrading and maintenance of automated welfare information systems is costly, in terms of time, staffing, and money.

**Time.** Available information indicates that the average time needed to develop and launch a web-based integrated automated client eligibility system is at least two years.<sup>82</sup> This estimate assumes constant policy parameters. In fact, policy changes have historically resulted in lengthy delays in the development of automated systems. For example, Maryland’s integrated **CIS/CARES** system took close to a decade to develop.<sup>83</sup> As one official put it “time is the enemy of automated systems” (see Box).

**Box 5 - Systems Upgrades: An Endless Process**

“Time is the enemy of the automated system. Policies vary, becoming evermore complex; information becomes outdated; and technology changes. Systems must constantly adapt and be upgraded.” -- *Officials at the Maryland Family Investment Administration.*

“Modifying and developing automated systems that better support welfare reform is a long-term and evolving process.” -- *Report by the General Accounting Office.*

Development of the system started in the early 1990s and the system was piloted in 1993. By 1996, 17 counties were using an early version of CARES. However, a series of policy changes, first with waivers in the early 1990s and then with the 1996 reforms, delayed implementation and resulted in the need for major changes in the development of the system. The transition was difficult as it involved simultaneously converting some counties from the early version of CARES and others from the previous automated system (**AIMS**). Maryland’s CARES was finally launched statewide in March 1998. The system covers all main welfare programs (cash under TANF/TCA, food stamps, welfare, emergency assistance) which are integrated

under the CARES system and linked to automated systems for child support and social services under the umbrella “hub” system known as CIS.

**People.** Information systems also require significant staffing inputs, both at state and local offices. For example, some 50 staffers are involved in the on-going development, administration and maintenance of Maryland’s CARES system (some on the systems side, some on the policy side).<sup>84</sup> As noted above, one of the key challenges facing states in the modernization of systems is the difficulties associated in attracting and retaining project managers and information technology specialists because these specialists command high salaries in the private sector.<sup>85</sup>

**Money.** The development and upgrading of automated systems is likewise a costly endeavor in terms of financial costs, though these costs vary significantly depending on the nature and extent of the project. On average, upgrades and enhancements to existing automated systems average between US\$5-15 million, whereas contracts for new systems can be far higher, between US\$50-100 million or higher, depending on the nature of technology, the system capacity, and the nature and scope of the project.<sup>86</sup> Some examples include:

- **Estimated Costs of National Database.** The construction of a national eligibility database for tracking beneficiaries across states is estimated to cost US\$16.2 million in development costs in year 1, with annual operating costs of US\$4-5 million, for a total five-year cost of some US\$39 million. As discussed above, this compares with an estimated US\$72 million in benefits over a five year period, arising from recovered or avoided erroneous food stamps and TANF payments.
- **Historical Costs of State System Development.** The development of Maryland’s integrated CIS/CARES system cost an estimated US\$125 million (over the decade or so of development, see above), which was close to US\$100 more than was originally budgeted for the project. Operational costs include US\$15 million/year for the data center contract, US\$12 million/year for the software maintenance contract, and another 50% for all other indirect IT maintenance costs.<sup>87</sup> Maryland’s system currently supports about 5,000 active users, covering 500,000 unduplicated cases and some 100 million records.<sup>88</sup> Officials of Maryland’s Family Investment Administration estimate that this system has resulted in a 30% improvement in efficiency over the previous system (AIMS).
- **New Web-Based System.** The DHS in the State of Maine recently signed a US\$12.3 million, fixed-price contract with private contractors to build a web-based automated client eligibility system (ACES).<sup>89</sup> This new system will provide the Bureau of Family Independence (Dept of Human Services) with the means to determine eligibility for TANF, food stamps and Medicaid, along with other programs and many social services.<sup>90</sup> The system will serve some 600 users, covering about 150,000 clients.<sup>91</sup>
- **New System Enhancements for Improved Case Management.** The state government of Texas recently signed a US\$4.9 million contract to design the web-enabled Integrated Eligibility Redesign system, including eligibility functions, along with a US\$1.9 million contract to another firm to develop the validation and verification services for Texas’ automated system. Texas is currently developing a major data warehouse system to support management in program and performance evaluation, develop an internet-accessible repository of data from eight data marts (databases), and provide eight years of labor market data.<sup>92</sup> The system will cover virtually all of Texas’ welfare programs, employment services, unemployment insurance, and NAFTA support services. The current system supports about 12,000 users, covering approximately 1.5 million clients (unduplicated) in various welfare programs.
- **New System Upgrades for Improved Program Management.** The state government of Ohio recently signed a contract of US\$20 million to develop the state’s integrated client management system. Ohio is currently developing a data warehouse system to provide a single repository of all transactions data from the DHS including five years of historical data, with instantaneous responses

to queries.<sup>93</sup> The new system will integrate information for TANF, Medicaid, food stamps, child care, child support and child welfare. It will also provide data needed to meet federal TANF reporting requirements. It is currently being piloted in only 12 counties (currently serving 179 users and 20,000 clients), though this will soon be expanded.<sup>94</sup>

Overall, the US federal and state governments have spent in the billions on systems development over the past few decades. While consistent time series data on the total cost of systems development are not available, the following estimates give some idea of the magnitudes involved:

- **Early years: 1984-92.** The federal government provided about US\$8.6 billion in support to state development of automated welfare systems over the period from 1984-92, or an average of US\$1.1 billion per year, which represented about 50% of total spending on these systems (with states covering the rest).<sup>95</sup> This compares with total annual spending on benefits from AFDC, food stamps, and Medicaid in 1992 of close to US\$100 billion in 1992, covering 13.8 million AFDC beneficiaries, 31.2 million Medicaid beneficiaries, and about 26.4 million food stamps beneficiaries in that year.<sup>96</sup>
- **Reform Years: 1994-2000.** A GAO report estimates that that the federal government would end up covering much of the needed US\$10.7 billion in additional automated systems costs through from 1994-2000 (or about US\$1.8 billion per year).<sup>97</sup>
- **Recent Years: Escalating Costs in 2003-2005.** Total annual information technology expenditures for major welfare programs related services in the US (all states) are estimated at US\$7.3 billion in 2003 and are expected to reach US\$9.6 billion in 2005.<sup>98</sup>

#### EVALUATIONS OF OUTCOMES: TARGET ACCURACY

Targeting outcomes (accuracy and coverage) always differ somewhat from the theoretical design of eligibility criteria and the targeting methods applied in practice. In all social assistance programs – regardless of targeting mechanism – there is always some leakage of benefits to the “non-poor” and unfortunate exclusion of potentially eligible poor people. While these errors cannot be avoided, careful targeting can help reduce them. For means-tested programs, this generally implies clear definition of eligibility criteria, consistent application of these criteria, thorough verification of information provided, cross-checking with other systems (e.g., computer matches with automated systems), and incentives to promote accuracy and reduce fraud.

The US has certainly taken many of these inputs to target accuracy to the extremes, with rigorous and complex procedures for checking, double-checking, and triple-checking all information provided. As discussed below, the results of this rigor are evident: the programs are indeed well-targeted in terms of outcomes. Nonetheless, errors of exclusion – or under-participation – of potentially eligible beneficiaries do suggest that an important share of the target group are being missed by the system. These findings are based on three types of data and analyses: (a) absolute incidence analysis using household survey data; (b) a review of error rates using Quality Control data; and (c) a review of findings regarding non-participation of potentially eligible households (errors of exclusion).

#### Targeting Outcomes: Absolute Incidence

US social assistance programs are very well targeted according to the results of the Urban Institute’s National Survey of America’s Families (NSAF).<sup>99</sup> The distributional incidence of these programs shows very little leakage to the non-poor and the lion’s share of the benefits going to those in the poorest quintile (Figure 1). Nonetheless, there is some variation in target outcomes among these programs – largely due to differences in key design features of each program:

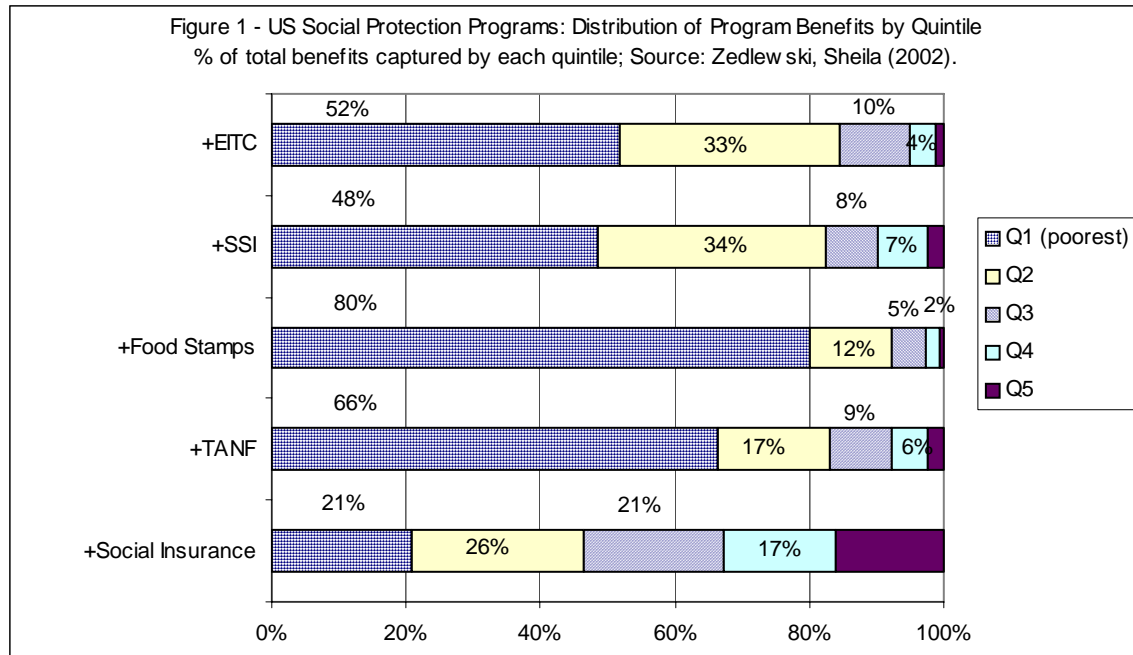
- **Food Stamps: Emphasis on Target Accuracy Pays Off.** The food stamps program is extremely well targeted – the best of all safety net programs for which incidence information is available.

Some 80% of all food stamps benefits accrued to the poorest quintile (20%) of the population in 1998. Leakage to the top two quintiles is extremely low (2% for the fourth quintile and 0.6% for the top quintile). This relatively strong result for target accuracy makes sense, given the strong emphasis of the food stamps program on eligibility as a key indicator of performance – and the financial incentives (penalties and rewards) levied on states for complying with this performance indicator (see above).

- **TANF.** The TANF program is not quite as well-targeted as the food stamps program, though its target accuracy is still impressive. The poorest quintile received two thirds of all TANF benefits, followed by the second quintile, which received 17% in 1998. Leakage to the top two quintiles represents about 5.6% and 2.2% for quintiles four and five respectively. Unlike the food stamps program which emphasizes target accuracy as a key performance indicator, the federal government does not even establish national criteria for targeting and eligibility. Rather, under TANF, the main emphasis of the federal government is on promoting self-sufficiency and monitoring compliance with work requirements. This emphasis could lead states to concentrate on beneficiaries with a slightly different profile (as well as some self-selection out of the program, as discussed above) than those under the food stamps program. Nonetheless, the average income cutoff for TANF eligibility is slightly lower than that for food stamps (targeting a slightly poorer group on average), so one might expect a larger share of benefits to go to those in the bottom quintile under TANF than actually observed.
- **EITC and SSI.** The earned-income tax credit and SSI are not quite as well targeted to the poorest quintile, which makes sense since they accrue only to working (in the case of EITC) or non-working disabled (in the case of SSI) beneficiaries. Nonetheless, their targeting record is respectable, with the poorest quintile receiving about half of all benefits.

In contrast, the benefits of **social insurance** (which includes social security, workman’s compensation and unemployment insurance) are far less well targeted to the poor. In fact, the distribution of benefits of social insurance programs closely mirrors that of the population (with roughly equal shares distributed across the quintiles).

Compared to targeted programs in developing countries, social assistance programs in the US perform quite well. Annex Table 1 compares the targeting outcomes of safety net programs around the world.<sup>100</sup> Outcomes are measured and compared by dividing the share of total benefits that accrues to the target group (e.g., the poorest quintile) by the target group’s share in the population. For example, the outcome indicator for the food stamps program is 4.00 because the poorest quintile receives four times more than they would have received under a universal population-neutral intervention (80% accrues to the poorest 20% of the population). In fact, compared to targeting outcomes in developing countries, this outcome for the food stamps program is among the best in the world (tied with Argentina’s Trabajar program, which is self-targeted using a work requirement). The TANF program likewise ranks among the best-targeted programs, with an outcome indicator of 3.31 (See Annex Table 1). Even the EITC and SSI rank among the top ten programs in terms of targeting outcomes.



### Error Rates Reveal the Importance of Verifications

As discussed above, the government (federal and state) routinely monitors the accuracy of eligibility decisions for food stamps through the use of Quality Control (QC) sampling and the calculation of error rates. These error rates provide another way to measure targeting outcomes (accuracy). Data on QC error rates suggests the following patterns:

- Average national error rates.** Error rates for food stamps have been falling, reaching record lows in 2002, with an average over-payment rate of 6% an average under-payment rate of 2%, for a combined payment error rate of 8% (Table 6). Some 8% of all applicants were also erroneously denied or terminated from the program. These error rates are quite low, but have fallen despite an increase in case-loads due to a recession at that time (which could have increased error rates instead). The reduction in error rates likely reflects improvements in verification, computer matching and automation.
- Error rates by household characteristics.** Studies have shown that error rates are higher for certain types of households – such as those with earned incomes (which are harder to track and verify than unearned income such as other program benefits) or immigrant applicants (due to the increasing strictness and complexity of recent welfare reforms regarding immigrant eligibility).<sup>101</sup> Computer matches and verifications of income and citizenship information appear to be facilitating these checks, and hence reducing error rates (for these groups and overall) over time. Furthermore, as discussed above, some states require more frequent re-certification for households with frequently changing circumstances (such as those with earned income) as a way to reduce their error rates.
- State-by-state variation.** Many states are *consistently* over the national average in their error rates, while others have *consistently* better error rates. This suggests that certain verification systems or procedures in specific states are better than others (since eligibility criteria for the food stamps program are uniform across the country).

- **The crucial role of verification.** An experiment in the State of Maryland also reveals the crucial role of verifying incomes and assets. While verification is standard in the US – and has become more rigorous over time with the help of computer matches and automated systems – there was a brief period in the 1970s in which policy makers decided to abandon verification. The idea of this experiment was to revert to the system used for tax filing, in which individuals self-declare incomes (with no systematic verification for all filers/applicants). Policy makers believed that the threat of audits would be enough to induce people to provide honest and accurate information. The experiment with reliance on self-declared incomes failed. Error rates shot up to 53.5% for the case error rate (at that time error rates were mainly tracked as a share of cases rather than payments) and a payment error rate of 23%.<sup>102</sup> This compares with average payment error rates of 13.5% for the State of Maryland from 1998-2000.<sup>103</sup> The experiment was thus short-lived, and vigorous verification procedures were restored, reducing error rates back to their average levels.

**Table 6 – Targeting Accuracy in the Food Stamps Program: Data on Error Rates**

	Active Case Error Rates (% of total benefits paid out)			Negative Case Error Rates (% of cases)
	Over-Payment	Under-Payment	Combined Error Rate	
1998	7.63	3.07	10.69	n.a.
1999	7.03	2.85	9.88	n.a.
2000	6.51	2.40	8.91	n.a.
2002	6.16	2.10	8.26	8%

**Active error rates** calculate over-payments and under-payments to beneficiaries as a share of total spending on food stamps. Under-payments do not include the benefits that should have been received by applicants who were wrongly denied or terminated. See above for more details.

**Negative error rates** calculate cases (people) that were wrongly denied or terminated as a share of total applications.

**Sources:** Rosenbaum, Dorothy and David Super (April 30, 2001). “Understanding Food Stamp Quality Control.” Center on Budget and Policy Priorities; and Rosenbaum, Dottie (July 8, 2003). “Food Stamp Overpayment Error Rate Hits Record Low.” Center on Budget and Policy Priorities.

### Coverage and Errors of Exclusion

In addition to leakage, over-payment or under-payment rates, another important concept of target accuracy is the degree to which the target group participates in the program. In this respect, it appears that the performance of US welfare programs is worsening. Of all individuals that are eligible for TANF, only about half participate. This take-up rate is the lowest in decades, falling from 85% for AFDC in the 1980s and early 1990s, to just 52% of qualifying families participating in 1999<sup>104</sup> and remaining at about half of all eligible families in 2000.<sup>105</sup>

Several features of TANF could deter potential beneficiaries from participating, particularly work requirements, time limits, stricter restrictions on immigrant participation, and welfare diversion strategies (as discussed above). A recent study by the Urban Institute suggests that a significant share (17-34%) of eligible non-participants, representing 0.5-1.0 million families, could gain substantial income and important services by enrolling in TANF.<sup>106</sup> Lack of participation among this group – which disproportionately consists of single Hispanic parents and those with barriers to employment (the “hard-to-serve”) – is of concern. Misunderstandings about the new welfare policy have likely kept some of these eligible families away from the program.

Falling TANF caseloads are particularly worrisome in recent years since the declines have corresponded with a recent upturn in poverty (as discussed above). While the number of children receiving TANF assistance fell by about 330,000 (or 7.5%) from 2000 to 2001, the number of children living in extreme poverty (in families with income below half the poverty line) increased by about 400,000 during that same time period. The trend continues in 2002 and 2003, with both child poverty and unemployment among single mothers rising in that time period.<sup>107</sup> Nonetheless, TANF caseloads continue to decline.

The participation of potentially eligible food stamps beneficiaries has likewise declined, probably due to spill-over effects of TANF and further misunderstandings about eligibility and welfare rules. Whereas historical program participation hovered around 70%, by 1997 it had fallen to just above 50%.<sup>108</sup>

These less-than-stellar results for coverage of the eligible target group suggest that, in addition to the rigorous verification efforts to prevent leakage and fraud, the governments (federal and state) should devote additional resources to *outreach efforts* to better promote and explain the programs to target groups. In addition, in addition to tracking work participation rates (for TANF) and target accuracy (QC error rates for food stamps), the federal government should consider monitoring and rewarding reductions in *poverty rates* as key performance indicators for safety net programs.<sup>109</sup>

## CONCLUSIONS AND IMPLICATIONS FOR LAC

The use of means-tested systems in the US can be of interest to policymakers in LAC, both for their positive features and strong targeting outcomes, and to help others avoid their weaknesses.

With respect to the overall US safety net, some key messages emerge:

- **Fragmentation is inefficient.** The proliferation of over 80 federal social assistance programs is inefficient, causing confusion among beneficiaries, unnecessarily complex processes for applications and eligibility, and duplications of administrative costs. Such fragmentation also exists in LAC, though some countries (such as Brazil) are rightly considering integrating or better coordinating their social assistance programs.
- **Local attempts to integrate have helped.** While policymakers have not been able to unify the safety net at the federal level, local offices have attempted to integrate application and eligibility screening processes (but not criteria). These efforts have helped simplify the maze of federal procedures and requirements and reduced duplicate administrative burden to some extent.
- **Active case management helps beneficiaries.** Likewise, active case management helps link beneficiaries to a range of social assistance programs and social services. This “integration” of services and transfers can help beneficiaries not only with their immediate cash needs, but also by facilitating their access to services that could help them escape poverty. Such practices are labor-intensive, however, and generate higher administrative costs.

With respect to the implementation and outcomes of means-tested systems, some key messages include:

- **Means-tested systems can have impressive targeting outcomes.** In general, US safety net programs are quite well targeted, with a high share (48-80% depending on the program) of benefits accruing to the lowest quintile, and very low leakage to the non-poor.
- **Some key ingredients for implementing means-tested programs include:**
  - **Identification of individuals.** A clear and unique identification system is a crucial ingredient for the proper targeting of individuals. US safety net programs are aided in this respect by the widespread use of social security numbers (SSNs). These numbers help identify individuals, verify information and run computer cross-checks to match them across programs and automated systems (see below). SSNs are not perfect, however, since there is some degree of errors, duplications, fraud, and gaps in coverage of SSNs. As such, states have devised several ways of identifying individuals, including (a) computer-generated numbers based on key characteristics (including, but not limited to, SSNs); and (b) the use of biometric technology, particularly digital fingerprinting. Without clear and consistent identification, social assistance programs risk duplication, fraud, and targeting errors.
  - **Rigorous verification.** Another key ingredients for the US’s impressive targeting outcomes is rigorous verification of incomes, assets, and identity. All US safety net programs rely on

extensive verification – through documentation and computer matching (see below) – for the implementation of means-testing. Verification not only helps reduce fraud (intentional program violations), but also helps reduce non-intentional errors (income and asset recall; accuracy of information). Evidence from the food stamps program reveals the importance of verification: (a) when the State of Maryland attempted to abandon verification (relying instead on self-declared incomes), error rates shot up dramatically (see above); and (b) verification has helped reduce error rates for population groups with variable circumstances, such as those with earned incomes (see above).

- **Random-sample audits.** The food stamps program has developed extensive monitoring of target accuracy through random sample audits (quality control), both by states and by the federal government. These audits (and the financial incentives attached to them, see below) help improve targeting outcomes, as evidenced by the relatively higher target accuracy (lower leakage rates) for the food stamps program than the other programs (see above).
- **Automated systems provide a key tool for implementation of means-testing.** As discussed above, automated information systems have been critical in implementing means-testing in the US. Automated systems serve many purposes for means-testing, including: determining eligibility, helping verify eligibility through within- and cross-system computer matches, recording applicant case histories, calculating benefit levels, and triggering the issuance of payments. They also help support case management and service planning, monitor compliance with conditionalities, and monitor program performance (as discussed both above and below).
- **A national database would provide many advantages.** Despite the usefulness of automated systems in implementing means-tested programs, the lack of a national database is a significant inefficiency in the US welfare system. National beneficiary systems have many advantages: (a) the ability to track and reduce duplications in benefits across states and localities; (b) the ability to monitor time limits; and (c) a reduction in the duplication of administration costs (systems development, software, operation and maintenance, etc.).
- **Automated systems can also serve as a tool for monitoring conditionalities.** The shift from “passive” social assistance to “active” welfare policy in the US meant the introduction of key conditionalities designed to help beneficiaries escape from poverty, including work requirements and conditionalities tied to human capital development (schooling, health care). LAC countries have likewise shifted towards the use of conditional cash transfers (CCTs). Automated systems must adjust to these policy changes and provide a tool for monitoring compliance with such requirements, linking such compliance to payments. US automated systems are being upgraded to meet these new requirements. LAC countries should consider similar upgrades so as to ensure that they key features of CCTs – their links to human capital development – are properly enforced.
- **Permanent, on-demand access is a positive feature,** allowing US welfare programs the potential of serving as a dynamic safety net to catch people when they fall. Access to transfer programs in LAC, on the other hand, is limited both in time (often with single rounds of applications occurring only every year or more) and in number of places (with quotas rationing available slots). Without permanent access, LAC transfers fail to serve the dynamically changing poor population. Transparency is also needed in rationing available slots among the potentially eligible.
- **However, outreach is needed to bring in the excluded.** Although on-demand applications are a positive feature of US welfare programs, more outreach efforts are needed to bring in the self-excluded, since take up rates have fallen to about half of the total eligible population.



- **Performance-based management: emphasis on target accuracy *and* poverty reduction.** The emphasis on target accuracy as a key indicator of performance-based management for the food stamps program has been an important input to the very impressive targeting outcomes for that program. Financial incentives (penalties and rewards) based on target accuracy have reinforced the use of this indicator for program performance. US welfare programs should, however, also adopt indicators of poverty reduction for performance monitoring, as this would provide improved incentives to states for conducting the outreach needed to bring in excluded eligible non-participants. While financial penalties for poor targeting outcomes may not be politically (or administratively feasible) in developing countries, LAC countries may want to consider providing financial rewards (“bonuses”) to localities (states, municipalities) that do implement strong targeting outcomes (accuracy) and succeed in reducing poverty. Such performance-based management would require a strong data monitoring system (e.g., via random sample audits as in the food stamps program, and/or household survey systems that yield measures of poverty and targeting incidence of social programs).

**Annex Table 1 - Targeting Performance by Targeting Mechanism: International Comparison**

Country	Program Type	Targeting Performance	Income level		Individual assessment			Categorical Eligibility				Self-selection		
			< 1200	>1200	Means test	Proxy means test	Community assessment	Geographic	Age – elderly	Age - children	Other	Work	Consumption	Community bidding
Argentina	PW	4.00		✓				✓				✓		
<b>US Food Stamps</b>	<b>NCT/FT</b>	<b>4.00</b>		✓	✓									
Estonia	CT	3.47		✓	✓									
<b>US TANF</b>	<b>CT</b>	<b>3.31</b>		✓	✓							✓		
Hungary	CT	2.72		✓	✓									
Albania	CT	2.65	✓				✓				✓			
<b>US EITC</b>	<b>CT</b>	<b>2.59</b>		✓	✓							✓		
<b>US SSI</b>	<b>CT/disabled</b>	<b>2.42</b>		✓	✓									
Poland	CT	2.10		✓	✓						✓			
Chile	CT	2.08		✓		✓					✓	✓		
Nicaragua	CT	2.02	✓					✓			✓	✓		
Honduras	CT	1.99	✓					✓			✓	✓		
Chile	FT	1.98		✓		✓	✓	✓			✓			
Slovenia	CT	1.95		✓	✓						✓			
Bolivia	PW	1.93	✓					✓				✓		
Chile	CT	1.83		✓						✓				
Peru	FT	1.80		✓				✓		✓				✓
Chile	PW	1.78		✓								✓		
Indonesia	NFS	1.68	✓					✓			✓			
Bulgaria	CT	1.65		✓	✓									
India	NCT	1.63	✓		✓			✓					✓	
Mexico	NCT	1.60		✓	✓			✓		✓				
India	NCT	1.58	✓					✓					✓	
Hungary	CT	1.57		✓							✓			
Mexico	CT	1.56		✓		✓		✓		✓				
Costa Rica	FT	1.55		✓				✓		✓				
Colombia	NFS	1.50		✓	✓									
Indonesia	PW	1.48	✓					✓			✓	✓		
Costa Rica	CT	1.48		✓	✓					✓				
Jamaica	NCT	1.45		✓							✓	✓		
Indonesia	CT	1.44	✓				✓	✓		✓	✓			
India	NCT	1.36	✓					✓					✓	
Zambia	NFS	1.35	✓		✓									
Uzbekistan	CT	1.35	✓		✓		✓			✓	✓			

**Table 3 continued**

Country	Program Type	Targeting Performance	Income level		Individual assessment			Categorical Eligibility				Self-selection		
			< 1200	>1200 & <10840	Means test	Proxy means test	Community assessment	Geographic	Age – elderly	Age - children	Other	Work	Consumption	Community bidding
Latvia	CT	1.33		✓						✓				
India	NCT	1.33	✓					✓					✓	
Indonesia	NCT	1.32	✓			✓		✓			✓			
Bolivia	SF	1.30	✓					✓						✓
Jamaica	NCT	1.30		✓	✓				✓		✓			
Romania	CT	1.29		✓						✓				
Honduras	SF	1.25	✓					✓						✓
Chile	CT	1.25		✓		✓								
India	NCT	1.25	✓					✓					✓	
Sri Lanka	NCT	1.25	✓		✓									
S. Africa	FS	1.23		✓									✓	
Vietnam	FT	1.22	✓					✓	✓	✓	✓			
India	NCT	1.20	✓					✓					✓	
Bangladesh	FT	1.20	✓				✓	✓		✓	✓			
Morocco	FS	1.18		✓									✓	
India	NCT	1.13	✓					✓					✓	
Armenia	CT	1.13	✓							✓				
Peru	SF	1.10		✓				✓						✓
Bulgaria	CT	1.10		✓					✓					
Nicaragua	SF	1.10	✓					✓						✓
India	NCT	1.09	✓		✓			✓					✓	
Zambia	SF	1.08	✓					✓						✓
Mozambique	CT	1.05	✓		✓				✓	✓	✓			
India	NCT	1.04	✓					✓					✓	
Tunisia	FS	1.03		✓									✓	
Uzbekistan	CT	1.01	✓		✓		✓				✓			
Egypt	FS	1.00	✓										✓	
India	NCT	1.00	✓					✓					✓	
Latvia	CT	1.00		✓	✓				✓	✓				
Egypt	FS	0.98	✓										✓	

Table 3 continued

Country	Program Type	Targeting Performance	Income level		Individual assessment			Categorical Eligibility				Self-selection		
			< 1200	>1200 & <10840	Means test	Proxy means test	Community assessment	Geographic	Age – elderly	Age - children	Other	Work	Consumption	Community bidding
Bulgaria	CT	0.95		✓						✓				
Egypt	FS	0.95	✓		✓								✓	
Egypt	FS	0.95	✓		✓								✓	
Armenia	SF	0.93	✓					✓						✓
Tunisia	FS	0.93		✓									✓	
Poland	CT	0.90		✓	✓					✓				
Romania	CT	0.90		✓					✓		✓			
Morocco	FS	0.85		✓									✓	
S. Africa	FS	0.79		✓									✓	
Latvia	CT	0.70		✓					✓					
Algeria	FS	0.70		✓									✓	
S. Africa	FS	0.68		✓									✓	
Morocco	FS	0.60		✓									✓	
Armenia	NCT	0.58	✓			✓								
Yemen	FS	0.45	✓										✓	
Vietnam	CT	0.40	✓						✓		✓			
S. Africa	FS	0.28		✓									✓	

Sources:

- International comparisons: Coady, David, Margaret Grosh, and John Hoddinott (November 2002). “The Targeting of Transfers I Developing Countries: Review of Experience and Lessons.” Social Safety Net Primer Series. The World Bank.
- US: Author’s calculations using data from Zedlewski, Sheila (2002). “Family Incomes: Rising, Falling or Holding Steady? In *Welfare Reform: The Next Act*. The Urban Institute. Based on data from the Urban Institute’s National Survey of America’s Families (NSAF) for 1998.

Notes:

- Target performance calculated as the share of benefits to the target group / that group’s neutral share (population share). For example, for the US programs, it is calculated as the share of benefits going to the bottom quintile / the bottom quintile’s population share (20%). The higher the number, the better the program is targeted to the poor.
- CT: cash transfer; FS: food subsidy; FT: food transfer; NCT: near-cash transfer; NFS: non-food subsidy; PW: public works; SF: social fund.

- 
- <sup>1</sup> Poverty rate data from: U.S. Census Bureau website: Historical Poverty Tables
- <sup>2</sup> U.S. Census Bureau website: Historical Poverty Tables; and "Parrott, Sharon (September 3, 2003). "New Census Data Show and Increase in Poverty." Center on Budget and Policy Priorities.
- <sup>3</sup> Social assistance provides cash and non-cash support to low-income individuals with no financial contribution required from beneficiaries. This is in contrast to social insurance, which requires a financial contribution on behalf of beneficiaries. As such, these estimates of social assistance spending omit social insurance programs like Social Security and Medicare.
- <sup>4</sup> Zedlowski, Sheila R. (2002). "Family Incomes: Rising, Falling or Holding Steady?" In *Welfare Reform: The Next Act*, Edited by Alan Weil and Kenneth Finegold. Urban Institute.
- <sup>5</sup> Zedlowski, Sheila R. (2002). "Family Incomes: Rising, Falling or Holding Steady?" In *Welfare Reform: The Next Act*, Edited by Alan Weil and Kenneth Finegold. Urban Institute.
- <sup>6</sup> General Accounting Office (November 2001). "Means-Tested Programs: Determining Financial Eligibility Is Cumbersome and Can Be Simplified." GAO-02-58.
- <sup>7</sup> Zedlowski, Sheila R. (2002). "Family Incomes: Rising, Falling or Holding Steady?" In *Welfare Reform: The Next Act*, Edited by Alan Weil and Kenneth Finegold. Urban Institute.
- <sup>8</sup> General Accounting Office (November 2001). "Means-Tested Programs: Determining Financial Eligibility Is Cumbersome and Can Be Simplified." GAO-02-58.
- <sup>9</sup> The distinction between "passive" and "active" welfare systems, and the implications for management information systems, is developed in Wiseman, Michael (August 1999). "A Management Information Model for New-Style Public Assistance."
- <sup>10</sup> The safety net vs. spring board concept is drawn from The World Bank (2001). "Social Protection Sector Strategy: From Safety Net to Springboard."
- <sup>11</sup> This percentage is set at 80% if the states do not meet the required minimum federal work participation rates, or 75% if they do.
- <sup>12</sup> Office of Family Assistance (September 2003). Temporary Assistance for Needy Families (TANF): Fifth Annual Report to Congress.
- <sup>13</sup> Zedlowski, Sheila (June 13, 2002). "Are Shrinking Caseloads Always a Good Thing.?" Urban Institute.
- <sup>14</sup> General Accounting Office (April 2000). "Improving State Automated Systems Requires Coordinated Federal Effort." GAO/HEHS-00-48.
- <sup>15</sup> As they are called in Maryland.
- <sup>16</sup> Administration for Children and Families (2003). "FY 2004 Performance Plan and FY 2002 Performance Report."
- <sup>17</sup> General Accounting Office (November 2001). "Means-tested Programs: Determining Financial Eligibility is Cumbersome and Can Be Simplified." GAO-02-58.
- <sup>18</sup> The TANF program is highly decentralized, not only to states but also to the local level (counties). Under TANF, states have the flexibility to operate cash assistance programs that differ across the localities (counties) within the state. Some states have decentralized most roles to counties (e.g., California, Colorado, Minnesota). Source: Gallagher, L. Jerome et. al. (May 1, 1998). "One Year after Federal Welfare Reform." The Urban Institute.
- <sup>19</sup> In some states, benefit levels are determined by individual counties.
- <sup>20</sup> See Orszag, Peter R. (April 13, 2001). "Asset Tests and Low Saving Rates Among Lower-Income Families." Center on Budget and Policy Priorities, for an overview of various empirical studies on the subject.
- <sup>21</sup> Medicaid allows all TANF beneficiaries to be eligible for Medicaid (thus simplifying somewhat the complex web of criteria), but TANF beneficiaries account for only a fraction of total Medicaid beneficiaries (see Tables XX and XX).
- <sup>22</sup> This section draws largely on a desk review of existing literature, particularly Holcomb et. al. (January 2003), as well as site visits in the State of Maryland and Montgomery County.
- <sup>23</sup> Holcomb et. al. (January 2003).
- <sup>24</sup> For example, the food stamps and TANF (TCA) binders for the State of Maryland measure four and two inches thick respectively, and within the state, the counties have additional binders of their own for local adaptations of the policies.
- <sup>25</sup> Applications for TANF (cash) and food stamps must be done in person; Medicaid-only applications can be mailed in.
- <sup>26</sup> Not only are customers informed about these conditions, but they must sign forms indicating that they have been informed. In fact, during group orientation, customers must sign seven different forms, indicating they understand conditions of various aspects of the program and agree to release information to the various authorities. The motivations for such documentation stem largely from the need to ensure that customers are informed about the programs, but also to provide legal cover for authorities against potential future law suits by disgruntled customers.
- <sup>27</sup> About one third of the states have instituted a job search at application policy (before eligibility determination). Others implement this after eligibility determination. Rowe, Gretchen (November 2000). "Welfare Rules Databook: State TANF Policies as of July 1999." Urban Institute.
- <sup>28</sup> US law requires absent parents to provide financial support to their children. Welfare law requires that such support be sought – and taken into account – before determining potential benefits (on the premise that welfare is a last resort and that families should provide for their own). Customers must provide the name and any known demographics for the absent parent for each of the children for whom they are applying for benefits (with the exception of children who are born as a result of incest or rape). Child Support workers report to the district courts, but are on-site at all local welfare offices.
- <sup>29</sup> Some local offices (such as those in Dallas, Texas and New York, New York) use finger imaging and photographing as fraud prevention measures because they allow eligibility workers to compare applicants' fingerprints and photographs to those of clients receiving benefits. Holcomb, et. al. (January 2003).
- <sup>30</sup> Holcomb, et. al. (January 2003).
- <sup>31</sup> The needs assessment usually involves reviewing (a) the reason for applying or continuing to rely on assistance (and exploring other options); (b) reviewing the applicants strengths: educational level, job skills, job readiness, and areas of interest; (c) identifying available personal and family resources, as well as other potential resources (such as unemployment insurance, SSI, unpaid child support); and (d) reviewing the history of family violence and substance abuse.
- <sup>32</sup> USDA/FNS website.
- <sup>33</sup> Rosenbaum, Dorothy and David Super (April 30, 2001). Understanding Food Stamp Quality Control. Center on Budget and Policy Priorities.
- <sup>34</sup> Applicants are required to bring some sort of proof of identity (driver's license, id card) and proof of address (lease, electric/gas/water/phone bill, rent receipt, mortgage statement) unless they are homeless.
- <sup>35</sup> Some have also experimented with retinal scanning, but found it less practical than digital fingerprinting.
- <sup>36</sup> Borden, William S. and Robbie L. Ruben-Urm (January 2002). An Assessment of Computer Matching in the Food Stamp Program. USDA.
- <sup>37</sup> Walsh, Trudy (April 1998). "Automated welfare systems cut costs, chances for fraud." *Government Computer News*.
- <sup>38</sup> Anton, Annie I (December 17, 1996). National Identification Cards.
- <sup>39</sup> State of Maryland. Temporary Cash Assistance Manual, and Food Stamps Manual.
- <sup>40</sup> Borden, William S. and Robbie L. Ruben-Urm (January 2002). An Assessment of Computer Matching in the Food Stamp Program. USDA.

<sup>41</sup> This listing draws on (a) interviews with officials in the State of Maryland's Family Investment Administration and Montgomery County's Department of Health and Human Services; (b) Borden, William S. and Robbie L. Ruben-Urm (January 2002). An Assessment of Computer Matching in the Food Stamp Program. USDA.; and (c) State of Maryland. Temporary Cash Assistance Manual.

<sup>42</sup> Officials note that data from the IRS is of little use, however, because it is generally out-of-date (taxes are only filed once per year, and many applicants don't file).

<sup>43</sup> Borden, William S. and Robbie L. Ruben-Urm (January 2002). An Assessment of Computer Matching in the Food Stamp Program. USDA.

<sup>44</sup> Rosenbaum, Dorothy and David Super (April 30, 2001). "Understanding Food Stamp Quality Control." Center on Budget and Policy Priorities.

<sup>45</sup> Rosenbaum, Dorothy and David Super (April 30, 2001). "Understanding Food Stamp Quality Control." Center on Budget and Policy Priorities.

<sup>46</sup> The states do make an effort to retrieve overpaid benefits from households. In fiscal year 2001, states collected over \$200 million in overpaid benefits. New collection techniques, such as intercepting wage earners' income tax refunds, are expected to increase collections further. Rosenbaum, Dottie (July 8, 2003). "Food Stamp Overpayment Error Rate Hits Record Low." Center on Budget and Policy Priorities.

<sup>47</sup> Rosenbaum, Dottie (July 8, 2003). "Food Stamp Overpayment Error Rate Hits Record Low." Center on Budget and Policy Priorities.

<sup>48</sup> Rosenbaum, Dorothy and David Super (April 30, 2001). "Understanding Food Stamp Quality Control." Center on Budget and Policy Priorities.

<sup>49</sup> Rosenbaum, Dorothy and David Super (April 30, 2001). "Understanding Food Stamp Quality Control." Center on Budget and Policy Priorities.

<sup>50</sup> Robinson, Robert A. (April 23, 1998). Food Assistance: Observations on Reducing Fraud and Abuse in the Food Stamp Program." GAO/T-RCED-98-167.

<sup>51</sup> GAO "Food Stamp Overpayments: Households in Different States Collect Benefits for the Same Individuals." GAO/RCED-98-228.

<sup>52</sup> GAO (March 1997). Food Stamps: Substantial Overpayments Results from Prisoners Counted as Household Members. GAO/RCED-97-54.

<sup>53</sup> GAO. Food Stamp Overpayments: Thousands of Deceased Individuals are Being Counted as Household Members. GAO/RCED-98-53.

<sup>54</sup> GAO (June 23, 1995). Food Assistance: reducing Food Stamp Benefit Overpayments and Trafficking. GAO/RCED-95-198.

<sup>55</sup> Sources: Rosenbaum, Dottie (July 8, 2003). "Food Stamp Overpayment Error Rate Hits Record Low." Center on Budget and Policy Priorities; USDA/FNS website; Robinson, Robert A. (April 23, 1998). Food Assistance: Observations on Reducing Fraud and Abuse in the Food Stamp Program." GAO/T-RCED-98-167; GAO "Food Stamp Overpayments: Households in Different States Collect Benefits for the Same Individuals." GAO/RCED-98-228.

<sup>56</sup> The information used for this section of the paper draws on site visits and discussions with officials in the State of Maryland Family Investment Administration and the Montgomery County Department of Health and Human Services, as well as available literature, including GAO reports, papers from the Urban Institute, articles from *Washington Technology* and *Government Computer News*, among others. In addition, it draws on information from the US Department of Health and Human Services Website, particularly the National Human Services IT Resource Center profiles of state automated welfare systems. See bibliography for additional detailed information on references.

<sup>57</sup> General Accounting Office. (February 25, 1994). "Automated Welfare Systems: Historical Costs and Projections." GAO/AIMD-94-52FS.

<sup>58</sup> In some states, such as California, separate systems are being operated in different counties.

<sup>59</sup> General Accounting Office. (February 25, 1994). "Automated Welfare Systems: Historical Costs and Projections." GAO/AIMD-94-52FS.

<sup>60</sup> Borden, William S. and Robbie L. Ruben-Urm (January 2002). An Assessment of Computer Matching in the Food Stamp Program. USDA.

<sup>61</sup> For example, the State of Maryland's automated system (the CARES system, or Client Automated Resource and Eligibility System) interfaces with Citibank, which issues EBT transfers to beneficiaries.

<sup>62</sup> General Accounting Office (April 2000). "Improving State Automated Systems Requires Coordinated Federal Effort." GAO/HEHS-00-48.

<sup>63</sup> General Accounting Office (April 2000). "Improving State Automated Systems Requires Coordinated Federal Effort." GAO/HEHS-00-48.

<sup>64</sup> General Accounting Office (April 2000). "Improving State Automated Systems Requires Coordinated Federal Effort." GAO/HEHS-00-48.

<sup>65</sup> The results of a survey by HHS found that, as of 1996, 26% of states responding were using systems that first became operational in the 1970s and 40% said that their systems had become operational in the 1980s. US Department of Health and Human Services, Administration for Children and Families, Office of State Systems (December 1997). "Report to Congress on Data Processing and Case Tracking in the Temporary Assistance for Needy Families Program.

<sup>66</sup> The distinction between "passive" and "active" welfare systems, and the implications for management information systems, is developed in Wiseman, Michael (August 1999). "A Management Information Model for New-Style Public Assistance."

<sup>67</sup> General Accounting Office (April 2000). "Improving State Automated Systems Requires Coordinated Federal Effort." GAO/HEHS-00-48.

<sup>68</sup> Maxfield, Myles, James Ohls, and William S. Borden (November 1999). "Options for a National Database to Track Participation in Federal Means-Tested Public Assistance Programs: Report to Congress." USDA/Mathematica Policy Research Inc.

<sup>69</sup> General Accounting Office (April 2000). "Improving State Automated Systems Requires Coordinated Federal Effort." GAO/HEHS-00-48.

<sup>70</sup> General Accounting Office (April 2000). "Improving State Automated Systems Requires Coordinated Federal Effort." GAO/HEHS-00-48.

<sup>71</sup> Department of Health and Human Services (December 1997). *Temporary Assistance for Needy Families (TANF) Report of Data Processing*. Report to Congress.

<sup>72</sup> A system architecture is a general description of how the national client database would work (building on state systems).

<sup>73</sup> Maxfield, Myles, James Ohls, and William S. Borden (November 1999). "Options for a National Database to Track Participation in Federal Means-Tested Public Assistance Programs: Report to Congress." USDA/Mathematica Policy Research Inc.

<sup>74</sup> With an eligibility database, the state agency transmits an extract of each case record to the national database. The central facility identifies interstate duplicate cases and sends the case record extract from both state agencies to each of the two (duplicate) state agencies. The national client database also accumulates historical data on program participation across states, thus allowing for the tracking of time limits. Thus, the central client database sends sufficient data to state agencies for them to minimize the amount of data they need to retrieve bilaterally from other state agencies.

<sup>75</sup> General Accounting Office (April 2000). "Improving State Automated Systems Requires Coordinated Federal Effort." GAO/HEHS-00-48.

<sup>76</sup> Welsh, William (October 9, 2000). "States Back Off Large Welfare Systems Projects." *Washington Technology*, Vol. 15, No. 14.

<sup>77</sup> This information is adapted from: General Accounting Office (January 2002). Report to Congressional Committees: Human Services Integration: Results of a GAO Cosponsored Conference on Modernizing Information Systems. GAO-02-121, which draws on information from the Human Services Information Technology Advisory Group (HSITAG): "Innovations in Technology and Project Management Practices that Can Improve Human Services."

<sup>78</sup> One other potential development includes the current debate over possible privatizing of eligibility services for welfare programs. This policy change would inevitably result in further systems upgrades and changes. William Welsh (May 12, 2003). "Who Gets Welfare?" *Washington Technology*. Vol. 18, No. 3.

<sup>79</sup> General Accounting Office (January 2002). Report to Congressional Committees: Human Services Integration: Results of a GAO Cosponsored Conference on Modernizing Information Systems. GAO-02-121.

<sup>80</sup> Data marts are databases that integrate information collected from disparate sources. They are usually designed to meet a specific business need or problem. Data warehouses are larger versions of data marts that usually incorporate data from more sources. They are usually dedicated to management decision support and are accessed through report writers, query tools, and data access and retrieval tools. All data are stored in a consistent format, exist for a particular point in time, and do not change. Some warehouses store data for points in time spanning several years. General Accounting Office (April 2000). "Improving State Automated Systems Requires Coordinated Federal Effort." GAO/HEHS-00-48.

- <sup>81</sup> General Accounting Office (January 2002). Report to Congressional Committees: Human Services Integration: Results of a GAO Cosponsored Conference on Modernizing Information Systems. GAO-02-121.
- <sup>82</sup> Some contractors, however, are doing it in less (15 months). Welsh, William (October 9, 2000). "States Back Off Large Welfare System Projects." *Washington Technology*, vol. 15. no. 14.
- <sup>83</sup> Information based on discussions with officials of Maryland's Family Investment Administration.
- <sup>84</sup> Information based on discussions with officials of Maryland's Family Investment Administration.
- <sup>85</sup> General Accounting Office (January 2002). Report to Congressional Committees: Human Services Integration: Results of a GAO Cosponsored Conference on Modernizing Information Systems. GAO-02-121.
- <sup>86</sup> Welsh, William (October 9, 2000). "States Back Off Large Welfare System Projects." *Washington Technology*, vol. 15. no. 14.
- <sup>87</sup> Information based on discussions with officials of Maryland's Family Investment Administration.
- <sup>88</sup> US Department of Health and Human Services Website: National Human Services IT Resource Center profiles of state automated welfare systems.
- <sup>89</sup> Welsh, William (October 9, 2000). "States Back Off Large Welfare System Projects." *Washington Technology*, vol. 15. no. 14.
- <sup>90</sup> Intake, eligibility and case maintenance are currently mostly manual in the State of Maine (one of the few states with such status). US Department of Health and Human Services Website: National Human Services IT Resource Center profiles of state automated welfare systems.
- <sup>91</sup> Ibid.
- <sup>92</sup> General Accounting Office (April 2000). "Improving State Automated Systems Requires Coordinated Federal Effort." GAO/HEHS-00-48.
- <sup>93</sup> General Accounting Office (April 2000). "Improving State Automated Systems Requires Coordinated Federal Effort." GAO/HEHS-00-48.
- <sup>94</sup> US Department of Health and Human Services Website: National Human Services IT Resource Center profiles of state automated welfare systems.
- <sup>95</sup> General Accounting Office. (February 25, 1994). "Automated Welfare Systems: Historical Costs and Projections." GAO/AIMD-94-52FS. Figures in 1993 constant dollars.
- <sup>96</sup> General Accounting Office. (February 25, 1994). "Automated Welfare Systems: Historical Costs and Projections." GAO/AIMD-94-52FS.
- <sup>97</sup> General Accounting Office. (February 25, 1994). "Automated Welfare Systems: Historical Costs and Projections." GAO/AIMD-94-52FS. Figures in 1993 constant dollars.
- <sup>98</sup> Welsh, William (October 9, 2000). "States Back Off Large Welfare System Projects." *Washington Technology*, vol. 15. no. 14.
- <sup>99</sup> These calculations draw on data from the Urban Institute's National Survey of America's Families (NSAF) for 1999 (income data for 1998), as reported in Zedlewski, Sheila (2002). "Family Incomes: Rising, Falling, or Holding Steady?" in *Welfare Reform: The Next Act*. The Urban Institute.
- <sup>100</sup> Compared with a sample of 77 developing countries (excluding other developed countries for which data are not available). Data on developing countries compiled by Coady, David, Margaret Grosh, and John Hoddinott (November 2002). "The Targeting of Transfers in Developing Countries: Review of Experience and Lessons." Social Safety Net Primer Series. The World Bank.
- <sup>101</sup> Rosenbaum, Dorothy and David Super (April 30, 2001). Understanding Food Stamp Quality Control. Center on Budget and Policy Priorities.
- <sup>102</sup> State of Maryland, Department of Human Resources (November 1979). Income Maintenance Management Improvement Plan.
- <sup>103</sup> Rosenbaum, Dorothy and David Super (April 30, 2001). Understanding Food Stamp Quality Control. Center on Budget and Policy Priorities.
- <sup>104</sup> Zedlewski, Sheila R. (September 2002). "Left Behind or Staying Away? Eligible Parents Who Remain Off TANF." The Urban Institute.
- <sup>105</sup> Fremstad, Shawn (September 5, 2003). "Falling TANF Caseloads Amidst Rising Poverty Should be a Cause of Concern." Center on Budget and Policy Priorities.
- <sup>106</sup> The Urban Institute study shows that remaining share of eligible non-participants would have qualified for relatively small benefits, so their self-selection out of the program is less worrisome Zedlewski, Sheila R. (September 2002). "Left Behind or Staying Away? Eligible Parents Who Remain Off TANF." The Urban Institute.
- <sup>107</sup> Fremstad, Shawn (September 5, 2003). "Falling TANF Caseloads Amidst Rising Poverty Should be a Cause of Concern." Center on Budget and Policy Priorities.
- <sup>108</sup> Zedlewski, Sheila R. (July 19, 2000). "Recent Trends in the Food Stamp Program: Testimony before the House Committee on the Budget Task Force on Welfare." The Urban Institute.
- <sup>109</sup> Zedlewski, Sheila R. (June 13, 2002). "Are Shrinking Caseloads Always a Good Thing?" The Urban Institute.