Colorado Works Evaluation 2007 Annual Report

Prepared for:
The Colorado Department of Human Services

Prepared by:
The Lewin Group

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Sam Elkin
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Rachel Wright

Project Director: **Mary Farrell**

October 19, 2007

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Executive Summary

Following enactment of the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in August 1996, the state of Colorado implemented its Temporary Assistance for Needy Families (TANF) program, Colorado Works. PRWORA repealed the Aid to Families with Dependent Children (AFDC) program, a federal entitlement to assistance, and replaced it with the TANF program. PRWORA authorized capped block grant funding to states for TANF, imposed a five-year time limit on lifetime cash assistance provided with federal TANF funds, and mandated stricter work participation requirements than had existed under AFDC.

The Colorado Department of Human Services (CDHS) contracted with The Lewin Group and its partners, the University of Colorado's Health Sciences Center, the Johns Hopkins University's Institute for Policy Studies, and Capital Research Corporation, to perform an in-depth study of the Colorado Works program. The study's design was developed by the Lewin team in consultation with CDHS officials and an Advisory Committee consisting of representatives of the counties and Colorado's advocacy community. This report presents findings from the second year of that study.

A. Major Activities

During the second year of the study, the major activities of the evaluation included the following:

- **Focus groups with Colorado Works participants and applicants.** In order to better understand why people come to Colorado Works and what helps or hinders their ability to become self-sufficient, 17 focus groups were conducted with Colorado Works applicants, current participants, and past participants. A mixed audience of TANF participants was targeted for participation, including long-term recipients, new applicants, and those who have received diversion payments.

- **Employer interviews.** Between January and March 2007, interviews were conducted with 25 employers in nine counties in order to gain insight into Colorado employers' experiences with welfare recipients whom they have hired for low-skill, entry-level jobs.

- **Interviews with county Colorado Works directors.** The Lewin team conducted interviews with Colorado Works county directors in 19 counties during the spring and summer of 2007 regarding their county work participation and diversion strategies.

- **Analyses of special topics.** As part of the study, the Advisory Committee chooses topics of specific interest to it and DHS for in-depth examination. The project team submitted reports on four such topics this year. These topics were: (1) *Trends and patterns in county-level Colorado Works expenditures*, as well as funding allocations to counties and county reserves; (2) *Factors affecting participation and engagement in the Colorado Works program*, including county strategies for meeting the work participation rate, county diversion policies, and sanctioning practices; (3) *Experiences of Colorado Works applicants and participants* presenting findings from the focus groups; and (4) *Employer experiences* based on the interviews with employers.

- **Collection and analysis of administrative data.** The team collected and analyzed data from many state administrative systems, including the Colorado Benefits Management System (CBMS) and historical data from the "legacy" information systems it replaced; subsidized child care records from the Colorado Child Care Automation Tracking System (CHATS); child support enforcement records from the Automated Child Support Enforcement System (ACSES); state fiscal reports from the County Financial Management System (CFMS); and unemployment insurance (UI) wage records. Findings from analysis of the data from these sources are presented in this report and in the special topic reports.

B. Key Findings

This annual report presents findings from the evaluation's second year in several areas: trends in the Colorado Works caseload and characteristics of those families participating in the program; trends in county expenditures and reserves; participation in work activities; the receipt of child care and other supportive services by Colorado Works families; and employment outcomes among Colorado Works participants, including both those on the program and those who have recently left the program. Two of these (fiscal trends and work participation) are the subjects of two of the four special topic reports produced as part of the study this year; the main findings from those separate reports are summarized here.

1. Characteristics of the Colorado Works Caseload

- ***The Colorado Works caseload has been declining over the past two years.***

The average monthly number of basic cash assistance (BCA) cases in Colorado declined in the 1990s, decreasing by 75 percent between calendar years 1993 and 2001, according to federal data. Between 2001 and 2005 the caseload increased by more than 40 percent, but has decreased again by 22 percent between 2005 and the beginning of 2007. State administrative data confirm the recent caseload decline.

In contrast, diversion cases have been increasing in recent years; there were 41 percent more diversion cases in January through May of 2007 than there had been in the same months of 2005. This was due to an increase in state diversion cases; county diversion cases stayed relatively stable over the same period. With diversions increasing and BCA cases decreasing, diversion has been making up an increasing share of Colorado Works assistance.

- ***There is only limited variation in demographic characteristics among different types of Colorado Works BCA cases.***

Two-parent cases are somewhat more likely than one-parent cases to have three or more children and children under the age of one, and less likely to have children over the age of six. However, these differences are not large, and on dimensions such as age of the head of household and whether the head of household has a disability, there is very little difference between one- and two-parent cases. On the other hand, child-only cases are substantially more likely to have a child over the age of six, and diversion recipients differ considerably from adult-headed BCA cases, particularly in that many fewer recipients have disabilities.

- ***Financial sanctions and case closures for non-participation are applied to a small share of the caseload each month.***

In an average month, work-related sanctions, case closures for demonstrable evidence, and 24-month case closures (for failure to participate in work activities) affected around 4 percent of work-eligible cases on Colorado Works in that month. Of that group, 75 percent received a formal sanction (level one, two or three), 13 percent had a case closed for demonstrable evidence, and 12 percent had their case closed for non-participation in work activities after being on TANF for 24 months. Those whose cases were closed for demonstrable evidence were somewhat more likely to return to Colorado Works within a year (33 percent, compared to 30 percent of those receiving a level three sanction and 27 percent of those with 24-month case closures).

- ***Few cases in Colorado have been closed due to the TANF 60-month time limit.***

Over the past three years, less than one percent (0.8 percent) of active cases on average were closed due to the time limit each year.

- ***A little more than half of BCA cases in state fiscal year (SFY) 2006 left Colorado Works at least once during the year, and most families that left the program did not return during the year.***

Fifty-seven percent of cases in SFY 2006 exited the program for at least a two-month period during the fiscal year. The vast majority of cases (77 percent) that left BCA in SFY 2006 did not return for BCA within twelve months after exit. The demographic characteristics of those who left Colorado Works in SFY 2006 and stayed off for at least a year are largely similar to those who never left the program during the year, though cases that exit are less likely to have heads of household with disabilities and are more likely to be on one-parent cases. Among diversion cases, 66 percent of state diversion families and 83 percent of county diversion families did not return to Colorado Works for additional assistance in the year after receiving diversion.

Over half of the BCA cases that left Colorado Works but returned within a year did so within three months of program exit.

2. Fiscal Trends

- ***Colorado Works is administered at the county level and program spending is funded through a mix of federal, state, and county sources.***

Funding for Colorado Works is allocated to counties each fiscal year according to a formula that is based mainly on caseload and population. Funds from the federal TANF block grant to the state along with some other funds are included in the Colorado Works block grant to the counties. Counties also contribute a share of the total costs of Colorado Works and are responsible for meeting a share of the federally-required maintenance of effort (MOE) requirement. Finally, the state legislature may authorize state funds for Colorado Works, though this does not occur in every year.

- ***Total program expenditures grew from $106 million in 2000 to $141 million in 2003, then declined somewhat to a level of $124 million (in 2006).***

Adjusting for inflation, however, overall Colorado Works expenditures were little changed at the end of the seven-year period, falling by 0.6 percent. The increase and subsequent decrease in nominal spending largely occurred through spending of federal funds, which peaked in 2002 at a level 80 percent higher than in 2000, but then declined somewhat. County-funded spending was relatively stable in nominal terms, while state-funded spending fell by more than 96 percent.

- ***County reserves shrank in the early part of the decade, but rose in subsequent years.***

Reserves decreased from $66 million in SFY 2000 to $15 million in SFY 2002, but grew again to $80 million in SFY 2007. This pattern in part reflects legislative action by the state; lower reserves in 2002 and 2003 reflect legislative decisions to revise how the county reserve was calculated and how much would revert to the state's long-term Colorado Works reserve fund, but in 2004, the legislature determined that counties could retain their full reserve funds. Discussions with state and local administrators revealed that the reserve amounts are also in part related to fluctuations in the caseload. County administrators may decide to maintain a reserve level for many reasons, such as ensuring the availability of funds in the event of a caseload increase; retaining funds for a future initiative; and buffering for unexpected cost fluctuations.

- ***About half of Colorado Works spending is for BCA, and about half is for other purposes.***

Forty-seven percent of total Colorado Works expenditures by counties in SFY 2006 went to BCA, and non-BCA spending represented 53 percent. There is notable county variation; among the 10 largest counties the amount of spending going to BCA ranged from 21 percent of expenditures in Adams County up to 64 percent in Arapahoe County. Based on conversations with Adams County, which had the highest share of non-BCA expenses among the 10 largest counties, much of the non-BCA spending is for contracted employment/training services and for contracted community investment initiatives. It is likely that non-BCA spending in many other counties is also for employment-related services or community investments; however, given the differences in how counties record such spending in CFMS, it was not possible in this analysis to report the various types of non-BCA spending for all counties.

3. Participation in Work Activities in Colorado Works

- ***As a consequence of the Deficit Reduction Act of 2005 (DRA), counties are making renewed efforts to increase their work participation rates.***

Colorado has consistently met the required work participation rates since the enactment of PRWORA largely through the caseload reduction credit that, owing to the size of the state's caseload decline since 1995, effectively created a zero percent requirement. The DRA reset the credit's base year to federal fiscal year (FFY) 2005, eliminating the effect of the caseload reduction that occurred in the 1990s. Colorado may now be required to have up to 50 percent of its caseload in work activities. Counties are using or considering a broad range of strategies to encourage participation in work activities, address clients' personal interests and barriers, and supplement the county's work participation rates.

- ***The state's work participation rate has been increasing in recent years, but is still short of the required level.***

The all-families participation rate has increased from 20 percent in FFY 2005 to 24 percent in FFY 2007. New cases have become engaged in work activities more quickly; for example, in the third quarter of FFY 2007, 43 percent of new cases were engaged in the initial month, up 14 percentage points from the same quarter in the previous fiscal year. Similarly, the share of cases with no hours counting towards work requirements has fallen from 62 percent in FFY 2005 to 51 percent in FFY 2007. However, at 24 percent, the work participation rate is still short of the federal targets even when taking the anticipated caseload reduction credit into account.

- ***Families fulfilling work participation requirements in Colorado are mostly those that face lower hour requirements.***

In FFY 2007, the participation rate of single parents with children under the age of six, who only needed to participate in activities for 20 hours, was 34 percent. The participation rate of teenage parents, who can meet the participation requirement through school attendance or training, was 48 percent. In contrast, only 7 percent of non-teenage parents whose children were six and older participated in activities for enough hours to fulfill the work participation requirement.

Consequently, those facing lower requirements make up a disproportionate share of those who fulfilled work requirements in 2007. Seventy-six percent of cases fulfilling the work requirements were single parents with children under the age of six. Teenage parents meeting the participation requirement through school attendance or training accounted for 4 percent of those fulfilling the rate.

4. Child Care and Other Supportive Services

- ***Twenty-two percent of Colorado Works cases with an adult on the case received child care assistance in SFY 2006.***

In general, families with younger children receive child care more frequently than families with older children. (One exception is that families with children under the age of one are less likely to receive child care than families whose youngest child is between one and four). In addition, average child care payments are higher for families with younger children. Of those who receive assistance, close to two thirds (65 percent) receive licensed center-based care; 22 percent receive unlicensed care; and 16 percent receive licensed home-based care.

- ***In SFY 2006, about 44 percent of Colorado Works cases received a service classified as a supportive service.***

The most commonly received were transportation assistance – 29 percent of cases received transportation assistance at some point during SFY 2006, with an average payment of $93 – and family/personal need payments, made to 13 percent of cases, with an average payment of $229.

The highest average payments, at $454, were housing related; these were received by 6 percent of cases.

5. Employment Outcomes of Colorado Works Clients

- ***About one third of Colorado Works recipients engage in unsubsidized employment in each quarter.***

In the period from the first quarter of 2005 to the first quarter of 2007, between 29 percent and 36 percent of Colorado Works recipients were working. This proportion may be declining; the lowest employment rate during this period occurred during the first quarter of 2007. Median earnings are low (median quarterly earnings fluctuate throughout the year, and ranged from $998 to $1,229 during this period), which partially reflect limits on how much families can earn while remaining on Colorado Works.

- ***About two-thirds of those leaving Colorado Works are employed at some point in the first year after leaving the program, though earnings are low.***

UI wage records show that 69 percent of those who leave have earnings in the first year after leaving Colorado Works, and 65 percent have earnings in the second year following their exit. In each given quarter during the first two years, employment rates were relatively stable at approximately 50 percent. However, only 22 percent are employed in all quarters of their first two years after exiting. Median quarterly earnings are low, though they increased from $2,371 among those working in the quarter of exit to $3,165 among those working in the seventh quarter after exit. Employment patterns do not differ markedly between those who leave and do not return to the program during the following two years and those who do return, though those who do not return have higher median earnings.

- ***A substantial share of those who leave Colorado Works do not appear to have any earnings to support them.***

Of individuals who left TANF between January 2005 and June 2005, 41 percent did not have earnings or Colorado Works payments in the first quarter after exiting TANF. By the seventh quarter after exiting TANF, 47 percent did not have earnings or receive welfare. During the first year after exiting TANF, a quarter of leavers had no earning and no TANF payments for the entire year. There are several reasons individuals may not have earnings shown in the UI wage data and yet not return to Colorado Works, such as receiving assistance through the Supplemental Security Income (SSI) program, working a job not covered by the UI system or outside Colorado, being supported by a family member, or no longer being eligible for TANF. This is a topic that the Lewin team will explore in a future, more detailed study of Colorado Works leavers.

C. Future Work

The next year of the Colorado Works evaluation will explore several new topics of interest to the state and Advisory Committee and conduct new data analyses. The work to be performed in SFY 2008 is described below.

- **Colorado Caseload Modeling Project.** The purpose of this task is to help the state better understand the changes in its TANF caseload by developing statistical models that provide estimates of the effects of changes in the characteristics of the state population, the economy, and the Colorado Works program on the size of the caseload. Regression analysis will be used to estimate the models.

- **County Survey.** The county survey will be conducted to gather information on county policies, initiatives, and strategies implemented in the counties since the survey administered in 2005. The survey will cover topics such as information on TANF policies, the types of collaboration with other agencies, fiscal decisions, and special initiatives and strategies.

- **Field Research.** A second round of field visits will be conducted. The field work will allow us to collect more in-depth data in several counties. Some potential topics include innovative service strategies, approaches to case management, fiscal planning and decisionmaking, operational detail on key evaluation topics (e.g., participation rates, caseload change, Colorado Works leavers, and diversion), and other important and emerging programmatic issues as determined in consultation with the Advisory Committee.

- **Colorado Works Leavers Study.** Colorado's TANF caseload declined significantly in FFY 2006, from 15,049 in October 2005 to 12,972 in September 2006. A survey of leavers will collect detailed information regarding their employment, as well as other sources of income (e.g., from family and friends, from disability benefits, and from the Earned Income Tax Credit), and the extent to which leavers experience material hardships.

- **Work Participation Study.** Work participation rates for FY 2007 and FY 2008 will be examined in a follow-up work participation study. This study will also examine any changes counties are making (e.g., using diversion grants or moving the hard-to-employ into a non-MOE program) and learn county strategies from those counties that have successfully increased their rates between FY 2006 and FY 2008. Analysis in the study will also examine which strategies appear to be related to changes in rates over time.

- **Comparative Study.** In this task, Colorado's policies and outcomes will be compared to other state's programs. Comparisons will be made between Colorado and other states in terms of caseload changes, work participation, benefit levels, length of stay on TANF, and the percent reaching the 60-month lifetime limit. Policy choices made by other states relative to those made by Colorado (e.g., in terms of earned income disregards, diversions, sanctioning, work participation, and time limits) will be examined.

I. INTRODUCTION

In 1996 the federal Personal Responsibility and Work Reconciliation Act (PRWORA) repealed the entitlement program Aid to Families with Dependent Children (AFDC), and in its place, established the Temporary Assistance for Needy Families (TANF) program. In 1997, Colorado began operating its state TANF program, known as Colorado Works, which contrasted dramatically with the former AFDC program. The new law authorized capped block grant funding to states for TANF, imposed a five-year time limit on lifetime cash assistance provided with federal TANF funds, and mandated stricter work participation requirements. The law also defined four program purposes of TANF:

- Assisting needy families so that children can be cared for in their own homes;
- Promoting work and marriage to end dependency;
- Preventing out-of-wedlock pregnancies; and
- Encouraging two-parent families.

States were given considerable flexibility in designing their TANF programs to address these four purposes, including deciding how much of the federal funding is used for cash benefits, employment services, supportive services, and other activities. With its long tradition of local control of programs, Colorado gave significant autonomy and discretion to its 64 counties in the design and implementation of their local Colorado Works programs. This level of county control is due, in large part, to the diversity within the state and ensures that local policies reflect the specific needs of residents.

In 2005, the Colorado Department of Human Services (CDHS) contracted with The Lewin Group and its partners, the University of Colorado's Health Sciences Center, the Johns Hopkins University's Institute for Policy Studies, and Capital Research Corporation, to perform an in-depth study of the Colorado Works program. This report presents findings from the second year of that study. This year is notable as Colorado has been adapting its program in response to the reauthorization of TANF under the Deficit Reduction Act (DRA) of 2005, which modified TANF in several important ways, refocusing states' attention on client work activities and the work participation rates that states are required to meet.

A. Colorado Works Evaluation

The Colorado Works Program Evaluation began in January 2005 and was designed in active consultation with CDHS and an Advisory Committee consisting of representatives from the counties and Colorado's advocacy community. The evaluation's general design focuses on policies and strategies that appear to contribute to program success. Its research objectives include:

- Providing descriptive information on Colorado Works clients, including
  - General characteristics,
  - Activities and services in which they participate, and
  - Employment and other outcomes;

- Analyzing the extent to which clients and county Colorado Works programs interact with other key programs; and

- Identifying potentially promising strategies and approaches.

As part of this study, the Advisory Committee chose topics of specific interest to it and CDHS for in-depth examination. This year the research team prepared reports on each of the following topics:

- **Trends and patterns in county-level Colorado Works expenditures**, as well as funding allocations to counties and county reserves;

- **Factors affecting participation and engagement in the Colorado Works program,** including county strategies for meeting the work participation rate, county diversion policies, and sanctioning practices**;**

- **Experiences of Colorado Works applicants and participants** while receiving assistance and how the program may have (or have not) contributed to their long-term self-sufficiency, based on focus group discussions; and

- **Employers' experiences** with Colorado Works and reasons they hire welfare recipients. [1]

Findings presented in the chapters of this report reflect both the analysis conducted from two of the special topic reports, as well as additional research examining caseload dynamics, interactions with other state programs, and recipient outcomes. This annual report presents trends in the Colorado Works caseload and characteristics of those families participating in the program; trends in county expenditures and reserves; participation in work activities; the receipt of child care and other supportive services by Colorado Works families; and employment outcomes among Colorado Works participants, including both those on the program and those who have recently left the program. Some analysis from the other topic reports conducted this year is included throughout the report.

1. Colorado Regions

In some of the analysis presented in this report, regional analysis was performed to take into account local social and economic factors. The regional definitions used in this report are those designated by the State Demography Office under the Division of Local Affairs. They are: the Central Mountains, Eastern Plains, Front Range, San Luis Valley, and Western Slope (see ***Exhibit I.2***).

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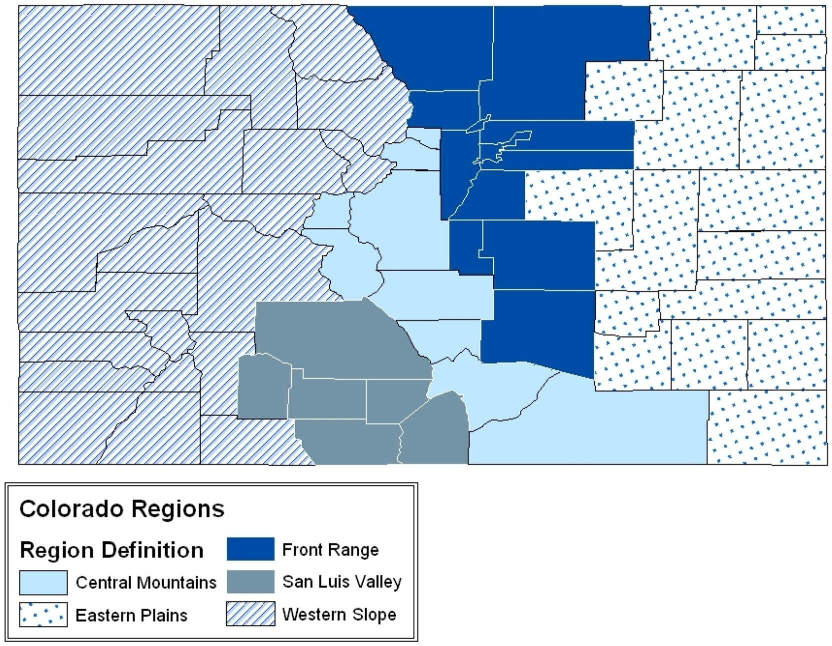
[1] The four reports are: Demetra Smith Nightingale, John Trutko, and Maura Hardy, *Colorado Works Expenditure Trends and Patterns*; Mike Mueller, Bret Barden, Sam Elkin, and Mary Farrell, *Understanding Program Participation: Findings from the Colorado Works Evaluation*; Yvonne Keller-Guentner, Nancy Koester, Judith Emery, John Trutko, *Findings from Focus Groups Conducted with Colorado Works Applicants and Participants*; and, Burt Barnow, Maura Hardy, and Kathleen Hyland, *Entry-Level Employers in Colorado: Results from a Survey of 25 Employers*.

Exhibit I.2: Colorado Sub-State Regions



Source: Division of Local Affairs, State Demography Office

The Central Mountains region accounts for nine counties in central southern Colorado.[2] These include Chaffee, Clear Creek, Custer, Fremont, Gilpin, Huerfano, Lake, Las Animas, and Park. The area has several tourist counties depending heavily on the skiing and summer resort industries. In addition, the region has more rural areas focused on agriculture, ranching, and mining.

The Eastern Plains occupies the eastern third of Colorado, which includes the following counties: Baca, Bent, Cheyenne, Crowley, Elbert, Kiowa, Kit Carson, Lincoln, Logan, Morgan, Otero, Phillips, Prowers, Sedgwick, Washington, and Yuma. The economy in this region is largely agriculturally driven and the area generally has low population density. The agricultural sector is currently facing challenges such as drought. Many manufacturing jobs have left the area.

The Front Range region is the most densely populated region in Colorado. It includes Adams, Arapahoe, Boulder, Brookfield, Denver, Douglas, El Paso, Jefferson, Larimer, Pueblo, Teller and Weld, which account for metropolitan areas of Denver, Boulder, Colorado Springs, Fort Collins, Greeley and Pueblo. The basic industries in the Front Range include hi-tech manufacturing, energy-related fields, technology and telecommunications, regional services and tourism.

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[2] This discussion of regional variation draws from the long-term economic and population forecasts for Colorado performed by the Colorado State Demography Office, under the Department of Local Affairs. (See, for example, *Colorado Long-Term Economic and Population Forecast*. Presentation to Metro Roundtable Interbasin Compact Committee. April 2006. http://www.dola.state.co.us/dlg/demog/presentations/MetroRoundtable4_06.pdf)

The San Luis Valley, like the Eastern Plains, is largely agricultural. It includes Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache. Of the five regions, the San Luis Valley has the smallest population.

The Western Slope contains nearly half of the land area of Colorado and includes Archuleta, Delta, Dolores, Eagle, Garfield, Grand, Gunnison, Hinsdale, Jackson, La Plata, Mesa, Moffat, Montezuma, Montrose, Ouray, Pitkin, Rio Blanco, Routt, San Juan, San Miguel, and Summit. This region has the largest share of Colorado's tourism industry; however, it also has some urban areas, mainly Grand Junction. A refocus on the oil shale in the Piceance Basin has increased employment in the mining and energy industries.

2. Data Sources

The key data sources for this report are state administrative data, interviews with county Colorado Works Directors, focus groups conducted with Colorado Works participants, and interviews with employers in nine counties. This evaluation also has relied on data collected in previous years of the evaluation, including a survey of county Colorado Works programs and findings from 18 field-based site visits.

Collection and analysis of state administrative data. As part of the evaluation, a longitudinal file was created that follows Colorado Works clients over time and tracks their characteristics, services, and outcomes. Information comes from the following data sources:

- The Colorado Benefits Management System (CBMS) and historical data from the "legacy" information systems it replaced;
- Subsidized child care records from the Colorado Child Care Automation Tracking System (CHATS);
- Child support enforcement records from the Automated Child Support Enforcement System (ACSES);
- State fiscal reports from the County Financial Management System (CFMS); and
- Unemployment Insurance (UI) wage records.

Interviews with county Colorado Works directors. To collect information on county work participation and diversion strategies, interviews were conducted with Colorado Works county directors in 19 counties during the spring and summer of 2007.[3] Interviews with five counties focused specifically on work participation and engagement, interviews with five counties focused on diversion, and nine interviews covered both subjects.

[3] Interviews were conducted with county directors in the following counties: Adams, Arapahoe, Conejos, Delta, Denver, El Paso, Fremont, Jefferson, La Plata, Larimer, Lincoln, Logan, Mesa, Montrose, Morgan, Otero, Pueblo, Rio Grande, and Teller.

Focus groups. In order to better understand why people come to Colorado Works and what helps or hinders their ability to become self-sufficient, 17 focus groups were conducted with Colorado Works applicants, current participants, and past participants. A total of 76 individuals attended the 17 focus groups. Focus groups were conducted in four counties: Denver, El Paso, Mesa, and Larimer. These counties were selected because (1) they were sufficiently large to provide enough participants for a focus group, (2) they were willing to sponsor focus groups and help with participant recruitment, and (3) they represented different areas of the state and different sized counties, providing some variation for the focus groups. A mixed audience of TANF participants was targeted for participation, including long-term recipients, new applicants, and those who have received diversion payments.

Employer interviews. Between January and March 2007, interviews were conducted with 25 employers in nine counties to gain insight into Colorado employers' experiences with welfare recipients whom they have hired for low-skill, entry-level jobs. The interviews focused on the characteristics of employers and the low-skill workforce, employer hiring practices, staffing needs, overall employer satisfaction, and employer feedback on county Colorado Works offices and workforce centers operated under local Workforce Investment Boards. A purposive convenience sample was used to select employers from nine counties for study: Adams, Arapahoe, Denver, El Paso, Larimer, Rio Grande, Mesa, Saguache, and Weld. County Colorado Works agencies and local workforce centers helped identify employers that had hired Colorado Works participants for unsubsidized jobs and/or for unpaid internship or work experience positions. Most employers that were contacted agreed to participate in the survey.

A survey of county Colorado Works programs. An Internet-based survey administered in the summer of 2005 asked county program administrators about the practices, successes, and challenges of their respective programs. The survey documented the diversity of the policies, practices, and operations among the county programs, and collected information on special topics not available from program data or county plans. Ninety-seven percent of counties completed surveys (representing 62 out of the 64 counties) and follow-up calls were conducted with 92 percent of county directors (representing 57 of the counties) to expand on some details.

Site visits. Based on findings from analyses of administrative data and the county survey, 18 counties were selected for in-depth site visits. Counties were purposively selected to represent innovative, unique, or interesting service delivery strategies and initiatives, as well as the range of economic and geographic conditions within the state. The counties visited were: Adams, Arapahoe, Bent, Boulder, Denver, El Paso, Fremont, Garfield, Huerfano, Jefferson, La Plata, Larimer, Mesa, Pueblo, Rio Grande, Saguache, Weld, and Yuma. The field work was conducted between October 2005 and January 2006.

B. Background on Colorado Works

Brief descriptions of relevant policies related to Colorado Works are discussed in this section to provide contextual information for this report's findings.[4] This includes eligibility criteria and

[4] For more thorough explanations of Colorado Works policies presented during earlier stages of this evaluation, see Mary Farrell and Sam Elkin, *Serving the Hard-to-Employ in Colorado*; Mary Farrell and Demetra Smith Nightingale, *Colorado Works Program Evaluation: 2006 Annual Report*; Karen Gardiner and

benefits, time limits, work participation requirements, sanctions and diversions. The information draws from both state-level information found in the CDHS TANF plan as well as the local policies described in the county plans.

1. Eligibility Criteria and Benefit Levels

The state sets uniform statewide basic eligibility criteria and minimum levels for basic cash assistance (BCA). Counties may pay additional benefits and incentives to recipients above the basic benefit level. The basic rules set by the state are the following.

Eligibility

- The earnings limit for a single-parent family of three is $6,132/year
- Two-parent families are eligible on the same basis as single-parent families
- The asset limit is $2,000; one vehicle per household is excluded from the asset calculation
- Lawful permanent residents (LPRs) are generally barred during their first five years as LPRs

Benefits

- The maximum benefit for a family of three is $356/month
- During the first 12 months of assistance, two-thirds of participant income is disregarded
- The state does not pass through or disregard child support income
- The lifetime limit on benefits is 60 months

Counties must submit plans when they provide additional forms of assistance, such as cash assistance, lump sum payments, payments for specific items, and vouchers. Some of the other forms of assistance are described below.

2. Time Limits

For regular cash assistance, adults are limited to 60 months of federally-funded TANF assistance during their lifetime. Up to 20 percent of the state caseload funded with federal assistance may receive an extension beyond the 60 months, but extended cases must meet hardship or domestic violence criteria.

Lesley Turner, *Family and Preventative Services in Colorado*; John Trutko and Burt Barnow, *Program Coordination and Collaboration in the Colorado Works Program*; ; and Demetra Smith Nightingale and Judy Emery, *Employment Services and Employer Interaction in Colorado Works Programs*.

The state-established hardship reasons are:

- Disability of the caretaker, children, or relatives
- Involvement in the judicial system
- Current or past domestic violence issues
- Instability that may include a caretaker with proven inability to maintain stable employment
- Inadequate or unavailable child care, housing, transportation, or employment opportunities
- Other hardship reasons specified in a county plan (thirty counties established additional hardship criteria as a basis to provide benefits beyond 60 months)

In addition there is a *work trigger limit* at 24 months. This requirement is a federal provision that requires adults to participate in a work activity by month 24 or risk case closure. This is further discussed in the sanctions background section of this report.

3. Work Participation Requirements

Colorado Works is required by the federal government to have 50 percent of all *work-eligible*, recipient families and 90 percent of two-parent families fulfilling their work participation requirements. Failure to meet the rate targets results in penalties to a state's TANF block grant and such penalties are substantial. For the first year that a state does not meet its target all-families rate, a 5 percent reduction to the TANF block grant is applied. Each consecutive year that a state fails to meet the work participation rate, the penalty increases by 2 percent, with the maximum penalty capped at 21 percent. Thus, work participation is an important aspect of Colorado Works.

Work participation requirements only apply to a subset of Colorado Works families which are known as *work-eligible*. Such families do not include single-parent families with a child under the age of one, and cases in a sanction status without having had four or more months in sanction during the previous twelve months, and child-only cases with no work-eligible adult.[5]

[5] There are a variety of reasons why an adult might be excluded from the case. The most common reason is that the child is living with a relative who does not have financial responsibility under the law to support the child. In this situation, the caretaker's income and assets are not considered in determining eligibility for TANF. However, when a parent who is not receiving assistance lives with a child who is receiving assistance, the parent is generally included in the work participation rates unless they meet specified exceptions. These exceptions include (1) An alien parent who is ineligible for TANF based on immigration status, (2) A parent receiving Supplemental Security Income (SSI) or (3) A minor parent who is not the head of a household.

The number of hours and the activities in which a client needs to participate each week may vary depending on several important case characteristics. The case characteristics used to determine a client's work participation requirements include the number of adults on the case, the age of the adults, the age of the youngest child on the case, and receipt of federally subsidized child care assistance. ***Exhibit I.1*** illustrates the different levels of weekly participation required in order to fulfil the all-families and the two-parent work participation requirements.

Exhibit I.1: All-Families and Two-Parent Work Participation Rate Requirements

	Fulfilling All Families Work Participation Requirement		Fulfilling Two-Parent Family Work Participation Requirement	
Rate Requirement Categories based on Demographic Characteristics	Weekly Core Hours*	Total Weekly Hours	Weekly Core Hours*	Total Weekly Hours
Single-Parent Family:				
Youngest child under the age of six	20	20	-	-
Youngest child at or over the age of six	20	30	-	-
Two-Parent Family:				
Not receiving federally subsidized child care	20	30	30	35
Receiving federally subsidized child care	20	30	50	55

Source: PRWORA

* If the parent is a teenager, then participation in a high school or GED program counts as 20 core hours whereas for other parents the time is considered non-core. In addition, teenage parents also have a one-to-one credit of core hours for time spent in education directly related to employment, which is normally non-core.

There are 12 federally countable activities which fall into two categories: core and non-core. Core activities include unsubsidized employment, subsidized private sector employment, subsidized public sector employment, work experience, on-the-job training (OJT), job search and job readiness assistance, community service programs, vocational educational training, and providing child care services to an individual who is participating in a community service program. Such activities are intended to give direct experience for gaining employment. Non-core activities include job skills training directly related to employment, education directly related to employment, and satisfactory attendance at a secondary school or in a course of study leading to a certificate of general equivalence. Non-core activities focus on longer-term training and education. As Exhibit I.1 indicates, a certain number of hours of core activities are needed to fulfill the work participation requirement.

Federal law provides states with an alternative route to fulfilling the 50 percent all-families rate and the 90 percent two-parent rate by allowing them to lower their required participation rates by reducing their TANF caseload. This alternative route, called the caseload reduction credit, lowers the required work participation rates from the standard level by the number of percentage points equal to the percentage by which the overall caseload declined since a base year set by the law. In PRWORA, the base year was federal fiscal year (FFY) 1995, so, for example, a state that reduced its caseload by 40 percent since FFY 1995 would only need to realize a 10 percent work participation rate to meet its required 50 percent all families rate.

TANF's reauthorization through the DRA had a major impact on the rate as it reset the base year for calculating the caseload reduction credit from FFY 1995 to FFY 2005. Before this change, many states had benefited from an effective participation requirement of zero due to caseload reductions. In setting FFY 2005 as the base year, the caseload reduction credits became significantly smaller which in turn raised the target participation rates for states.

4. Sanctions

Financial sanctions in the Colorado Works system include formal sanctions, 24-month case closures, and case closures for demonstrable evidence. While these range from partial grant reductions to cash assistance termination, all penalties aim to deter program non-compliance.

Formal sanctions address three types of program non-compliance: (1) Failing to comply with the terms and conditions of an IRC, (2) Failing to cooperate with Child Support Enforcement, or (3) Having dependent child(ren) living in the home who are not immunized. The state establishes three progressive levels of sanctions:

- The first sanction is 25 percent of the assistance unit's cash grant for a period of not less than 1 month, but not more than 3 months. It remains in effect until cured (i.e. the recipient participates in work activities or complies with other IRC requirements). Sanctions not cured by the end of the sanction period progress to the second sanction.

- The second sanction is 50 percent of the assistance unit's cash grant for a period of not less than 1 month, but not more than 3 months. Second sanctions not cured by the end of the sanction period progress to the third sanction.

- The third sanction results in termination of cash assistance for a period of not less than 3 months, but not more than 6 months. If a participant reaches the third sanction level, all subsequent sanctions are at the third level.[6]

In addition to formal sanctions, case managers can employ 24-month case closures to deter program non-participation. Based on rules set by CDHS, clients who have received 24 or more months of assistance must participate in program activities or their case will be closed and their cash assistance terminated. Given that participation in program activities is broadly defined as engaging in work activities or any other county-specific program components, the 24-month closure is used to ensure a base level of engagement across the entire caseload.

In order to close cases for more specific non-compliance, counties can choose to utilize case closures for demonstrable evidence. The Colorado Works individual responsibility contract (IRC) stipulates the responsibilities of both the county and the participant and the terms under which the participant may receive assistance under Colorado Works. In counties that choose to engage in this practice and with an appropriate level of detail documenting specific aspects of

[6] Counties have the flexibility to establish the number of months they feel clients should spend at each level within the parameters set by the state.

program participation in the IRC, case managers can close cases and terminate cash assistance in response to client non-compliance in a more timely fashion than the sanction process.

Both forms of case closure result in a termination of BCA but do not have any effect on an individuals' eligibility for Medicaid or Food Stamps.

5. *Diversion Programs*

The state authorizes two types of diversion: state diversion and county diversion. Clients served by either program are generally provided with a lump sum payment and are precluded from applying for TANF benefits for a specified number of months**.** State diversion assistance is intended for those who qualify for basic cash assistance, but who may not need ongoing cash assistance. The participants must demonstrate they have a need for a specific item or type of assistance and are otherwise able to sustain themselves and their families via employment. County diversion assistance operates similarly but has broader eligibility in order to serve families ineligible for BCA. The benefits and services must support the purposes of TANF and receipt of any benefit or service is subject to county policy and the availability of funds.

C. Structure of the Report

This report summarizes findings from the second year evaluation activities. It is divided into six chapters.

Chapter 2: Characteristics of the Colorado Works Caseload presents information about trends in the Colorado Works caseload and the characteristics of the families served by the program.

Chapter 3: Fiscal Trends summarizes the findings from the special topics report on Colorado Works expenditure trends and patterns.

Chapter 4: Participation in Work Activities in Colorado Works summarizes some of the findings from one the special topics study on Colorado's work participation rate and engagement in work activities by Colorado Works families.

Chapter 5: Child Care and Other Supportive Services provides information about Colorado Works participants' use of subsidized child care and other supportive services such as transportation assistance.

Chapter 6: Employment Outcomes of Colorado Works Clients provides information on employment rates and earnings among current and former Colorado Works recipients.

II. Characteristics of the Colorado Works Caseload

During the ten years since its inception, the Colorado Works Program has experienced notable changes in its caseload and clientele. As Colorado Works enters its second decade of serving low-income families across the state, this chapter explores both the long-term and short-term trends in caseloads, characteristics of clients, and client exits from the program.

This chapter addresses the following research questions:

- What are the caseload trends of Colorado Works over time?
- What are the characteristics of those who receive cash assistance in the Colorado Works Program?
- How many months of TANF do Colorado Works recipients receive, on average?
- How many recipients face sanctions or case closure for non-participation? What are their characteristics? How many recipients reach the time limit?
- What percent of those who leave return within a year? Who are they?

A. Caseload Trends

Exhibit II.1 shows trends in Colorado's caseload by calendar year using data from ACF.[7] The average monthly number of families receiving welfare assistance declined from 42,543 families receiving AFDC in 1993, to 10,639 families in 2001, a 75 percent decline, outpacing the national decline of 57 percent. This coincided with a period of strong economic growth for the state. The reforms implemented by the state also likely contributed to the decline; as the figure shows, the rate of decline accelerated immediately following implementation of Colorado Works in 1997.

Between 2001 and 2005, the caseload in Colorado increased by close to 10 percent each year on average.[8] During this period, Colorado was considerably impacted by the economic downturn resulting from the collapse of the technology sector and reduced tourism following the terrorist attacks of September 11th 2001. In addition, over this time period, the state experienced a significant increase in its population.

Beginning in 2005 and continuing into 2007, the state has experienced a considerable decrease in monthly caseloads. According to ACF data, in 2005 the average monthly number of families receiving assistance in Colorado was 15,268. By 2007, the average monthly caseload was 11,893,

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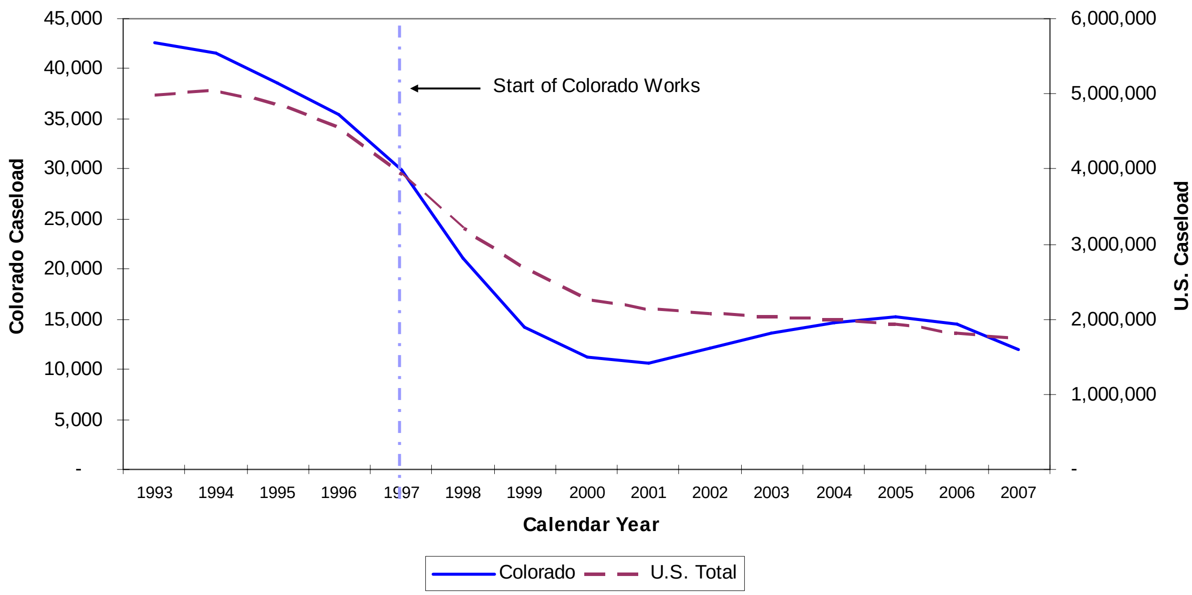
[7] Office of Family Assistance. At the time of this report, monthly caseload data from ACF data was available through March of 2007. See http://www.acf.hhs.gov//programs/ofa/caseload/caseloadindex.htm.

[8] Increases in caseload slowed in the later years of this period. Caseload increases by year were: 13.6 percent in 2002, 12 percent in 2003, 8 percent in 2004, and 4.4 percent in 2005.

representing a 22 percent decrease since 2005, compared to a national decrease of only 10 percent.

Exhibit II.1: Average Monthly Caseloads Nationally and in Colorado



Source: ACF caseload data
Note: Data covers through March of 2007.

While data from ACF sources is useful for placing Colorado's caseload trends in a national context and providing historic trends dating back to AFDC, data from the CBMS provides a greater level of detail for analyzing caseload trends in Colorado, as it allows for regional analysis and is available for more recent months not yet reported by ACF.[9] ***Exhibit II.2*** shows caseload trends using data from the CBMS covering the period of September 2004 through June 2007. According to these data, the statewide average monthly caseload declined by 26 percent between SFY 2005 and SFY 2007. The reasons for these dramatic statewide decreases in caseloads are as yet unknown, but will be examined further in the next year of this evaluation.

Decreases in the number of families receiving assistance occurred in every region during this period. Two regions, the Western Slope and the Central Mountains, experienced considerably larger caseload decreases (44 percent and 35 percent, respectively). The larger decline in the Western Slope may be associated with increased economic development resulting from expanded mining efforts in the region, which has purportedly created considerable employment opportunities.

[9] For example, in September of 2007, complete caseload data from ACF were available up through March of 2007, while data from the CBMS were available covering the period through June of 2007. The CBMS was implemented in September of 2004.

Exhibit II.2: Average Monthly Caseloads by Region

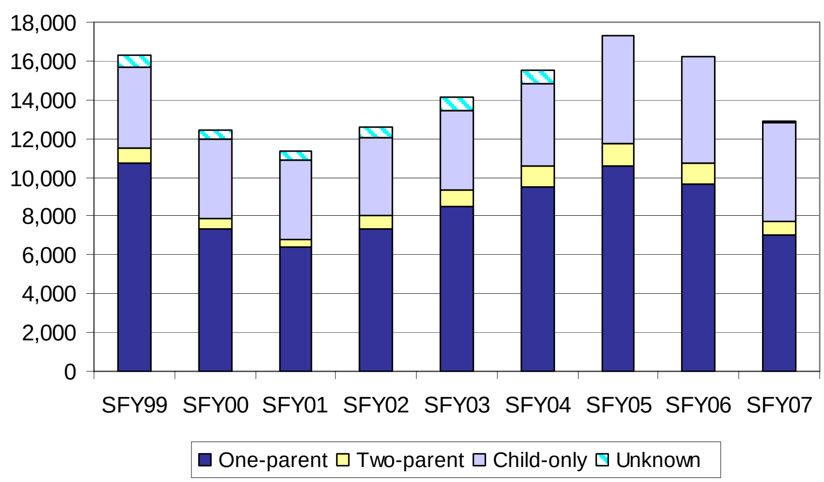
	Average Monthly BCA Caseload			Percent Change
	SFY 2005[a]	SFY 2006	SFY 2007	SFY05-SFY07
Region				
Central Mountains	572	507	373	-34.8
Eastern Plains	801	790	648	-19.1
Front Range	14,059	13,292	10,714	-23.8
San Luis Valley	434	397	310	-28.5
Western Slope	1,463	1,210	821	-43.9
Colorado	17,329	16,198	12,866	-25.8

Source: CBMS administrative data

[a] Due to the transition to the CBMS, data is only available for ten months of SFY 2005, beginning in October 2004. Average monthly statistics are generated from these ten months.

In addition to this regional variation, the trends in caseload also vary by family type. The statewide decrease in overall BCA caseloads is greater among adult-headed cases (one-parent and two-parent cases) than child-only cases. ***Exhibit II.3*** shows average monthly caseload by family type and state fiscal year. The average monthly number of cases with an adult receiving assistance decreased by 34 percent between SFY 2005 and SFY 2007.[10] By contrast, the average number of child-only cases receiving assistance decreased by a more modest nine percent over this same period of time.

Exhibit II.3: Colorado Works Average Monthly BCA Caseload by Family Type, SFY 1999-2007



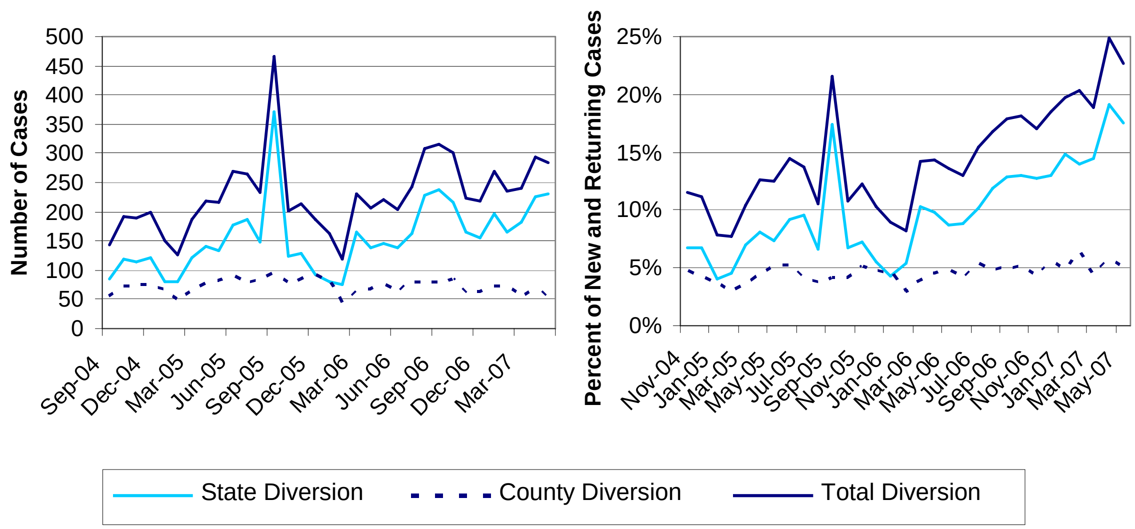
Sources: COIN data from the Legacy system (SFY 99-04), CBMS administrative data (SFY 05-07)
Notes: Average monthly caseload for SFY 2005 does not include July 2004 or August 2004; data displayed begins with September 2004, the first month of the CBMS. Unknown cases represent those cases that did not match to a family type in the month of benefit receipt.

[10] The decrease in the average monthly number of two-parent cases on assistance was slightly higher than that of one-parent cases, at 39 percent versus 33 percent, respectively.

While the average monthly number of families receiving BCA decreased between 2005 and 2007, the number of families receiving diversion has been trending moderately upward, as shown in ***Exhibit II.4***. Though the average of 267 diversions per month in SFY 2007 represents only a small percent of the over 12,000 average monthly BCA cases, diversion cases have been making up an increasing share of the Colorado Works caseload due to both an increase in the number of state diversion cases and a decrease in the number of new BCA cases.

For example, there were 41 percent more diversion cases during the five months of calendar year 2007 than there had been in the same months of 2006, and 47 percent more than in the similar period of 2005. This increase was due to state diversion; the number of county diversions declined slightly over this period. The increase in the share of new cases receiving diversion payments is even larger than the increase in absolute diversion issuances – doubling between the first five months of 2005 and the same months of 2007 – due to the reduction in the number of BCA cases.

Exhibit II.4: Number and Percentage of Colorado Works Cases Receiving Diversion Assistance



Source: CBMS administrative data
Note: The sharp one-month increase in diversions in September 2005 was a result of temporary assistance to Hurricane Katrina victims who came to Colorado.

B. Characteristics of the SFY 2006 Caseload

This section examines the characteristics of families receiving Colorado Works benefits during SFY 2006, including average benefit amounts, average months of benefit receipt, and demographic characteristics. On average in SFY 2006, the Colorado Works monthly caseload consisted of:

- 9,666 one-parent BCA cases;
- 1,095 two-parent BCA cases;
- 5,432 child-only BCA cases;

- 150 state diversion cases; and
- 76 county diversion cases.[11]

Exhibit II.5 provides information regarding the average number of months that BCA cases spent on Colorado Works in SFY 2006 and the average benefit amounts paid to BCA and diversion cases. On average, BCA cases received assistance for more than half of the year. Cases having an adult on the assistance unit on average received over $100 more per month than child-only cases. Diversion payments generally cover several months, and average state and county diversion payments in SFY 2006 were roughly equal to four months of the average BCA payment made to one-parent cases.

Exhibit II.5: Colorado Works Benefits and Months of Assistance, SFY 2006

Average months of BCA benefit receipt	6.6
Average monthly BCA payment ($)	
All cases	277
One-parent cases	302
Two-parent cases	399
Child-only cases	180
Average state diversion payment ($)	1,106
Average county diversion payment ($)	1,317
Average monthly cases (including diversion)	16,419

Source: CBMS administrative data

One-parent, two-parent, and child-only cases varied slightly in terms of recipient and case characteristics. The characteristics of Colorado Works adult recipient heads of household and child-only cases in SFY 2006 are shown in ***Exhibit II.6***.[12] Overall, Colorado Works BCA cases tended to have one or two children on the eligibility unit, with the majority of cases having a youngest child under the age of four.

Compared with one-parent cases, two-parent cases were more likely to have three or more children (33 percent compared with 22 percent), more likely to have a child under the age of one (30 percent versus 21 percent), and less likely to have a child over the age of five (22 percent versus 32 percent).

While child-only cases tended to have about the same number of children per case as one-parent families, considerably larger shares of child-only cases had a youngest child over the age

[11] The data presented here attributes diversion cases to the month in which diversion was granted. As a result, the number of diversion cases shown here represents new diversion cases in the average month. Care should be taken in comparing the diversion figures to the BCA figures, which include both new and ongoing cases in the month.

[12] Head of household is designated using definition provided by the Office of the CBMS. Typically, the head of household is the oldest adult on the eligibility unit.

of five (56 percent) compared with one-parent families (32 percent) and two-parent families (22 percent).

Characteristics of adult-headed cases and their heads of household were similar across regions (see ***Appendix Exhibit A.1***). There was very little variation between the five regions in terms of age of the head of household, age of the youngest child, and the number of children per case, and only modest variation in other characteristics. Two exceptions included the average monthly percentage of adult head of households with reported disabilities (25 percent of average monthly caseload in the Central Mountains region versus 18 percent statewide), and the average monthly percentage of adult head of households on two-parent cases (20.6 percent in the San Luis Valley and 17.4 percent in the Central Mountains, compared with 10 percent statewide).

Exhibit II.6: Average Monthly Characteristics of Colorado Works BCA Cases, SFY 2006

	One-Parent	Two-Parent	Child-Only
Head of Household Characteristics			
Female (%)	93.7	80.3	n/a
Marital status (%)			
Never married	83.9	57.7	n/a
Married	5.6	36.8	--
Other	10.5	5.5	--
Age (%)			
18-24 years	34.5	32.4	n/a
25-34 years	38.0	38.8	--
35 years or more	27.5	28.8	--
One or more disabilities (%)	17.4	19.9	n/a
Case Characteristics			
Number of children on case (%)			
None [a]	3.5	0.3	0.5
One	44.4	33.6	47.4
Two	29.9	32.9	30.0
Three or more	22.2	33.2	22.2
Age of youngest child (%)			
Under 1 year	20.7	29.9	7.1
1 to 3 years	35.9	39.5	24.3
4 to 5 years	11.7	8.9	12.6
6 years or older	31.7	21.6	56.1
Number of families	9,642	1,093	5,432

Source: CBMS administrative data
[a] Includes parents with children on SSI and pregnant women

Diversion recipients differed considerably from the statewide adult-headed BCA caseload (see ***Exhibit II.7)***. Compared with BCA cases, diversion cases were more likely to have more than one adult and to have a youngest child over the age of five. The head of household was substantially less likely to have had a reported disability (5 percent of diversion recipients had reported disabilities compared with 18 percent of BCA recipients). The typical diversion head of household also tended to be older than the typical BCA adult head of household, and this was especially pronounced with county diversion cases.

Exhibit II.7: Characteristics of Diversion and BCA Cases, SFY 2006

	Average Monthly BCA	State Diversion	County Diversion
Head of Household Characteristics			
Female (%)	92.3	87.3	87.0
Marital status (%)			
Never married	81.2	80.4	66.3
Married	8.8	11.0	19.6
Other	10.0	8.6	14.1
Age (%)			
18-24 years	34.3	24.5	20.6
25-34 years	38.1	45.2	40.3
35 years or more	27.6	30.3	39.0
One or more disabilities (%)	17.7	4.9	4.6
Case Characteristics			
More than one adult on case (%)	11.1	22.8	31.1
Number of children on case (%)			
None [a]	3.2	3.0	1.7
One	43.3	39.5	38.3
Two	30.2	33.1	36.1
Three or more	23.3	24.4	24.0
Age of youngest child (%)			
Under 1 year	21.7	17.9	16.2
1 to 3 years	36.3	30.7	30.3
4 to 5 years	11.4	14.7	12.8
6 years or older	30.7	36.7	40.8
Number of families	10,735	1,708	843

Source: CBMS administrative data

[a] Includes parents with children on SSI and pregnant women

The analysis presented in the following sections primarily focuses on families who received BCA or diversion in SFY 2006 and subsequently exited Colorado Works. While BCA and diversion are important income supports, child support can also represent a significant income source for many Colorado Works families, and the receipt of Child Support may be critical for custodial parents as they transition off welfare. ***Box II.1*** examines the interactions that Colorado Works recipients had with the Child Support system in SFY 2006.

Box II.1: Child Support

With a few exceptions, Colorado Works cases involving a noncustodial parent are referred to Child Support Enforcement. (The exceptions primarily relate to potential harm to the child or parent, or to certain cases related to adoption.) Successful enforcement of child support payments can have an impact on state finances related to the Colorado Works program by augmenting the incomes of custodial parents, making them less likely to need cash assistance, and by the state recouping child support payments to offset TANF payments to Colorado Works families. In addition, child support can be an important source of income for custodial parents who have left Colorado Works.

As part of the study of characteristics of Colorado Works participants, CDHS provided Lewin with data from the ACSES system. Lewin requested data on all "adults" (age 14 and above) who were part of Colorado Works assistance units in SFY 2006. Data were received for all of these adults who were part of a child support case in the ACSES system. For each child support case, the data show whether paternity had been successfully established as part of the case, the amount of court-ordered child support payments, if any, owed to the case, arrears owed to the case, and whether the ordered payments are made. Some basic statistics are presented here.

Of Colorado Works Caseload (SFY 2006) with Open Child Support Cases, Percent with Paternity Established, with Child Support Order, and Positive Payment Status

Area	Paternity Established	Have a Child Support Order	Percent "Paying" on TANF Caseload (%)
Largest 10 counties			
Adams	49.6	26.6	28.1
Arapahoe	56.4	31.2	27.8
Boulder	55.8	27.4	33.4
Denver	52.6	23.7	34.4
El Paso	53.8	25.9	42.2
Jefferson	65.8	35.9	30.8
Larimer	65.3	28.0	42.5
Mesa	44.1	31.5	41.1
Pueblo	61.8	25.0	42.3
Weld	60.0	19.0	45.7
Other counties	57.0	31.3	42.8
State	55.9	27.9	36.5

Sources: ACSES administrative data; CBMS administrative data
Note: The data set provided reflects information in the ACSES system as of April 2007. Some data items had dates associated with them allowing determination of status in past months, other data items were only available for April 2007.Paternity establishment and open child support orders pertain to the month of participation in Colorado Works; sample for these columns is Colorado Works cases in SFY 2006 with child support cases open in at least one month of Colorado Works participation. The ACSES data set only shows whether payment was occurring as of April 2007; sample for right-hand column is SFY 2006.

According to CBMS data, the average non-child-only monthly Colorado Works caseload in SFY 2006 was approximately 9,600. On average, a majority of these (84 percent, or about 8,000 non-child-only cases), had some interaction with the child support system, while approximately 57 percent had open child support cases at the time of the data retrieval in April 2007. The ACSES data presented in exhibit above show that in over half (56 percent) of Colorado Works cases with open child support cases, successful paternity establishment through the child support system had occurred for at least one child, and in 28 percent of Colorado Works cases of open child support cases, a child support order had been established for at least one child. Among the ten largest counties, rates of paternity establishment ranged from 44 percent to 66 percent, and rates of order establishment ranged from 19 percent to 36 percent.

Where child support orders were established, order amounts per Colorado Works case averaged $156. Court-ordered payment amounts, which include not only the monthly order itself but also additional payments where a noncustodial parent owes arrears, were higher, averaging $203 a month. As shown in exhibit below, in slightly more than two-thirds of these cases (68 percent) ordered payments were less than $250 a month, and another quarter (25 percent) were at least $250 but less than $500 a month. In only 7 percent of these cases were payments ordered of $500 a month or more. Among the ten largest counties, average ordered monthly payment amounts ranged from $169 to $262. In cases where arrears were owed, the *total* amount owed was $3,852, on average.

Payments were made in slightly more than one-third (36 percent) of cases. The distributions of sizes of ordered payments shown in the exhibit below demonstrate that the sizes of payment amounts among cases for which payments were actually made do not differ notably from the distribution among all cases; payments are not more common where the amounts are small. With a combined payment status rate of 43 percent, smaller counties had a higher percentage paying than the 10 larger counties, whose payment status rates ranged from 28 percent to 46 percent.

Distribution of Size of Ordered Payments of Child Support Payments for SFY 2006 TANF Cases with Open Child Support Cases as of April 2007

Ordered Monthly Payment Amount ($)	Percent of Caseload with Monthly Payment in Range (%)	Percent of "Paying" TANF Caseload (%)
Less than 250	67.7	63.4
250 to 499	24.9	28.8
500 to 724	5.7	6.3
725 to 999	1.1	0.9
1000 to 1499	0.4	0.5
1500 or more	0.1	0.1

Sources: ACSES administrative data; CBMS administrative data
Note: Sample is SFY 2006 Colorado Works cases that still had open child support cases in April 2007.

C. Clients Facing Sanctions, Case Closures, and Time Limits

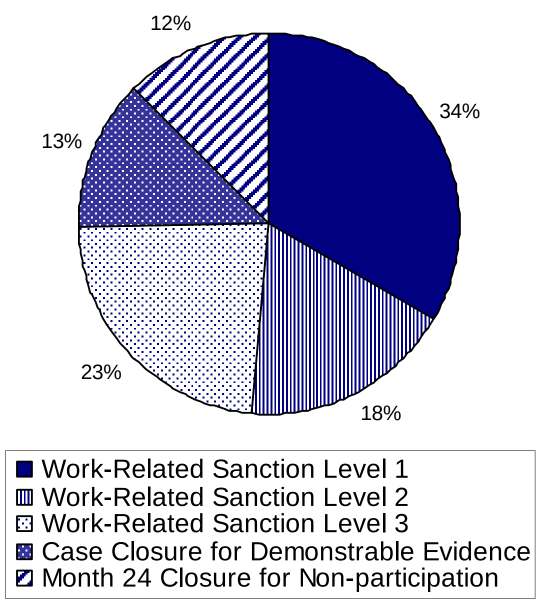
Financial sanctions for program non-compliance and the five-year lifetime TANF time limit play an important role in shaping clients' interactions with Colorado Works by imposing penalties on clients who do not follow the conditions agreed to in their individual responsibility contracts (IRCs), and by underscoring the work-focused and temporary nature of TANF. The analysis presented in this section examines how many clients these policies affect and, in the case of sanctions and case closure for non-compliance, the welfare outcomes of those clients who left Colorado Works as a result of penalization.

1. *Financial Sanctions and Case Closure for Program Non-Compliance*

Formal sanctions address three types of program non-compliance in the Colorado Works Program, and each type of sanction has three progressive levels of severity.[13] If a client reaches the third level of sanction, his or her case will close for a period of no less than three months. This analysis focuses on one type of formal sanction: failure to comply with the terms and conditions of an IRC (also referred to as "work-related sanctions"), as well as on 24-month case closures for program non-participation and case closures for demonstrable evidence.

Data from the CBMS show that on average, only 4 percent of the Colorado Works work-eligible cases experienced formal work-related sanctions, case closure for demonstrable evidence, or 24-month case closures in a given month of SFY 2006.[14] ***Exhibit II.8*** shows the breakdown of this 4 percent by type of punitive action, and further breaks out formal sanctions to the three progressively severe sanction levels. Of those clients who experienced punitive action in an average month, 75 percent experienced formal sanctions, 13 percent had their cases closed for demonstrable evidence, and 12 percent had their case closed for non-participation in work activities after being on TANF for 24 months.

Exhibit II.8: Financial Sanctions and Case Closures for Non-Compliance by Type, SFY 2006



Source: CBMS administrative data

Characteristics of clients facing financial sanctions differed some from the characteristics of the average monthly adult BCA caseload (see ***Appendix Exhibit A.2***). The one difference consistent across all types and levels of financial sanctions was that financially sanctioned clients tended to

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[13] For more discussion of the types of sanctions in the Colorado Works Program, see Chapter I.

[14] Work-eligible Colorado Works cases include those with clients required to participate in work requirements or exempt from work requirements, but do not include cases wherein all adult client are disregarded from the work participation rate.

have more children than clients in the average monthly BCA caseload. Thirty-three to 45 percent of financially sanctioned clients had more than two children, compared with only 24 percent of clients in the general caseload.[15]

When compared with the overall caseload, clients facing formal work-related sanctions tended to be younger and have less time on their TANF clocks, and were less likely to have a youngest child over the age of five. Clients experiencing level one sanctions were slightly more likely to be on two-parent families than clients experiencing other levels of sanctions and those in the overall caseload.

Clients whose cases were closed for 24 months of non-participation were slightly older than the general caseload, and were substantially more likely to have accumulated a high number of months on the TANF clocks and to have a youngest child over the age of five. Clients on cases closed for demonstrable evidence tended to be younger than the average monthly caseload, and fewer of these clients tended to have a reported disability (12 percent compared with 18 percent of the overall caseload).

Analyzing how many sanctions progress to the next severe level shows that of clients receiving a level one sanction in SFY 2006, 40 percent receive a level two sanction in the twelve months after the initial sanction. The percent of clients in level two sanctions who progressed to a level three sanction status was slightly higher: of clients who received a level two sanction in SFY 2006, 50 percent experienced case closure at some point in the following twelve months as a result of their sanction progressing to level three.

The percent of sanctioned cases that returned to Colorado Works for additional BCA after their case had been closed for failure to participate is displayed in ***Exhibit II.9***. Cases closed for demonstrable evidence had the quickest return to Colorado Works with 18 percent of cases receiving additional assistance within three months. This category also had the highest rate of return to Colorado Works within one year of closure (33 percent). Cases closed due to a level three sanction tended to return to Colorado Works more quickly and slightly more often than case closed because of the twenty-four month rule.

[15] This percentage was highest among clients in cases closed for 24 months of non-participation, at 45 percent.

Exhibit II.9: Returns of Sanctioned-Off Cases, SFY 2006

	Reason for Case Closure		
	Level 3 Sanction	Month 24 Non-participation	Demonstrable Evidence
Percent that returned to Colorado Works in: (%)			
Months one through three after case closure	16.0	11.9	18.3
Months four through six after case closure	7.7	6.5	5.0
Months seven through twelve after case closure	5.8	9.0	9.3
Percent that returned to Colorado Works within one year after case closure (%)	29.5	27.3	32.6
Total closures in SFY 2006	770	479	515

Source: CBMS administrative data

2. Clients Nearing or Reaching the Five-Year Lifetime Time Limit

Few clients in Colorado have reached the time limit over the past three years, though the number of cases reaching the limit has increased each year. Case closures for reaching the 60-month federal time limit represented around one percent of all case closures during these years, as shown in ***Exhibit II.10.*** However, there has been a slight upward trend over the past three years in the number of cases closing due to time limits as a percentage of total annual caseload served, increasing from one-half of a percent in SFY 2005 to over one percent in SFY 2007.

Exhibit II.10: Case Closures due to the Five-Year Time Limit

	SFY 2005[a]	SFY 2006	SFY 2007
Number of cases closed due to time limit:	149	241	253
Percent of case closures (%)	1.0	1.0	1.3
Number of active cases	27,239	29,453	23,826
Percent of active cases closed due to time limit (%)	0.5	0.8	1.1

Source: CBMS administrative data
[a] Due to the transition to CBMS, complete data on cases and case closure are only available for nine months of SFY 2005, beginning in October 2004. Caseload counts and case closures due to time limits are therefore underestimated for this year.

The number of months on clients' TANF clocks in SFY 2006 is shown in ***Exhibit II.11*** for various types of adult Colorado Works participants. For the purposes of this exhibit, "BCA leavers with no returns in 12 months" are defined as individuals who received BCA payment at some point during the year, leave the caseload, and do not return for further BCA payments for at least twelve months after program exit. "BCA stayers" are defined as individuals who received BCA for at least twelve consecutive months without exit, beginning in SFY 2006.[16]

[16] The next section of this chapter discusses "leavers" and "stayers" in greater detail.

Not surprisingly, both state and county diversion recipients tended to have fewer months on their TANF clocks when compared with all categories of BCA recipients, with 60 percent of diversion recipients having three or fewer months of prior assistance. Compared with one-parent heads of household, two-parent heads of household tended to have fewer months on their TANF clocks.

The percentage of individuals at the 60-month limit was highest among BCA leavers (1.5 percent compared with nearly 0 percent in all other categories). BCA stayers had the highest percent of individuals with over 60 months on their TANF clocks, at 1.1 percent, indicating that some of these individuals likely received hardship extensions from a time limit case closure. BCA leavers had the second highest percent of individuals with more than 60 months on their TANF clocks. These individuals may have successfully entered SSI, or may have lost their hardship extension for some form of program non-compliance and been removed from the caseload.

Exhibit II.11: Months on Adult Head of Household's TANF Clock by Type of Colorado Works Case, SFY 2006

	BCA One-Parent and Two-Parent	BCA One-Parent	BCA Two-Parent	BCA Leavers With No Return in 12 Months	BCA Stayers	State Diversion	County Diversion
Months on TANF clock							
0 to 3	14.9	14.5	18.7	13.8	12.3	60.8	61.3
4 to 11	30.0	29.3	36.4	35.6	26.7	16.4	17.1
12 to 23	26.7	26.7	27.2	26.1	28.8	11.7	12.0
24 to 53	25.7	26.7	16.8	20.8	30.7	10.0	8.8
54 to 59	1.8	1.9	0.8	1.5	0.5	0.9	0.7
60	0.2	0.3	0.1	1.5	0.0	0.1	0.0
More than 60	0.6	0.7	0.1	0.9	1.1	0.1	0.1
Number of adult head of households	10,735	9,642	1,093	10,548	2,643	1,708	843

Source: CBMS administrative data
Notes: Only "leavers" and "stayers" are mutually exclusive categories with one another. All other categories are not mutually exclusive; heads of household may be classified in more than one category. "One-parent and two-parent", "one-parent", and "two-parent" cases are average monthly characteristics. All four remaining categories are point-in-time measures of the TANF clock when the action defining the category took place (e.g., for diversion clients, the TANF clock is measured when the client received diversion; for BCA leavers, the clock is measured in the final month of benefit receipt before the client left Colorado Works).

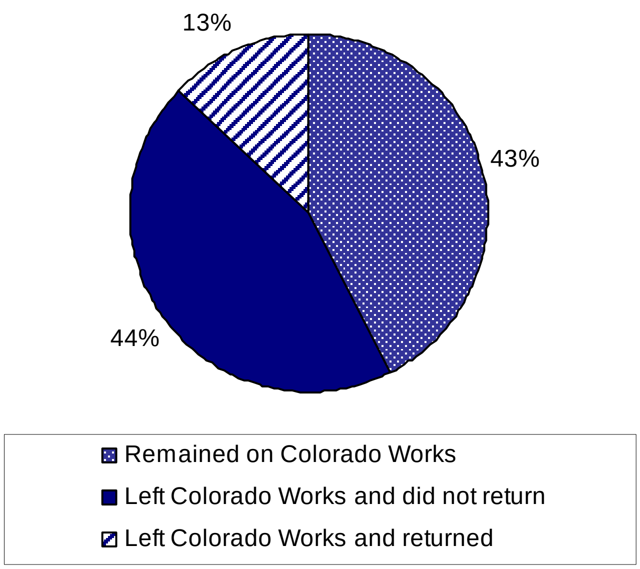
D. Leaving and Returning to Colorado Works

There are a variety of reasons why clients may leave the Colorado Works program. In some instances, clients may leave as a result of a punitive action for program non-compliance as discussed earlier in this chapter, or as a result of reaching the five-year lifetime limit on TANF. In other instances, clients choose to leave for employment opportunities. Still other clients, such as those who receive diversion, typically leave the program as a condition of benefit receipt. This section examines the characteristics and welfare outcomes of clients who leave and return to the Colorado Works program, distinguishing between cases that leave BCA and cases that leave the Colorado Works Program as a result of accepting a diversion.

1. BCA Exit and Returns

Of families who received BCA in one or more months during SFY 2006, the majority (57 percent) left Colorado Works at least once during the fiscal year.[17] ***Exhibit II.12*** shows the percentage of the total annual BCA caseload in SFY 2006 that remained on Colorado Works, left and returned within 12 months of exit, and left without returning within twelve months of exit.[18] Forty-four percent of all families that received assistance from Colorado Works in SFY 2006 left and did not return in the year following after program exit. Of families that left, slightly more than three-quarters did not return to Colorado Works during the following year.

Exhibit II.12: BCA Leavers as a Percentage of Total Annual BCA Caseload, SFY 2006



Source: CBMS administrative data
Note: Total annual SFY 2006 BCA caseload: 29,453

Exhibit II.13 confirms that the statewide trend in BCA leavers held true in each of Colorado's regions: over 55 percent of cases in each region left at least once during SFY 2006. Two regions, the Western Slope and the Central Mountains, experienced higher than average percentages of cases that left and did not return for further BCA during the year after exit. The reasons for the lower recidivism rates in these two regions are unclear, though in the Western Slope it may be related to the increased economic development mentioned earlier in this chapter.

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[17] Leaving Colorado Works is defined as two consecutive months without benefit receipt.

[18] Returning to Colorado Works is defined as receiving benefits at least once in the twelve months following program exit.

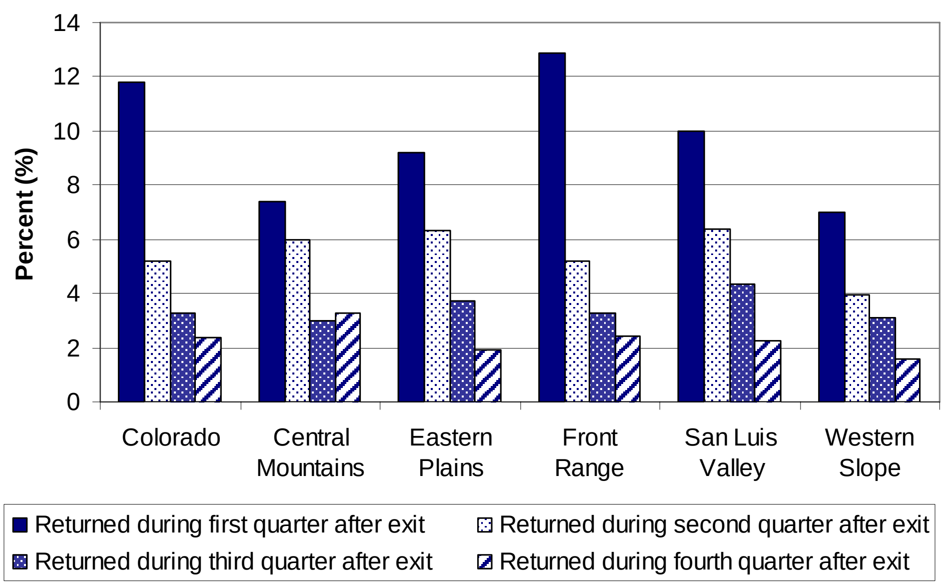
Exhibit II.13: BCA Leavers as a Percentage of Total Annual BCA Caseload by Region, SFY 2006

		Region				
Colorado Works Cases	Colorado	Central Mountains	Eastern Plains	Front Range	San Luis Valley	Western Slope
Left at least once (%)	57.4	66.3	55.2	55.7	58.2	66.2
Left and returned to cash assistance within one year after exit (%)	13.0	13.0	11.7	13.2	13.4	10.3
Left and did not return within one year after exit (%)	44.4	53.3	43.5	42.4	44.8	55.9
Total	29,453	1,063	1,512	23,791	754	2,531

Source: CBMS administrative data

Of the families that left BCA in SFY 2006 and returned within the year, over half returned during the first quarter after exit, as shown in ***Exhibit II.14***. The number of families that returned following this first quarter drops off considerably, by more than half statewide, and continues to decrease throughout the remaining quarters of the year.

Exhibit II.14: Returns of BCA Leavers by Quarter and Region, SFY 2006



Source: CBMS administrative data

One surprising finding is that clients who left Colorado Works had largely similar demographic characteristics to those individuals who stayed on Colorado Works for extended periods of time. ***Exhibit II.15*** presents the characteristics of clients who left in SFY 2006 and did not return during the year following program exit in comparison to both the average monthly adult-headed caseload and "stayers", defined as clients who remained on Colorado Works for twelve consecutive months beginning sometime in SFY 2006. As the exhibit shows, the staying and leaving populations were nearly identical, with two exceptions. First, leavers were considerably less likely to have a reported disability. Second, leavers were more likely to be on one-parent cases.

Exhibit II.15: Characteristics of BCA Adult-Headed BCA Cases Leaving and Staying on Colorado Works, SFY 2006

	Average Monthly BCA	BCA Stayers	BCA Leavers With No Return in 12 Months
Head of Household Characteristics			
Female (%)	92.3	92.6	91.2
Marital status (%)			
Never married	81.2	79.3	80.6
Married	8.8	8.5	9.5
Other	10.0	12.2	10.0
Age (%)			
18-24 years	34.3	34.4	31.2
25-34 years	38.1	35.9	39.6
35 years or more	27.6	29.7	29.2
One or more disabilities (%)	17.7	24.4	13.7
Case Characteristics			
Family type (%)			
One-parent	89.8	87.4	91.9
Two-parent	10.2	12.6	8.1
Number of children on case (%)			
None [a]	3.2	3.3	2.9
One	43.3	42.5	44.5
Two	30.2	30.8	30.0
Three or more	23.3	23.4	22.6
Age of youngest child (%)			
Under 1 year	21.7	21.4	20.3
1 to 3 years	36.3	36.3	34.6
4 to 5 years	11.4	10.9	11.7
6 years or older	30.7	31.4	33.4
Number of families	10,735	2,643	10,548

Source: CBMS administrative data

Notes: "BCA leavers not returning in 12 months" are defined as individuals who received BCA payment at some point during the year, left the caseload, and did not return for further BCA payments for at least twelve months after program exit. "Stayers" are defined as individuals who received BCA for at least twelve consecutive months without exit, beginning in SFY 2006.

[a] Includes parents with children on SSI and pregnant women

2. Returns of Diversion Families

Diversion families also exhibited low returns to Colorado Works. ***Exhibit II.16*** shows how many families receiving state diversion and county diversion returned to Colorado Works for either BCA or additional diversions during the first year after diversion. Overall, two-thirds (66 percent) of state diversion families and 83 percent of county diversion families did not return to Colorado Works for additional assistance in the year after diversion.

Twenty-one percent of state diversion clients returned to Colorado Works during the first quarter after diversion, with smaller numbers returning in subsequent quarters. Similarly, the majority of county diversion families who returned to Colorado Works did so within the first quarter after diversion (10 of the 17 percent of families that returned for further assistance).

Exhibit II.16 Returns of Families Receiving Diversion, SFY 2006

	Families Receiving State Diversion	Families Receiving County Diversion
Returned to Colorado Works during:		
First quarter after diversion	21.0	9.6
Second quarter after diversion	6.0	3.4
Third quarter after diversion	4.0	1.6
Fourth quarter after diversion	3.1	2.3
Did not return (%)	65.9	83.1
Number of families	1,738	864

Source: CBMS administrative data

III. FISCAL TRENDS

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 specified that both the federal and state governments contribute funding to meet the purposes of TANF. The federal government provides funding through the TANF block grant to the states. In addition, regulations include a maintenance of effort (MOE) spending requirement that non-federal spending on welfare and related activities in each state must be maintained at a level equivalent to 80 percent (or 75 percent for states, including Colorado, that have met the federal TANF participation rate) of what was spent in 1994 on the programs that TANF replaced.

In Colorado, in keeping with the long-standing practice of county administration of welfare, counties have responsibility for and flexibility in determining how TANF funds are used in Colorado Works to meet priorities established for TANF by the federal welfare legislation, within parameters set by the state in some areas, such as eligibility for cash assistance. In addition, counties as well as the state contribute some funds to Colorado Works, including, but not only, funds to meet the federal MOE requirement As a result of the mix of intergovernmental funding and program responsibility, the fiscal structure of the Colorado Works program is fairly complex.

Total spending by counties on their Colorado Works programs combines funding from all three levels of government:

- ***Federal:*** Over 80 percent of the federal TANF funds received by Colorado are allocated to counties annually according to a formula that is based mainly on caseload and population, with some adjustments reflecting county cost-sharing agreements. The remainder of the federal block grant is maintained at the state level for administration, special functions, some activities that formerly would have been part of emergency assistance, or held in a long-term reserve fund. Every county receives a Colorado Works block grant allocation at the beginning of each fiscal year, and any unspent funds held at the state level are subsequently allocated to counties at the end of the fiscal year (except the long-term reserves). The state Colorado Works block grant to the counties also includes some non-TANF funds, such as fraud recoupments and child support collections incentives.

- ***State:*** The state legislature authorizes the appropriation of funds from all sources for Colorado Works and all other programs in the state, and may authorize state funds for Colorado Works. Due in part to constitutional and fiscal restraints on state and local spending growth, this does not occur in every year. In state fiscal years when the General Assembly authorizes state funds for Colorado Works, those funds are allocated to counties using the same formula as for other Colorado Works funds.

- ***County:*** Counties contribute a share of the total costs of Colorado Works, including, but not only, funds to meet the federally-required MOE. The rate of county funding in the program was established through negotiation between counties and the state in 1996. In the early years of the program, counties bid each year the amount they wished to spend of county funds, and the state reconciled the bids to maintain the necessary statewide MOE level required by federal law. The county shares in the early years served as the base allocations for later years of the program whereby the Works

> Allocation Committee (WAC) established a formula that accounted for county expenditures, weighted more heavily towards basic cash assistance (BCA) expenditures. Thus, while the MOE rate is approximately constant, there is some flexibility because the federal MOE provision applies to the state as a whole. Counties that were spending more received a proportionately higher allocation, and those spending less received less. In addition to the variation in the county share resulting from the early bidding process, counties may choose to spend funds in addition to what counts towards the MOE.

Thus, variation in Colorado Works spending across counties is in part due to different choices about how to use funds and in part because of different amounts of federal and state funds the county receives and funds it contributes itself.

The fiscal structure is further complicated by two other factors. First, counties can carry forward some unspent funds for use in future years. Consequently, spending in a county can be higher or lower than the county's allocation. Second, counties also have discretion regarding the transfer of funds from Colorado Works to Child Welfare and Child Care/Social Services, within allowable federal guidelines.

To better understand trends and patterns in funding, spending, and reserves in Colorado Works, the Lewin team conducted a special study on fiscal trends. This chapter summarizes the findings from that special topic report. Data in this chapter come from state fiscal reports that originate with the County Financial Management System (CFMS), primarily the County CFMS Reports (Set of Books) for each county and the statewide Expenditure and Revenue Report, for each state fiscal year (SFY). The annual "Allocation and County Budget Letters," the annual "Long Bills", and the TANF Payment Register "Recap Reports" were also used, and key agency letters were reviewed to define cost variables and specify data extraction rules.

A. Colorado Works Expenditures

1. *Statewide Expenditure Trends*

Over the seven-year period from State Fiscal Year (SFY) 2000 to SFY 2006, average overall Colorado Works expenditures were $126 million per year. As shown in ***Exhibit III.1***, total program expenditures grew from $106 million in 2000 to $141 million in 2003, then declined somewhat to a level of $124 million (in 2006). Over the full period, Colorado Works expenditures increased by 17 percent from 2000 to 2006. Adjusting for inflation, however, overall Colorado Works expenditures over the seven-year period were basically flat, falling by 0.6 percent (as shown on the bottom row of Exhibit III.1).

Exhibit III.1: Colorado Works Expenditures (Actual and Inflation-Adjusted in Millions of Dollars), by Funding Source, SFY 2000-2006

	Federal	State	County	Total	Inflation-Adjusted Total (2000 $)
State Fiscal Year					
2000	$6.6	$1.7	$2.4	$10.6	$10.6
2001	$10.0	$0.0	$2.4	$12.4	$11.9
2002	$11.8	$0.0	$2.3	$14.1	$13.3
2003	$10.6	$0.3	$2.2	$13.2	$12.2
2004	$10.7	$0.0	$2.2	$13.0	$11.7
2005	$10.0	$0.1	$2.2	$12.4	$10.8
2006	$10.1	$0.1	$2.2	$12.4	$10.6
Average (2000-2006)	$10.0	$0.3	$2.3	$12.6	
Percent Change (2000-2006)	53.7%	-96.2%	-5.7%	17.0%	
Percent Change (2000-2006) - Inflation Adjusted	30.6%	-96.8%	-19.9%	-0.6%	-0.6%

Source: Colorado Department of Human Services, annual close-out reports.
Note: Inflation adjustment is based on 2000 dollars; adjustment is according to U.S. Census Bureau adjustments for West-Urban areas; State Fiscal Year runs from July 1 to June 30 (e.g., SFY 2006 runs from July 1, 2005 - June 30, 2006).

The increase and subsequent decrease in nominal spending largely occurred through spending of federal funds, which peaked in 2002 at a level 80 percent higher than in 2000, but then declined somewhat; the net increase between 2000 and 2006 was slightly over half (54 percent). The increase in spending partially reflects increased spending of funds that had been allocated in prior years. Adjusting for inflation, this translates into a real increase in spending of federal funds of 31 percent. In comparison, spending of county funds on Colorado Works over this period was relatively stable in nominal terms, though the small decline in spending of county funds between 2000 and 2006 (6 percent) represents a much larger decrease of 20 percent in inflation-adjusted terms. Expenditures of state funds fluctuated over the seven-year period, mainly because there were no new legislative budget authorizations for the program for 2001 or 2002, and in 2006 spending from state funds was more than 96 percent lower than it had been in 2000.

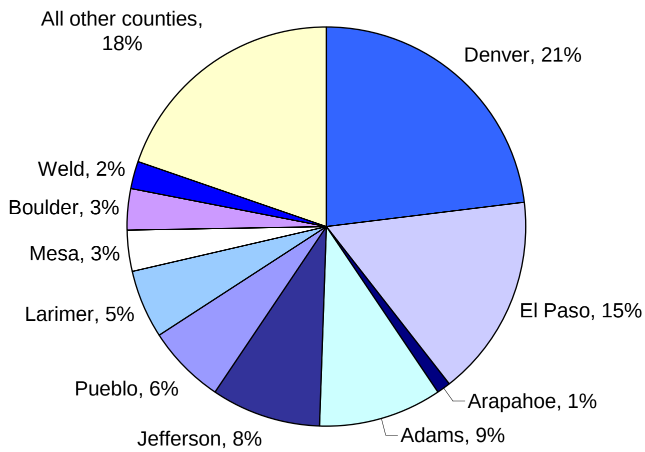
Federal funds represent the source of the vast majority of Colorado Works expenditures, accounting for nearly 80 percent of the total funding over the period shown in the exhibit. County funds accounted for most of the remaining expenditures, and, except in SFY 2000, state funds accounted for a very small portion of overall expenditures.

2. *County Variation in Spending*

Slightly over four-fifths (82 percent) of total Colorado Works expenditures in SFY 2006 were accounted for by the 10 largest counties in terms of overall population and poverty population. (See ***Exhibit III.3.***) Four of these counties (Denver, El Paso, Arapahoe, and Adams) alone accounted for over half of all expenditures. However, aside from these 10 counties, spending is very low in many counties. The other 54 counties combined accounted for 18 percent of total

Colorado Works expenditures; 19 counties had total expenditures less than $100,000 each. This reflects low caseloads and more generally low population. The funding allocations for Colorado Works are based on a formula that heavily weights caseload, and the urban/rural distribution of spending mirrors the caseload distribution. Simple statistical correlation analysis shows that even with the annual county adjustments that have been used in some years, the distribution of Colorado Works funds (federal, state and county) across counties very closely tracks caseload.[19]

Exhibit III.3: Distribution of Colorado Works Expenditures Among the 10 Largest Counties and the Balance of Counties, SFY 2006



Source: Colorado Department of Human Services, annual close-out reports.

There was substantial county-by-county variation in the share of Colorado Works spending that came from county funds, even within non-urban counties. County funds as a percentage of overall expenditures in SFY 2006 ranged from over 30 percent in five counties (Mineral, 44 percent; San Juan, 40 percent; Ouray, 33 percent; Jackson, 32 percent; and Lincoln, 30 percent) to less than 15 percent in 12 counties (the lowest of which were Kiowa, 11 percent; Teller and Douglas, 13 percent).

In addition, there was substantial variation in the percentage change in expenditures across counties over the seven-year period, as shown in ***Exhibit III.4***. Among the 10 largest counties, eight experienced growth in nominal expenditures on Colorado Works, with Arapahoe showing growth of 80 percent. Expenditures in Denver, on the other hand, declined by 6 percent. In inflation-adjusted terms, increases among the 10 largest counties ranged from as much as 53 percent in Arapahoe to decreases of 18 percent in Mesa and 20 percent in Denver Counties. There was some regional variation in this trend over time; expenditures in the Front

[19] The correlation coefficient (a statistical measurement of degree of relationship between two variables) between county funds and county caseload is .999 for SFY 2006.

Range and Central Mountain regions saw spending increases of 19 to 20 percent between 2000 and 2006 (1 to 2 percent after adjusting for inflation) while the San Luis Valley's spending fell by 6 percent (21 percent after adjusting for inflation).

Exhibit III.4: Change in Colorado Works Annual Expenditures (in Millions of Dollars), 10 Largest Counties, SFY 2000-2006

County	2000	2006	Percent Change (2000 to 2006) Actual	Percent Change (2000 to 2006) Inflation-Adjusted
Arapahoe	$0.7	$1.3	80.0%	52.9%
El Paso	$1.4	$1.8	35.4%	15.0%
Jefferson	$0.7	$1.0	34.9%	14.6%
Pueblo	$0.6	$0.7	25.0%	6.2%
Larimer	$0.5	$0.6	18.4%	0.6%
Weld	$0.2	$0.3	16.0%	-1.5%
Adams	$1.0	$1.1	15.0%	-2.3%
Boulder	$0.4	$0.4	2.3%	-13.1%
Mesa	$0.4	$0.4	-2.8%	-17.5%
Denver	$2.7	$2.6	-5.7%	-19.9%
All Other Counties	$1.9	$2.2	12.4%	-4.6%
Total	$10.6	$12.4	17.00%	-0.60%

Source: Colorado Department of Human Services, annual close-out reports.
Note: Inflation adjustment is based on 2000 dollars; adjustment is according to U.S. Census Bureau adjustments for West-Urban areas; State Fiscal Year runs from July 1 to June 30 (e.g., SFY 2006 runs from July 1, 2005 - June 30, 2006).

Discussions with administrators and staff in a few counties indicated that trends in spending were mostly tied to increases and decreases in caseload size. Some administrators also noted that caseload trends were related to changes in local economic conditions and increases in the poverty population. Another factor related to spending trends may be the initiation of new programs. For example, some county staff described the startup of new programs, often delivered by contracted providers, over this time period, many of which focus on improving work participation or reducing long-term recipiency. A couple of staff speculated that these new initiatives may have contributed to some of the caseload decline.[20]

B. Combined Colorado Works/Child Welfare/Child Care Expenditures

Colorado Works, Child Welfare, and Child Care are closely aligned in serving low-income families, and under federal TANF regulations, states can transfer up certain shares of their federal block grants to the child care component of the federal Child Care Development Fund (CCDF) or the federal Social Services Block Grant (SSBG-Title XX of the Social Security Act). In Colorado, counties have the discretion for transferring federal TANF funds to these programs. Counties can transfer up to 30 percent of the Colorado Works block grant to the Child Welfare,

[20] The topic report presents more county-by-county detail.

and Child Care programs; including transferring up to 20 percent to the Colorado Child Care Assistance Program (CCCAP uses a mixture of federal, state, and local funds for child care from different funding sources), and up to 10 percent to Child Welfare.

Exhibit III.5 shows that between 2000 and 2006, average annual spending on Colorado Works, Child Care, and Child Welfare spending was about $510 million. Child Welfare expenditures account for the majority of spending in these three areas, averaging 58 percent of the total and gradually increasing over the period. Combined spending on these three categories in 2006 was 15 percent higher than in 2000, having peaked in 2002 at $549 million, and then declining in subsequent years. In inflation-adjusted terms, however, this translates into a slight decrease of 2 percent in combined statewide TANF, Child Care, and Child Welfare expenditures between 2000 and 2006. In inflation-adjusted terms, expenditures increased from 2000 to 2006 only for Child Welfare (by 6 percent). As discussed earlier, inflation-adjusted expenditures stayed basically flat for Colorado Works. Expenditures fell by more than a quarter (27 percent) for the Child Care programs.

Exhibit III.5: Colorado Works, Child Welfare and Child Care Expenditures (Actual and Inflation-Adjusted in Millions of Dollars), by Program, SFY 2000-2006

	Colorado Works	Child Welfare	Child Care	Total	Inflation-Adjusted Total (2000 $)
State Fiscal Year					
2000	$106.1	$255.4	$88.7	$450.3	$450.3
2001	$123.5	$280.6	$93.8	$497.9	$480.7
2002	$141.4	$309.3	$98.2	$548.9	$515.6
2003	$132.0	$300.3	$94.5	$526.8	$485.0
2004	$129.8	$304.1	$86.3	$520.2	$468.6
2005	$123.5	$299.7	$80.2	$503.4	$441.5
2006	$124.2	$318.9	$76.3	$519.4	$441.2
Average (2000-2006)	$125.8	$295.5	$88.3	$509.5	
Percent Change (2000-2006)	17.0%	24.8%	-14.0%	15.3%	
Percent Change (2000-2006) - Inflation Adjusted	-0.6%	6.1%	-26.9%	-2.0%	-2.0%

Source: Colorado Department of Human Services, annual close-out reports
Note: Inflation adjustment is based on 2000 dollars; adjustment is according to U.S. Census Bureau adjustments for West-Urban areas; State Fiscal Year runs from July 1 to June 30 (e.g., SFY 2006 runs from July 1, 2005 - June 30, 2006).

Exhibit III.6 provides detail on the amount of spending on the three programs by level of government, the patterns of which differ somewhat from spending on Colorado Works alone. At all three levels, spending (in nominal terms) increased between 2000 and 2002. By 2006, spending of federal funds had tapered off somewhat, while state funds were marginally higher. With the exception of 2002, county fund expenditures were relatively stable. However, from 2000 to 2006, after adjusting for inflation, only expenditures of federal funds for these three programs combined increased while expenditures of state and county funds both fell.

Exhibit III.6: Combined Colorado Works, Child Welfare and Child Care Expenditures (Actual and Inflation-Adjusted in Millions of Dollars), by Funding Source, SFY 2000-2006

	Federal	State	County	Total	Inflation-Adjusted Total (2000 $)
State Fiscal Year					
2000	$232.7	$138.0	$79.5	$450.3	$450.3
2001	$275.3	$142.7	$79.9	$497.9	$480.7
2002	$306.3	$147.1	$95.4	$548.9	$515.6
2003	$309.6	$134.8	$82.3	$526.8	$485.0
2004	$295.4	$144.5	$80.3	$520.2	$468.5
2005	$282.0	$143.1	$78.3	$503.4	$441.5
2006	$290.1	$148.9	$80.4	$519.4	$441.2
Average (2000-2006)	$284.5	$142.7	$82.3	$509.5	
Percent Change (2000-2006)	53.7%	-96.2%	-5.7%	17.0%	
Percent Change (2000-2006) - Inflation Adjusted	30.6%	-96.8%	-19.9%	-0.6%	-0.6%

Source: Colorado Department of Human Services, annual close-out reports
Note: Inflation adjustment is based on 2000 dollars; adjustment is according to U.S. Census Bureau adjustments for West-Urban areas; State Fiscal Year runs from July 1 to June 30 (e.g., SFY 2006 runs from July 1, 2005 - June 30, 2006).

C. Reserves

In addition to expenditures, the other component of Colorado Works' fiscal picture consists of reserves, or amounts allocated but not spent. Some Colorado Works funds can be carried over from one year to the next to cover lagged costs or future costs related to the purposes of TANF, and some of the reserves represent funds that may have initially been transferred from Colorado Works to Child Care, but remained unspent. (TANF funds transferred to Child Care and Child Welfare programs that remain unspent in those programs at fiscal year-end are considered part of the TANF reserve balances.) ***Exhibit III.7*** shows accumulation of Colorado Works reserves in all counties (including amounts transferred to Child Care or Child Welfare). The amounts of reserves declined precipitously between SFY 2000 and SFY 2002 and then climbed steadily to $80 million by SFY 2007. The low levels in 2002 and 2003 reflect the legislative decisions in those years to revise how the county reserve was calculated and how much would revert to the state's long-term Colorado Works reserve fund. In 2004, the legislature determined that counties could retain their full reserve funds. In general, though, there was a 22 percent net increase in total county reserves from SFY 2000 to SFY 2007.

Exhibit III.7: Colorado Works Reserves (in Millions of Dollars) as a Percentage of Colorado Works Allocations to Counties, SFY 2000-2007

	Reserve	Allocation	Reserve Ratio (Reserve / Allocation)
State Fiscal Year			
2000	$65.8	$168.4	39.1%
2001	$43.6	$162.9	26.8%
2002	$14.7	$158.7	9.3%
2003	$14.7	$168.4	8.7%
2004	$29.0	$178.6	16.2%
2005	$35.5	$158.7	22.4%
2006	$51.5	$166.9	30.9%
2007	$80.0	$159.4	50.2%
Average (2000-2007)	$41.8	$165.3	25.3%
Percent Change (2000-2007)	21.6%	-5.3%	

Source: Colorado Department of Human Resources, "Reserve History". Reserve amounts for 2002 and 2003 are according to Joint Budget Committee calculations.

As also shown in Exhibit III.7, state allocation of Colorado Works funds to counties changed only modestly from year to year. Over the eight-year period, county reserves statewide averaged about one-fourth of Colorado Works allocations. Because the pattern of accumulation of reserves fluctuated more than allocations, the "reserve ratio" (i.e., reserves as a percentage of the annual allocation) shifted in line with reserve levels, declining precipitously between 2000 and 2002 and then increasing between 2003 and 2007.

The reserve ratio varies substantially by county. ***Exhibit III.8*** shows reserve ratios for the 10 largest counties, which range from a low of 31 percent in Adams County to over 100 percent in Boulder County.

Exhibit III.8: Colorado Works County Reserves (in Millions of Dollars) as a Percentage of Colorado Works Allocations, For 10 Largest Counties, SFY 2007

County	Reserve	Colorado Works Allocation	Percent of Colorado Works Allocation
Boulder	$7.1	$6.6	107.6%
Larimer	$7.2	$9.4	76.6%
Mesa	$3.9	$6.0	65.0%
Weld	$1.9	$4.0	47.5%
Jefferson	$4.5	$10.3	43.7%
Pueblo	$2.5	$6.7	37.3%
Arapahoe	$5.9	$16.0	36.9%
El Paso	$8.0	$22.0	36.4%
Denver	$13.5	$39.8	33.9%
Adams	$3.6	$11.7	30.8%
All Other Counties	$21.9	$26.8	81.7%
10 Largest Counties	$58.1	$132.6	43.8%
All Counties	$80.0	$159.4	50.2%

Source: Colorado Department of Human Services, annual close-out reports.
Note: State Fiscal Year runs from July 1 to June 30 (e.g., SFY 2007runs from July 1, 2006 - June 30, 2007).

The reserve ratios were on the whole higher in smaller counties than larger counties. Some basic statistical analysis to further explore factors related to the variations across counties in the reserve ratio indicates that the reserve ratio (in SFY 2007) is strongly related to the share of Colorado Works spending out of county funds in SFY 2006, even taking into account the size of the county. Specifically, the higher the share of Colorado Works spending that is from county funds (relative to state and federal funds), the higher the reserve rate. This remains true even when controlling statistically for factors such as the change in BCA caseloads from 2004 to 2006, the region of the state, and the amount of spending per BCA case.

Discussions with state and local administrators revealed that the reserve amounts are in part related to fluctuations in the caseload. County administrators may decide to maintain a reserve level for many reasons, such as ensuring the availability of funds in the event of a caseload increase; retaining funds for a future initiative; and buffering for unexpected cost fluctuations. In some counties, a portion of the reserve level reflects decisions related to transferring funds from Colorado Works to Child Care. These help explain the overall pattern of decline and subsequent increase in county reserves over the SFY 2000 to SFY 2007 period.

D. Expenditures on Non-Basic Cash Assistance and Contracting Out for Services

One objective of the fiscal study was to analyze spending on various activities including BCA as well as employment services, training, education and community investments. Overall, across all counties together, slightly under half (47 percent) of all Colorado Works spending in SFY2006 was for BCA, meaning non-BCA spending represented slightly over half (53 percent) of total expenditures. ***Exhibit III.9*** shows county variation among the 10 largest counties, which ranges from 21 percent of expenditures going to BCA in Adams county up to 64 percent in Arapahoe County.

Exhibit III.9: Colorado Works Basic Cash and Non-Basic Cash Expenditures (in Millions of Dollars) as a Percentage of Total Expenditures, for 10 Largest Counties, SFY 2006

County	BCA as Percent of Expenses (%)	Non-BCA as Percent of Expenditures (%)	Contracted Expenditures as Percent of Expenditures (%)
Adams	20.9	79.1	46.0
Boulder	40.2	59.8	20.3
Weld	41.2	58.8	23.2
Larimer	44.0	55.6	40.0
Mesa	45.0	55.0	1.1
Denver	47.7	52.3	28.0
Jefferson	52.2	47.8	4.3
El Paso	56.7	43.3	13.4
Pueblo	57.2	42.8	1.4
Arapahoe	63.5	36.5	17.7
All Other Counties	39.5	60.5	7.9
10 Largest Counties	48.6	51.4	22.4
All Counties	47.0	53.0	20.1

Source: Colorado Department of Human Services, annual close-out reports.
Note: State Fiscal Year runs from July 1 to June 30 (e.g., SFY 2007runs from July 1, 2006 - June 30, 2007).

Some counties spend relatively more on non-BCA activities, even when one holds caseload size and caseload growth constant.

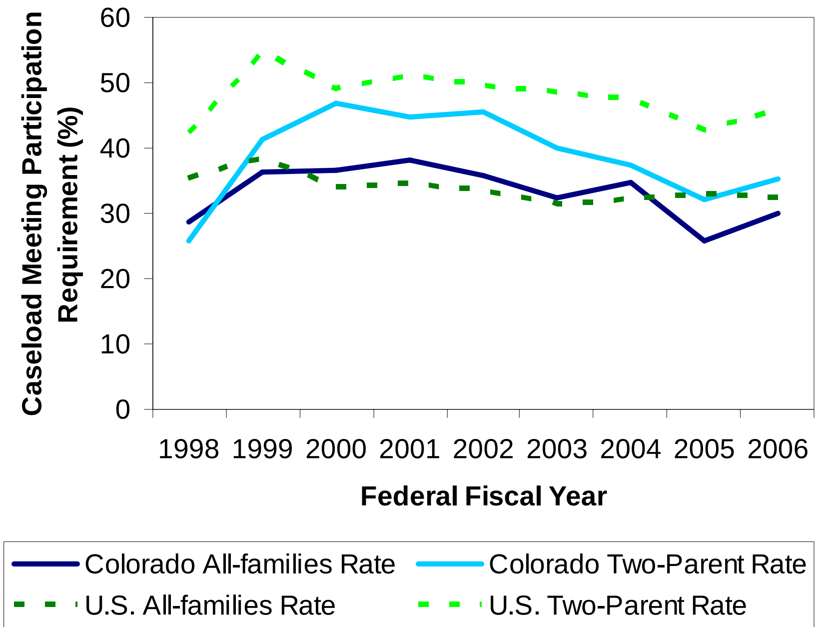
An important component of non-BCA expenditures are services that are contracted out. The exhibit also shows the percentage of spending that goes to such contracted services. Based on conversations with Adams County, which had the highest share of non-BCA expenses, much of the non-BCA spending is for contracted employment/training services and for contracted community investment initiatives. It is likely that non-BCA spending in many other counties is also for employment-related services or community investments, however, given the differences in how counties record such spending in CFMS, it was not possible in this analysis to report the various types of non-BCA spending for all counties (although a future study could request such data from all counties). Nonetheless, the variation across large counties suggests that there are major differences in contracted activity (which was confirmed during earlier site visits for the overall evaluation), and that larger counties tend to have higher percentages of their total expenditures in contracts than other counties.

IV. Participation in Work Activities in Colorado Works

In the mid 1990's, PRWORA put work participation at the center of welfare reform by requiring states to have a specific portion of their welfare caseloads in subsidized or unsubsidized work or participating in approved work-related activities for a set number of hours each week. After several years of transition, the requirements were set at having 50 percent of all work-eligible families and 90 percent of two-parent families meeting their rate requirements. Failure to achieve these rates would result in reductions to the state's TANF block grant.

Since the enactment of PRWORA, Colorado has not received any financial penalties for failing to meet federally required rates of work participation among the Colorado Works caseload. The state has achieved work participation rates in line with national figures, ranging between the upper 20's and the mid 30's for the all-families rate (see ***Exhibit IV.1***).

Exhibit IV.1: Colorado's Participation Rates Compared to National Averages

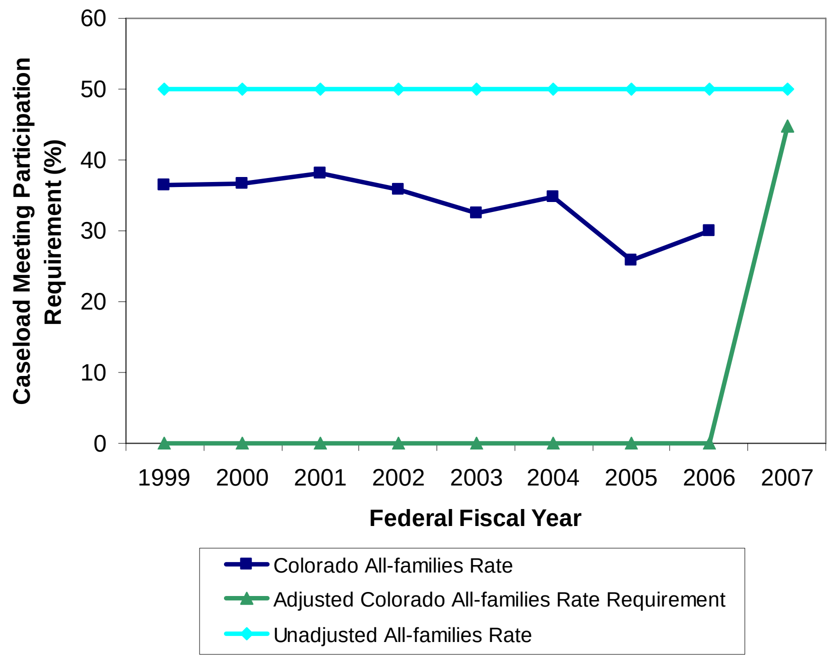


Source: ACF Work Participation Rates

To fill the gap between their rate and the required 50 percent, Colorado, like the majority of states, has relied on a caseload reduction credit resulting from the dramatic decrease in their welfare caseload that occurred in the second half of the 1990s. The credit, a provision in PRWORA, allows states to count the number of cases leaving welfare since FFY 1995 against their participation requirement. The size of the caseload decline since 1995 effectively created a zero percent requirement between FFY 1999 and FFY 2006 for Colorado.

In 2005, TANF was reauthorized through DRA. This legislation intended to refocus TANF on work participation, and accomplished this through resetting the base year of the caseload reduction credit to FFY 2005. This eliminated the caseload reduction credits from the sizeable caseload declines since the late 1990's, which has made the work participation rate effective again in current and future years. The new caseload reduction credit rules will first apply in FFY 2007, and the resulting adjusted work participation rates that states will need to meet will increase substantially. Because Colorado's caseload has only decreased by 5 percent since FFY 2005, the adjusted work participation rate requirement is anticipated to be close to 45 percent in FFY 2007 (see ***Exhibit IV.2***).

Exhibit IV.2: Colorado's Participation Rates Compared to the Adjusted Rate Requirement



Source: ACF Work Participation Rates and Caseload Data

As DRA has had similar consequences for other states, there has been a renewed national focus on the work participation rate. In Colorado, counties have been reassessing strategies to meet the rate while still providing services and benefits to clients that best help them to meet their immediate needs and overcome barriers to longer-term self-sufficiency.

Currently, Colorado counties are considering or already using a broad range of strategies to encourage participation in work activities, address clients' personal interests and barriers, and supplement the county's work participation rates. These include strategies to encourage more effective case management (through more active management of cases or through having case managers specialize on particular groups of cases); performance management and data monitoring techniques; incentive payments to clients for particular behaviors; and strategies to remove individuals unlikely to fulfill work requirements from the work participation rate calculation through use of diversion payments in early months and by financing particular cases through solely state-funded sources.

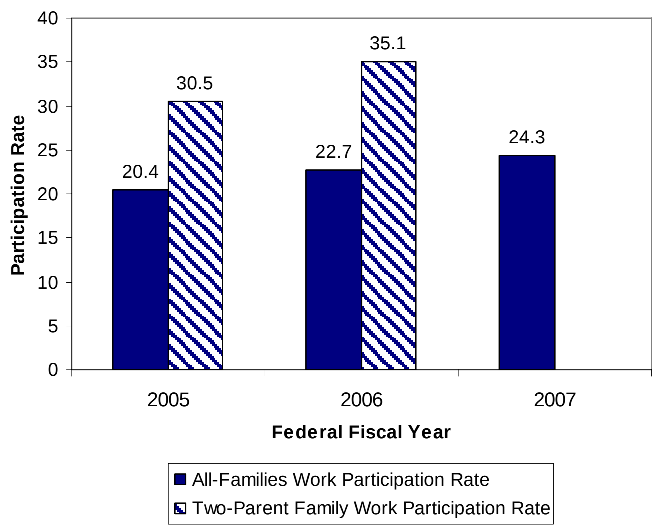
A more thorough discussion of all strategies being considered by Colorado counties can be found in The Lewin Group's report: *Understanding Program Participation: Findings from the Colorado Works Evaluation*. However, two strategies are briefly described here because of their technical nature and their potential to have major implications on Colorado's work participation rate: stabilization diversions and solely state-funded assistance.

A stabilization diversion is a specialized form of diversion wherein new and returning BCA applicants receive up to four months of assistance in the form of a diversion payment. As diversion payments are considered non-assistance, they are not subject to the work activity requirements that normal BCA cases face, allowing for a "ramp-up" period during the initial months of new and returning BCA cases when they can focus on training and barrier remediation before turning to work activity assignments and the federal work requirements.

Solely-state funded assistance allows counties to exclude populations which are not able to meet their work participation requirements from the rate calculation. Excluded cases have their TANF assistance paid for through state funds not used for MOE purposes, which frees them from federal reporting requirements. Portions of the caseload unlikely to meet the rate requirements could be targeted with such funding including SSI applicants, two-parent families, and individuals exempt from work activities criteria.

As counties have refocused on engagement, Colorado's work participation rate has been increasing in recent years; however, the rate remains substantially below the required 50 percent level. As shown in ***Exhibit IV.3,*** the all-family participation rate has risen from 20 percent in FFY 2005 to 24 percent in the first nine months of FFY 2007. Considering the changes to calculating the caseload reduction credit, this is likely to fall short of the rate requirement. The two-parent rate was higher, at 30 percent in FFY 2005 and 35 percent in FFY 2006, although well below the required 90 percent level. (Child care data needed to calculate the two-parent rate for 2007 was not available at the time this report was produced.)

Exhibit IV.3: All-Family and Two-Parent Participation Rates, FFY 2005-2007

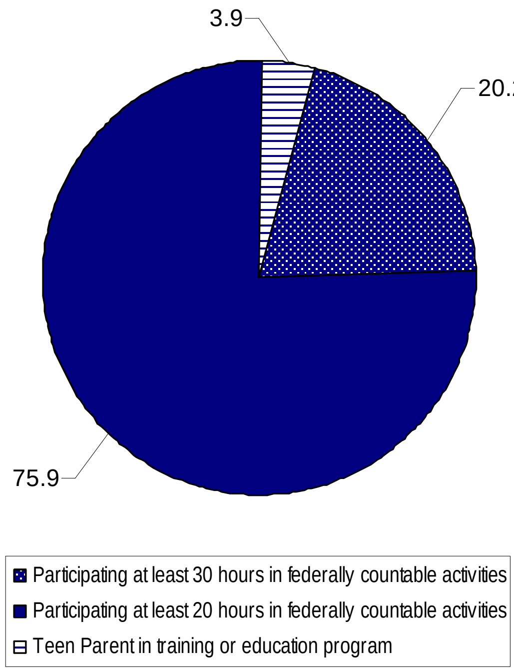


Source: CBMS administrative data
Notes: FFY 2007 includes only Federal Fiscal Year Quarters 1, 2, and 3 (October 2006 - June 2007); FFY 2007 two-parent rate not calculated as child care data was not available.

Regional variation in meeting the all-families rate was observed between FFY 2005 and FFY 2007. The Western Slope region led the state in all three years with rates hovering between 27 and 28 percent. Additionally, the Central Mountains as well as Front Range regions showed improvement over the years. The Central Mountains region was at 23 percent in FFY 2005, but has moved up to 27 percent by FFY 2007. The Front Range region was originally at 20 percent in FFY 2005, but grew to 24 percent in FFY 2007. The Eastern Plains region saw strong growth in their all-families rate of nearly 5 percentage points between FFY 2005 to FFY 2006, but this trend was not observed in FFY 2007. The San Luis Valley region, like the Eastern Plains, observed strong growth in their all-families rate in FFY 2006, but appeared to be losing ground in FFY 2007.

Families fulfilling work participation requirements in Colorado are mostly those that face lower hour requirements. Seventy-six percent of cases fulfilling the work requirements in Colorado in FFY 2007 were single parents with children under the age of six, and therefore only needed to participate in activities for 20 hours (see ***Exhibit IV.4***). Teenage parents meeting the participation requirement through school attendance or training accounted for 4 percent of those fulfilling the rate. The participation rate of these groups was 34 and 48 percent respectively. In contrast, only 7 percent of non-teenage, single parents whose children were six and older participated in activities for enough hours to fulfill the work participation requirement. These cases and two-parent families accounted for the remaining 20 percent of those meeting the rate.

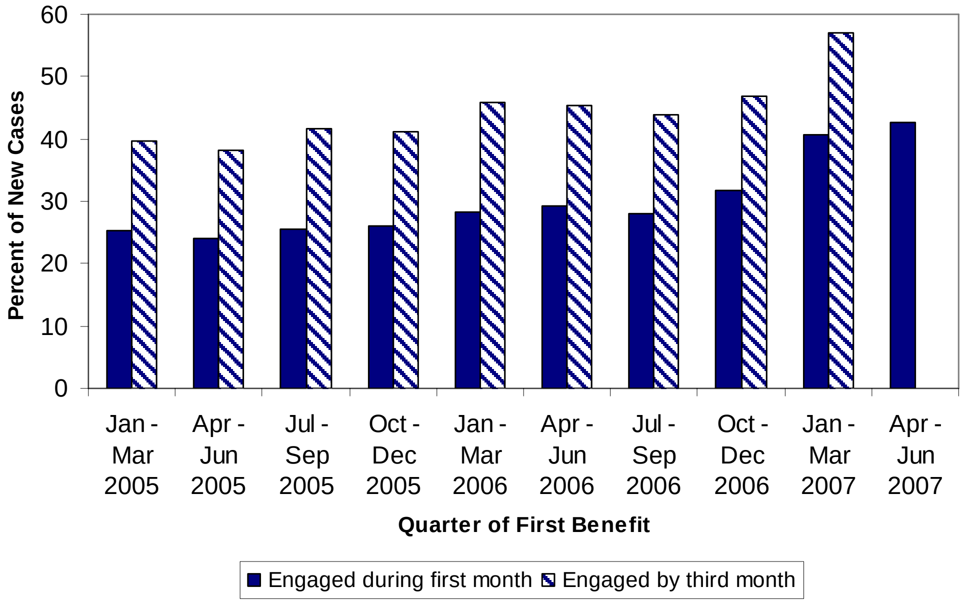
Exhibit IV.4: Composition of Cases Meeting the All-families Rate Requirement



Source: CBMS administrative data

Across the caseload, however, clients entering the program in recent quarters have been engaging in work activities more quickly (see ***Exhibit IV.5***). In FFY 2005 and FFY 2006, among those new clients counted within the work participation calculation, only 25 to 30 percent engaged in a program activity during their initial month of benefit receipt. (Engagement in this sense refers to participation in a federally countable or county-defined work activity.) An additional 14 to 18 percent were engaged during the two months following the initial month of benefits.

Exhibit IV.5: Time Until First Engagement in Work Activities
By Quarter in Which Cases First Received Colorado Works Benefits



Source: CBMS administrative data

In contrast, starting in FFY 2007, the percent of cases that were engaged during the initial month began to increase. For example, in the third quarter of FFY 2007, 43 percent of new cases were engaged in the initial month, up 14 percentage points from the same quarter in the previous fiscal year.

Box IV.1: Work Activities and Participant Perspectives

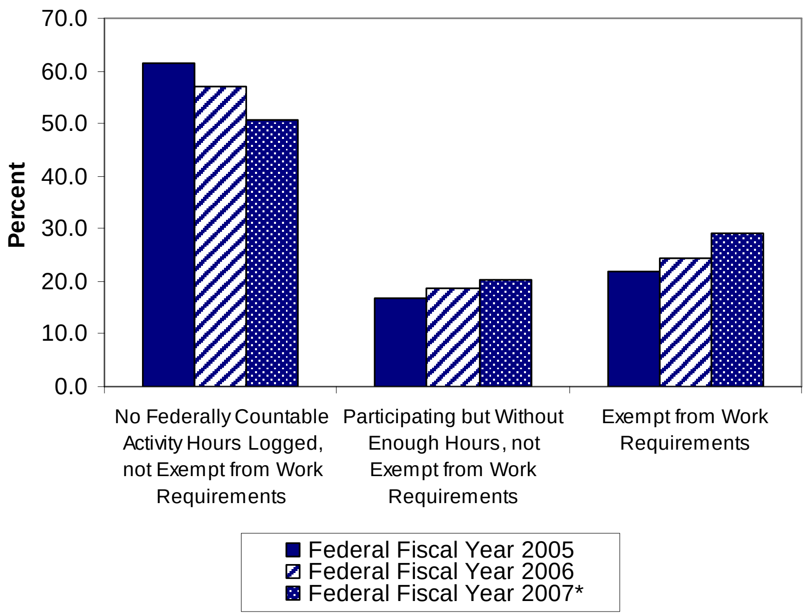
Findings from 15 focus groups conducted with TANF applicants, participants, and leavers in four Colorado counties (Denver, El Paso, Mesa, and Larimer) indicated that Colorado Works clients take issue with the work participation requirements. Mainly, participants were concerned that there was an emphasis on employment activities over training activities, which they felt would have a larger impact on their self-sufficiency.

Increasing the number of clients who participate in training activities, however, comes at a cost. Analysis that examined the work participation rates among participants by their primary work activity found that participants focusing on training had substantially lower rates meeting the requirements (15 percent) versus every other activity which were at or above a 50 percent rate. For clients to fulfill the work participation rate, and participate in training, they need to either combine their non-core activities with more core activities or focus on vocational educational training, which is limited to 12 months.

Similar patterns occurred with regards to the amount of time before a client participated in work activities for enough hours in the month to fulfill the work requirements. Twenty percent of new cases in the third quarter of FFY 2007 fulfilled work requirements in their initial month, compared to 14 percent in the third quarter of FFY 2006.

Further, as shown in ***Exhibit IV.6***, clients with no hours of work participation at all have been making up a decreasing share of those not fulfilling the work participation. More than half of those not fulfilling the requirements have no hours of work participation despite not being exempted from the requirements, but the share has dropped from 62 percent in FFY 2005 to 51 percent in FFY 2007. Both the share participating in federally countable activities but without enough hours to fulfill the requirements as well as those exempt from work requirements have increased somewhat between 2005 and 2007.

Exhibit IV.6: Participation Status for Cases Not Fulfilling the All-families Rate Requirements

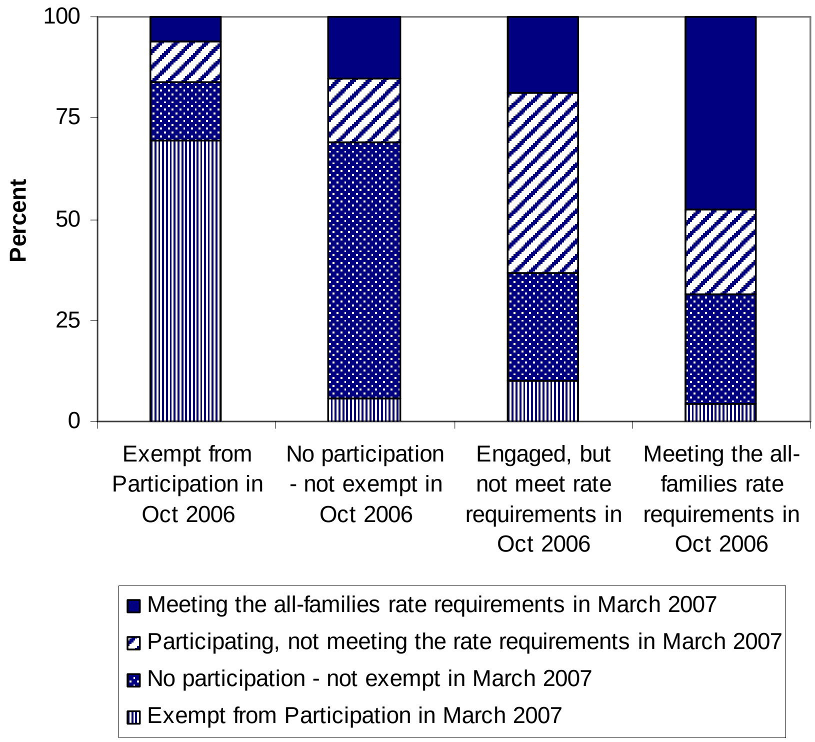


Source: CBMS administrative data

Analysis also examined the association between work participation status in one month and the participation and leaver status six months later. Of work-eligible cases receiving assistance in October 2006, 47 percent were still on cash assistance in March 2007, while 53 percent were no longer receiving BCA. Those who were exempt from work participation and those participating but not meeting the rate in October 2006 observed higher rates of cases still on assistance in March 2007 at 55 and 56 percent respectively. Those who were not participating and not exempt in October 2006 as well as those meeting the rate requirements had lower shares of their cohorts (41 and 47 percent) still on assistance in March 2007.

Of work-eligible recipients who continued receiving assistance over six months, the majority remained in the same work participation status (see ***Exhibit IV.7***). Over two-thirds of those who were exempt from work participation in October 2006 continued to be exempt in March 2007. Sixty-three percent of those who were not participating in work activities and not exempt remained in this category after six months. Close to half of those participating meeting the rate as well as those participating and not meeting the rate requirements continued in their status after six months.

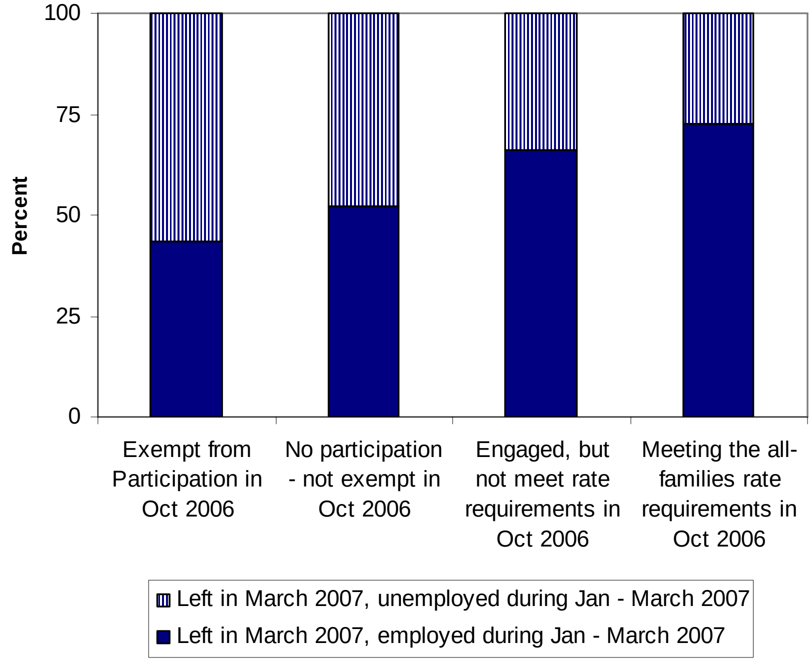
Exhibit IV.7: Participation Status in October 2006 and March 2007



Source: CBMS administrative data

Wide variation in employment levels existed according to different work participation statuses (see ***Exhibit IV.8***). Of those recipients who were on the caseload in October 2006 but did not receive assistance in March 2007, employment levels ranged from 44 to 73 percent. Those exempt from participation requirements had the lowest rates of leaving with employment at 44 percent. Despite having the lowest rate, this cohort still had a sizeable accomplishment considering that these cases had been identified with characteristics that would make them exempt from participation requirements (e.g., disabled or caring for a disabled family member). Employment levels of those participating and not meeting the rate in October 2006 as well as those participating and meeting the rate were substantially higher at 66 and 73 percent. Only about half of those not participating in any work activity left with employment.

Exhibit IV.8: Employment Status in March 2007 of Leavers according to Participation Status in October 2006



Source: CBMS administrative data; UI wage records

V. CHILD CARE AND OTHER SUPPORTIVE SERVICES

The utilization of supportive services as a component of welfare spending increased dramatically with the creation of the TANF block grant. Prior to welfare reform, a majority of funding was devoted to providing recipients with cash payments. Because PRWORA refocused welfare on increasing self-sufficiency through engagement in work activities, states are now devoting more of their TANF funds to providing work supports that help families overcome barriers so that they can find and keep employment.

Subsidized child care is one of the most widely used work-supports. The provision of subsidized child care is often necessary in order for welfare clients to be able to participate in work and other TANF activities. Child care assistance can be provided directly with TANF funds, or it may be funded through the Social Services Block Grant (SSBG) or the Child Care Development Fund (CCDF).

Additional supportive services include a variety of other benefits and services that help Colorado Works recipients participate in work activities. These additional supportive services are recorded in CBMS and include, but are not limited to, payments for transportation, housing, utilities, work-related supplies and professional clothing, and employment incentives to participants or employers.

This chapter will explore the following research questions:

- What percent of Colorado Works recipients receive subsidized child care?
- What percent of Colorado Works clients receive care from licensed centers, licensed homes, and exempt care?
- What are the costs of subsidized child care?
- What percent of Colorado Works recipients receive other types of supportive services?

While child care and other supportive services described in this chapter are both considered work supports, this chapter analyzes child care assistance separately from other work supports because data on child care and other supportive services come from two different data sources. Data on subsidized child care comes from the Colorado Child Care Automation Tracking System (CHATS). All other data on supportive services was obtained from the Colorado Benefits Management System (CBMS).

A. Use of Subsidized Child Care

In Colorado, child care provision is not reflected in the Colorado Works data management system because funding for child care is allocated as a block grant to counties through the Colorado Child Care Assistance Program (CCCAP). The CCCAP includes funds from the CCDF and the SSBG and includes funds transferred from TANF.

Between 2000 and 2006 the amount of funds transferred from TANF to child care has varied (shown in ***Exhibit V.1***). Until recently, TANF transfers represented a major share of child care funding, reaching nearly one-third (32 percent) of all child care spending in 2002. Transfers declined steadily after 2002, presumably because of tight fiscal constraints surrounding Colorado Works in many counties and, in some counties, increases in cash benefit caseloads, which led to readjustments in TANF block grant spending. By 2006, TANF transfers represented less than 2 percent of all spending on child care statewide (and accounted for $1.4 million in child care funding).

Exhibit V.1: Transfers From TANF (In as a Percentage of Total Child Care Expenditures

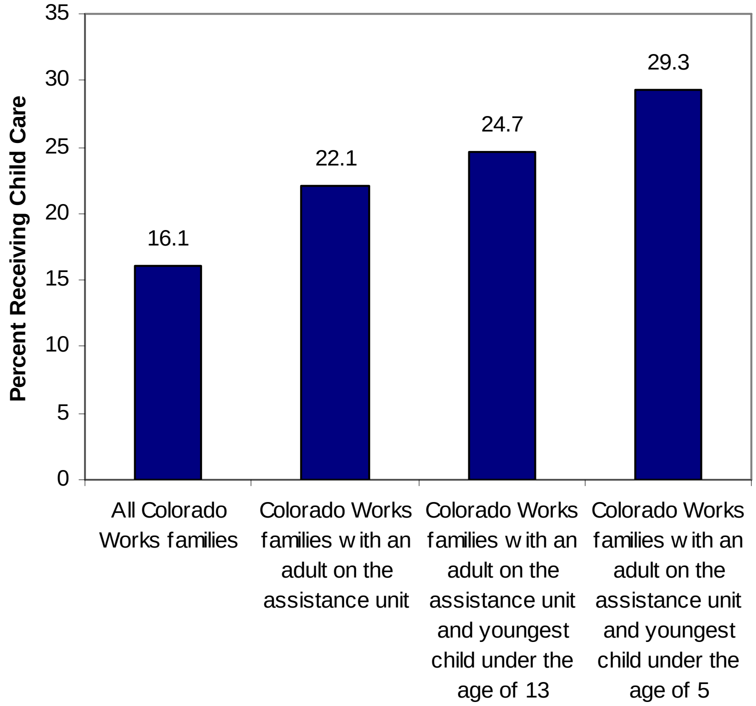
	Child Care Expenditures (Millions)	Transfers from TANF (Millions)	Transfers as Percent of Total Expenditures
State Fiscal Year			
2000	$8.9	$2.7	29.9%
2001	$9.4	$2.5	26.4%
2002	$9.8	$3.2	32.5%
2003	$9.5	$2.2	23.3%
2004	$8.6	$1.3	14.8%
2005	$8.0	$0.7	8.1%
2006	$7.6	$0.1	1.8%
Average (2000-2007)	$8.8	$1.8	20.4%
Percent Change (2000-2007)	-14.0%	-94.7%	
Percent Change (2000-2006) - Inflation Adjusted	-26.9%	-95.5%	

Source: Colorado Department of Human Services, annual close-out reports.
Note: State Fiscal Year runs from July 1 to June 30 (e.g., SFY 2006 runs from July 1, 2005 - June 30, 2006).

In SFY 2006, only 16 percent of all Colorado Works families received child care assistance (see ***Exhibit V.2***). However, the percentage of cases receiving child care assistance increases to 22 percent if the analysis is limited to cases with an adult on the assistance unit.

Families with children who are younger also receive child care assistance more frequently than families with older children. Almost 25 percent of Colorado Works families with an adult on the assistance unit whose youngest child is under the age of 13 received child care payments while 29 percent whose youngest child is under the age of five received child care payments.

Exhibit V.2: Percent of Colorado Works Families Receiving Child Care Assistance (SFY 2006)



Sources: CHATS administrative data; CBMS administrative data

Exhibit V.3 shows the percentage of Colorado Works cases receiving subsidized child care and the average monthly payment amount by the age of their youngest child. As the age of the youngest child increases, the percentage of Colorado Works cases receiving subsidized child care decreases. For example, 34 percent of cases whose youngest child is between one and two years-old receive child care assistance compared to only 11 percent for families whose youngest child is between seven and nine years-old and 3 percent for families whose youngest child is between ten and twelve years-old.

The one exception to this trend is for families with children under the age of one. Only 22 percent of cases with a child that was one year-old received child care payments in SFY 2006. Child care receipt is probably lower for this group because work-participation requirements are less stringent for families with children under one year-old; thus these parents may be staying home with their children and have less of a need for child care assistance. Additionally, infant care may be less available in some communities.

Exhibit V.3 also shows that average monthly payment amounts for child care are considerably higher for cases with younger children. Cases with children younger than age one receive an average monthly payment of $668 compared to cases with children between the ages of ten and twelve who receive an average monthly payment of $212.

Exhibit V.3: Child Care Receipt by Age of Youngest Child

Age of Youngest Child on Case	Cases receiving Child Care (%)	Average Monthly Payment Amount per Case ($)
10 to 12 years old	3.0	212
7 to 9 years old	10.5	307
5 to 6 years old	21.4	429
3 to 4 years old	33.3	570
1 to 2 years old	34.8	642
Less than 1 years	22.3	668

Sources: CHATS administrative data; CBMS administrative data

Families who receive child care assistance receive services through three broad types of providers: Licensed center-based care, licensed home-based care, and unlicensed care. Licensed center-based care includes child care centers for both preschool and school-age children. Licensed home-based usually occurs in the caregiver's home.

Unlicensed care, or legally exempt child care, is typically provided by a relative or friend in a home setting, although this category can include other types of providers. In order to be exempt from licensure, a provider must be over the age of 18 and may not be the child's biological parent, step-parent, the parent's significant other, or a person in a common-law marriage with the biological parent. Furthermore, if a provider is exempt, they may not take care of two children from different families at the same time. Finally, child care providers are not required to obtain a license if they provide the child care in another state, or if they are not required to have a state license, such as military child care facilities that are licensed by the federal government. [21]

Exhibit V.4 shows that the majority of families receiving child care payments—65 percent—use licensed, center-based care. Another 16 percent utilize licensed home-based care. The average cost for these two types of providers is about the same, with an average payment of $314 per child for each type. While center-based care is generally more expensive than home-based care, the average payment amounts for these two types of care may be comparable because of an age disparity between the two service providers. The analysis found that children being served by center-based care were slightly older on average, with a monthly median age of 3.7, compared to children in home-based care who had a monthly median age of 3.1. Because payments are higher for younger children, the younger median age of children in home-based care may explain why the costs of the two types of providers are similar.

Approximately 22 percent of families receiving child care payments use unlicensed providers for their child care. Unlicensed care is much less expensive than other types of providers, with an average payment for unlicensed care of $140 per child.

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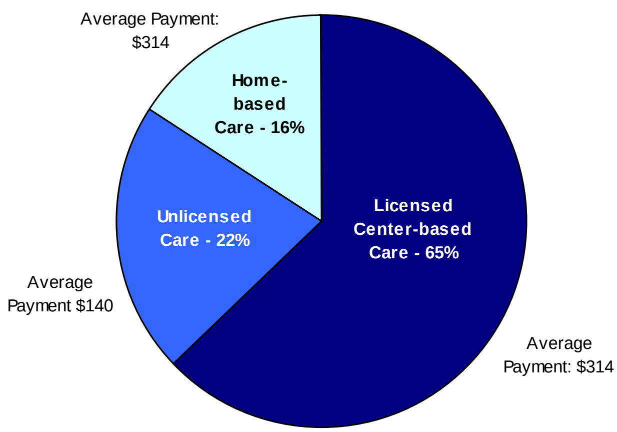
[21] Colorado Child Care Assistance Program Policy Manual, http://www.cdhs.state.co.us/childcare/Documents/Policy_Manual_2002.doc#_Toc17618069.

Exhibit 5.4: Percent of Children Receiving Services from Different Child Care Provider Types and Average Payments per Child (SFY 2006)



Sources: CHATS administrative data; CBMS administrative data

B. Use of Other Supportive Services

In Colorado, counties determine what types of supportive services will be offered and payment amounts for the supportive services. Case workers also have some discretion in distributing supportive service payments. Some of the key supportive services that are offered throughout the state include the following:

- **Transportation** funds may be used for minor car repairs, a monthly bus pass for clients who do not have transportation to work, or, rarely, the purchase of a vehicle;

- **Incentive payments or bonuses** may be given to clients who meet certain goals, such as attending a series of classes, receiving a GED, or retaining employment for a certain period of time;

- **Educational-related** funds may be used for books and other related expenses for clients attending classes or training;

- **Work-related** funds may be used if a client needs tools, a uniform, or other items to perform or obtain employment;

- The **Fair Labor Standards Act (FLSA)** designated funds supplement the cash grant of clients working in a community work experience program (CWEP) or an adult work experience program (AWEP) position to ensure the client receives the equivalent of the minimum wage for the number of hours he or she works;[22]

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[22] Colorado Department of Human Services Office of Self Sufficiency Agency Letter Number TCW-01-2-P, February 27, 2001.

- **Employers** sponsoring a client in an on-the-job training (OJT) placement may receive a payment on behalf of the client to help with training expenses;
- **Individual Responsibility Contract (IRC)** bonuses and incentives can be paid to reward or encourage outcomes or behaviors such as continuous employment or avoiding pregnancy;[23]
- **Housing** payments can be made to help assist with household expenses, such as telephone service, rent costs, or repairs, when these costs are not covered by other forms of assistance;
- **Family/Personal Need** includes payments made to individuals for living expenses and other every-day needs; and
- **Supplemental cash** payments can be provided to cover a need that does not fall neatly into one of these other categories.

In SFY 2006, the state reported spending a little over $9.9 million on supportive services for Colorado Works cases, compared with over $53.8 million spent on BCA. About 44 percent of Colorado Works cases received some type of supportive service payment in SFY 2006 (July 2005 to June 2006). ***Exhibit V.5*** shows the breakdown of types of supportive services payments made in Colorado. The most commonly used is transportation, with 29 percent of Colorado Works cases receiving a transportation supportive service at some point during SFY 2006.

Payments for family/personal need were the second largest supportive service in terms of the share of total supportive service spending (22 percent). Thirteen percent of Colorado Works cases received payments for family/personal need. A smaller share of Colorado Works cases received supportive service payments for education and training, housing, supplemental cash, and the IRC bonus.

Average payment amounts vary widely across the different types of supportive services. Average amounts range from $93 dollars for transportation payments to $454 for housing payments each month. Thus, while only 6 percent of Colorado Works cases received supportive service payments for housing in SFY 2006, this type of supportive service accounted for 13 percent of all supportive service spending during that year. Similarly, payments for family/personal need were relatively large and thus while only 13 percent of cases received this type of service, it accounted for 22 percent of total supportive service spending in SFY 2006.

[23] Colorado Department of Human Services Office of Self Sufficiency Agency Letter Number TWC-01-1-P, February 21, 2001.

Exhibit V.5: Percent of Colorado Works Families receiving Supportive Service Payments in SFY 2006

Supportive Service Type	Cases ever Receiving Payment during Year (%)	Average Value of Monthly Payment ($)	Share of Total Supportive Service Spending (%)
Transportation	29.0	93	25.0
Family/personal need	13.0	229	22.4
Education/training	8.8	172	7.7
Housing	5.9	454	13.0
Supplemental cash	5.4	195	16.4
Employment	4.2	134	2.8
IRC bonus	3.4	242	4.8
Other	2.8	409	6.3
FLSA	0.9	213	1.6
Total	43.7	208	100.0

Source: CBMS administrative data
Note: The "other" category includes: Medical-Non-Medicaid, Diversion, Regular Benefit, Seg Medical-Non-Medicaid, Repayment Fund, Burial, Restoration, Supplemental Payments, Utilities, Initial Benefit, Employer Incentives, and Adult Foster Care.

VI. Employment Outcomes of Colorado Works Clients

One of the primary research objectives of the Colorado Works evaluation is to provide descriptive information on Colorado Works clients, including employment and earning outcomes of TANF recipients and individuals who have left TANF. This chapter provides information on employment and earnings for current TANF recipients and TANF "leavers". Specifically, this chapter addresses the following research questions:

- What percent of TANF recipients are combining work and TANF? What are their average earnings?
- What are the average quarterly earnings of recipients who leave TANF?
- Of those who leave TANF, what percent remain employed over time? Do those who remain employed experience increases in earnings over time?
- What percent of those who have left TANF have no earnings and no Colorado Works payments?

A. Employment and Earnings among Colorado Works Clients

Engagement in employment is a central component of TANF. According to UI wage records, between the first quarter of 2005 and the first quarter of 2007, 29 to 36 percent of participants have engaged in unsubsidized employment while receiving BCA (see ***Exhibit VI.1***).[24] Changes in the size of the welfare caseload also do not appear to be associated with employment rates of those on TANF. While the Colorado Works caseload has declined in almost every quarter since 2005, the percent of clients combining employment and TANF has remained relatively constant.

The most substantial decline in the percent of Colorado Works clients combining work and welfare occurred in the first quarter of 2007, when the percentage of those who were employed decreased from 35 percent in the fourth quarter of 2006 to 29 percent in the first quarter of 2007. Trends in employment over time suggest part of this decline is due to the fact that employment rates are lower in the first quarter of the year than all other quarters. However, it is also notable that employment among welfare recipients was 3 percentage points lower during the first quarter of 2007 than just one year earlier, and 6 and a half percentage points lower than two years earlier. The cause of the substantial decline in the employment rate in the first quarter of 2007 is unclear. One possible explanation is that the increase in Colorado's minimum wage from $5.15 an hour to $6.85 an hour, which went into effect on January 1, 2007, increased the earnings of low-income workers, possibly making more people income ineligible for TANF.

[24] This statistic includes only those individuals who received Colorado Works payments for all three months of a quarter. Due to quarterly reporting of Unemployment Insurance (UI) wage records, monthly analysis of employment is not possible.

Exhibit VI.1: Quarterly Employment and Earnings among Adult Colorado Works Clients Receiving Basic Cash Assistance

	Employment (%)	Change in Employment[a] (%)	Median Earnings ($)	Change in Median Earnings[b] (%)	Number of Adult Clients
2005 Quarter 1	31.3	--	1,133	--	10,529
2005 Quarter 2	33.9	8.2	1,154	1.9	9,852
2005 Quarter 3	36.1	6.6	1,155	0.1	9,009
2005 Quarter 4	34.4	-4.8	1,229	6.4	9,229
2006 Quarter 1	32.5	-5.4	1,063	-13.5	9,295
2006 Quarter 2	34.9	7.2	1,147	7.9	8,220
2006 Quarter 3	35.7	2.4	1,072	-6.6	7,377
2006 Quarter 4	35.1	-1.8	1,152	7.5	6,879
2007 Quarter 1	29.3	-16.5	998	-13.4	6,014
Average Change (2005 Quarter 1 to 2007 Quarter 1)		-6.5		-11.9	

Sources: CBMS administrative data; UI wage records.
Note: Median earnings are of BCA recipients with earnings in quarter.
[a] Change in employment from previous quarter.
[b] Change in median earnings from previous quarter.

During focus groups with current Colorado Works participants, past participants, and applicants, a majority of respondents said that finding a job was a key to achieving self-sufficiency. However, the majority of them also expressed difficulty in finding and keeping a job. ***Box VI.1*** describes some of the primary challenges to employment described by TANF applicants.

Box VI.1: Challenges to Employment Expressed by TANF Applicants

Between December 2006 and March 2007, 15 focus groups were conducted with TANF applicants, participants, and leavers in four Colorado counties (Denver, El Paso, Mesa, and Larimer). These focus groups revealed that the majority of the 76 participants who attended the group had difficulty in the past in securing and/or maintaining employment. The main challenges to employment that focus group participants cited included: Lack of a high school or post-secondary degree/certification; having little or no past work experience; having an illness or disability (or a family member with a disabling condition); lack of relevant job-related skills; or having a felony or misdemeanor conviction.

Exhibit VI.1 also shows that earnings among adult Colorado Works clients tended to fluctuate throughout the year. Between the first quarter of 2005 and the first quarter of 2007, median quarterly earnings among Colorado Works clients ranged from $998 to $1,229. Median quarterly earnings for BCA recipients were well below the earnings limit for a single-parent family of three, which is $6,132 per year, or $1,533 per quarter.

Fluctuations in earnings between the quarters suggest a seasonal trend. Earnings among Colorado Works clients tended to be highest in the fourth quarter of the year (October through December). Following the same trend as employment, median earnings dropped significantly during the first quarter of the year (January through March). The cause of this trend is unclear, but it is possible that TANF recipients work more and thus earn more during the winter holiday season than during the rest of the year, which causes the percentage change in earnings between quarter four and one to be significantly higher than the change between other quarters. Furthermore, employers are likely to need additional temporary help during the holiday season, and these jobs disappear during the first quarter of the year after the winter holidays are over.

Box VI.2 discusses experiences that employers have had with Colorado Works participants that they have hired and provides information about benefits and wages in entry level positions at the 25 Colorado organizations that were interviewed.

Box VI.2 Employer Experiences with Colorado Works Participants

To better understand the needs and hiring practices of Colorado employers, the research team conducted interviews with employers at 25 organizations in nine counties who had some experience with hiring Colorado Works participants. The employers that were interviewed expressed that, compared to the overall number of low-skilled workers hired within the last year, employers generally hired a small number of Colorado Works participants. When asked how Colorado Works participants compared to other entry-level workers in terms of productivity, attendance, attitude, and other factors, 11 employers reported that Colorado Works participants were equal to other workers, while seven employers reported that they had either had some problems or negative experiences with Colorado Works participants.

Benefits were offered to entry-level workers by 21 of the 25 employers interviewed. Wages for the entry-level positions ranged from $5.15 an hour to $14.50, with an average hourly wage of $8.63, well above the Colorado state minimum wage of $6.85 an hour. Finally, 14 employers also noted that they had formal career-paths for entry-level employees, seven said they had informal career paths, and only four said they had no career-path.

B. Employment and Earnings among Colorado Works Leavers

Following large reductions in welfare caseloads nationwide, a growing body of research has focused on the outcomes of families that have left TANF. In Colorado, there have also been considerable reductions in the size of the caseload, as previously discussed in Chapter II. To understand the outcomes of Colorado Works leavers, the analysis presented in this section considers three groups of individuals who left Colorado Works between January 2005 and June 2005: leavers with no return, short-term returnees, and long-term returnees.[25] The following definitions were used for these categories of leavers:

- Leavers with no return are individuals who left and did not return to Colorado Works during the following two years;
- Short-term returnees are individuals who left and later returned to Colorado Works, but for a period of six months or less during the two year follow-up period; and

[25] Throughout this chapter, the term "individuals" is used to denote adult members of the Colorado Works eligibility unit.

- Long-term returnees are individuals who left and later returned to Colorado Works for a period of more than six months during the two-year follow-up period.

Over 8,000 individuals left Colorado Works between January 2005 and June 2005. Of those who left, about 70 percent (5,599 individuals) did not return to Colorado Works during the two year period after they left. Of those leavers who returned at some point during the two-year follow-up period, about 52 percent were short-term leavers, and 48 percent were long-term leavers.

Exhibit VI.2 shows that employment rates among the three different types of leavers do not differ substantially from one another. In addition, the percent of leavers who are employed remain relatively stable within each group during the two years after exiting welfare. Contrary to what might be expected, the percent of leavers with no return to Colorado Works who are ever employed during the first two years after exiting welfare (75 percent) is slightly lower than that of both short-term and long-term returnees, 82 percent of whom were ever employed during the first two years.

Exhibit VI.2: Employment of Individuals Leaving TANF between January 2005 and June 2005

	Leavers with no return	Short-term returnees	Long-term returnees	All Leavers
Employment (%)				
Quarter of exit	49.4	52.0	49.4	49.8
First quarter after exit	51.5	53.3	48.9	51.4
Second quarter after exit	51.3	54.1	44.6	50.8
Third quarter after exit	48.9	52.4	41.5	48.4
Fourth quarter after exit	48.6	50.8	42.9	48.1
Fifth quarter after exit	48.3	50.8	47.5	48.6
Sixth quarter after exit	49.0	50.3	46.5	48.8
Seventh quarter after exit	47.4	46.4	43.5	46.7
Ever employed during (%):				
First year after exit	67.9	74.0	70.2	69.2
Second year after exit	62.8	68.5	68.5	64.5
First two years after exit	75.1	82.3	81.7	77.2
Average quarters of employment of those working:				
First year after exit	3.0	2.9	2.6	2.9
Second year after exit	3.1	2.9	2.6	3.0
First two years after exit	5.3	5.0	4.5	5.1
Employed all quarters of first two years after exit (%):	21.5	17.7	9.4	19.1
Number of individuals	5,599	1,275	1,163	8,037

Sources: CBMS administrative data; UI wage records.

While a definite explanation cannot be provided for this trend, it may be due to the fact that there are sub-groups within the category of leavers with no return that are less likely to be employed, which decreases the employment rate for the first two years after exit. For example, the category of leavers with no return includes individuals who left Colorado Works to obtain SSI benefits. Individuals with SSI benefits are unlikely to become employed. In addition, UI wage records do not capture people who are working but moved out of the state, and people who leave the state are more likely to be included in the leavers with no return category, as the other groups of leavers in this analysis all returned to TANF in Colorado. UI wage records also do not capture all types of employment, such as certain types of government and agricultural employment. It is possible that a higher proportion of leavers with no return work in these industries, and thus their employment rates are underrepresented by UI wage records. Finally, the category of leavers with no return also includes individuals who did not leave TANF by choice, including those who had reached the time limit and those whose children aged-out of the system, who might be less likely to be employed than those who left TANF for employment.

For all three types of leavers, the percentage of those who were employed for all quarters of the two year period after leaving Colorado Works was relatively low, with less than a quarter of any group working for all eight quarters. Leavers with no return had a higher rate of employment for all quarters—22 percent—than short-term returnees (18 percent), and much higher than long-term returnees (9 percent). Each group had higher employment rates in the first year after exit than the second year after exit.

Leavers who do not return to Colorado Works worked, on average, slightly more quarters than either short-term returnees or long-term returnees. In the first two years after leaving Colorado Works, leavers with no return worked an average of just over five quarters out of the eight quarters in the year, compared to short-term returnees who worked an average of five quarters and long-term returnees who worked an average of four and a half quarters.

Overall, out of about 8,000 Colorado Works clients who left TANF between January 2005 and June 2005, about 6,200 leavers, or 77 percent, had earnings in either the first or second year of follow-up. Of those leavers with earnings during the two year follow-up period, 68 percent did not return to Colorado Works, 17 percent were short-term returnees, and 15 percent were long-term leavers (See ***Exhibit VI.3***).

Not surprisingly, the group of leavers with the highest median quarterly and annual earnings was leavers who do not return to Colorado Works. Leavers with no return also showed stronger wage progression over time compared to the other groups.[26] For example, in the second year after exiting TANF, leavers with no return had median annual earnings that were 21 percent higher than their median annual earnings in year one while short-term returnees had an increase of only 8 percent between year one and year two and long-term returnees had a decrease in earnings of 9 percent between year one and year two. Short-term returnees had substantially higher median quarterly and annual earnings than long-term returnees, with median annual earnings that were nearly double those of long-term returnees in year one and year two after exiting TANF.

[26] In contrast to the earlier discussion of employment rates among leavers, this analysis includes only those leavers who had earnings.

Exhibit VI.3: Earnings of Individuals Leaving TANF between January 2005 and June 2005

	Leavers With No Return	Short-term returnees	Long-term returnees	All Leavers
Median quarterly earnings of those working ($)				
Quarter of exit	2,482	2,400	1,888	2,371
First quarter after exit	2,970	2,628	1,518	2,639
Second quarter after exit	3,217	2,549	1,649	2,845
Third quarter after exit	3,274	2,608	1,410	2,930
Fourth quarter after exit	3,270	2,609	1,402	2,911
Fifth quarter after exit	3,430	2,836	1,292	3,003
Sixth quarter after exit	3,600	2,879	1,597	3,244
Seventh quarter after exit	3,536	2,855	2,041	3,165
Median annual earnings, post-exit ($)				
First year after exit	7,390	6,254	3,698	6,299
Second year after exit	9,312	6,768	3,391	7,492
First two years after exit	12,998	10,368	6,452	10,957
Number of individuals with earnings in either year	4,205	1,049	950	6,204

Sources: CBMS administrative data; UI wage records.
Note: Average estimates of those with earnings in quarter.

On the whole, leavers who maintained constant employment for the two years following exit from TANF had increases in earnings over time. ***Exhibit VI.4*** shows the median percent change in earnings between various points in time after exit for leavers who remained employed during every quarter in the two year follow-up period. All types of leavers are included in the exhibit. Among those who were employed for eight quarters, about 79 percent were leavers with no return, 14 percent were short-term returnees, and 7 percent were long-term returnees.

Exhibit VI.4: Change in Earnings of TANF Leavers who were Employed for Seven Quarters Following Exit

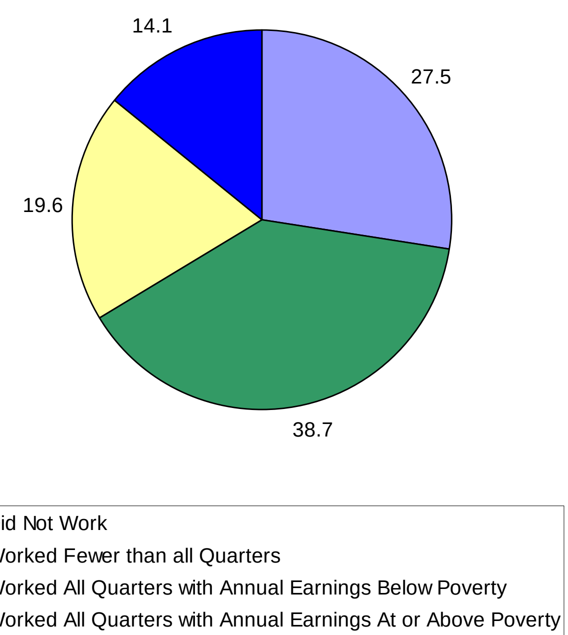
	Median Percent Change in Earnings (%)
Change in earnings during:	
First year of follow-up	9.3
Second year of follow-up	3.7
Two-year follow-up period	15.7
Number of individuals	1,761

Sources: CBMS administrative data; UI wage records.
Notes: TANF Leavers include those individuals who left Colorado Works between January 2005 and June 2005. First year of follow-up is defined as the quarter after exit and the following three quarters. Second year of follow-up is defined as the fourth quarter after exit and the following three quarters. Two-year follow-up period is defined as the quarter after exit and the following six quarters.

Median earnings among TANF leavers continue to increase for the full two years after exit. In the first year of follow-up, earnings increased by about 9 percent and in the second year of follow-up, earnings increased by about 4 percent. Over the full period of follow-up after exiting TANF, median earnings of TANF leavers increased by 16 percent.

Another component of self-sufficiency is the quality of employment. ***Exhibit VI.5*** shows employment rates and earnings of families leaving Colorado Works in the first year after exiting TANF. By the end of the first year after exiting TANF, most of the families work at some point during the year; only about 28 percent of families did not work.[27] Of those who worked in the first year after exit, a little less than half worked consistently for all four quarters and among those who worked all four quarters, many still had earnings below the 2006 poverty threshold.

Exhibit VI.5: Employment Stability in the First Year after Exiting Colorado Works



Sources: CBMS administrative data; UI wage records.

[27] To make poverty comparisons, the data presented in Exhibits VI.5 and VI.6 include earnings of all adults on the Colorado Works eligibility unit. Employment is defined as positive family earnings in a quarter and therefore these figures differ from the individual employment figures presented earlier in Exhibit VI.2. Poverty is determined using 2006 poverty thresholds for the appropriate family size. Family size includes all members of the Colorado Works eligibility unit. Findings should be interpreted carefully as the Colorado Works eligibility unit does not necessarily include all members of the family.

C. Retention and Advancement among TANF Leavers

Understanding the extent to which Colorado Works leavers not only find employment but also keep employment and advance in their jobs is essential to reporting outcomes and long-term self-sufficiency among leavers. ***Exhibit VI.6*** follows the same cohort of leavers over the two years after exiting Colorado Works.

Employment status in the first year after exiting TANF was a strong indicator of employment status in the second year after exit for Colorado Works leavers. Among those leavers who did not work in year one, the majority (72 percent) also did not work in year two. Leavers who worked fewer than four quarters in the first year were also likely to work fewer than four quarters in the second year (44 percent). Only 9 percent of leavers with less than four quarters of employment in year one went on to work all four quarters with annual earnings above poverty in year two.

Families who worked all four quarters with annual earnings below the poverty threshold in the first year were most likely to maintain their work status in year two, with 41 percent of families also working four quarters with annual earnings below poverty in year two. Only 17 percent of this group went on to continue working four quarters but with annual earnings above poverty in year two.

Finally, among those who worked four quarters in the first year with annual earnings at or above the poverty threshold, 68 percent maintained the same status in year two after exit. Nearly 21 percent of this group worked fewer than four quarters in the second year, and only 10 percent worked four quarters with annual earnings below poverty. Very few leavers who worked four quarters with annual earnings above poverty in year one did not work at all in year two (2 percent).

Exhibit VI.6: Employment Retention and Advancement among TANF Leavers[a]

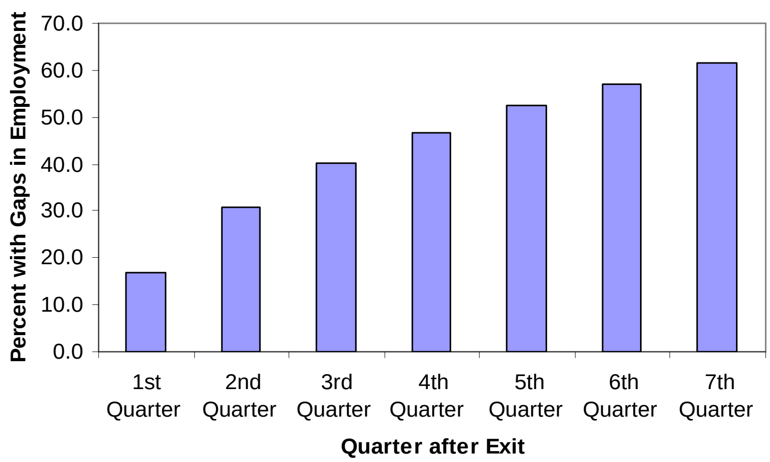
	Year 1 Status (%)				
	Did Not Work	Worked Fewer than 4 Quarters	Worked 4 Quarters with Annual Earnings Below Poverty	Worked 4 Quarters with Annual Earnings At or Above Poverty	Total Number of Families
Year 2 Status (%)					
Did Not Work	72.0	28.7	4.8	1.8	2,266
Worked Fewer than 4 Quarters	24.8	43.9	36.6	20.6	2,392
Worked 4 Quarters with Annual Earnings Below Poverty	2.6	18.4	41.2	9.6	1,220
Worked 4 Quarters with Annual Earnings at or Above Poverty	0.6	9.0	17.4	68.0	1,176
Total Number of families	1,943	2,733	1,382	996	7,054

Sources: CBMS administrative data; UI wage records.
[a] Includes individuals who left TANF from January 2005 to June 2005. The follow-up period does not distinguish between leavers who never returned and those who did return to BCA.

Another way to examine employment retention is to look at what percent of leavers maintain constant employment over time. ***Exhibit VI.7*** shows the percent of leavers who had gaps in employment between the quarter they exited Colorado Works and each quarter after exit for up to seven quarters.[28]

As the exhibit illustrates, over time, an increasing share of Colorado Works leavers had gaps in employment. In the first quarter after exiting TANF, only 17 percent of leavers had gaps in employment, meaning that of those who were employed in the quarter they left TANF, 17 percent were not employed during the quarter after they exited TANF. By the second quarter after exit, 31 percent had gaps in employment—meaning that an additional 14 percent did not work in the second quarter after exit. By the seventh quarter after exit, 62 percent of leavers had gaps in employment.

Exhibit VI.7: Percent of Colorado Works Leavers with Gaps in Employment between the Quarter of Exit and Quarter after Exit



Sources: CBMS administrative data; UI wage records.

Interviews with 25 employers who have hired Colorado Works participants provided some recommendations for improving the employability of TANF recipients. ***Box VI.3*** lists these recommendations.

[28] For this analysis, a gap in employment is defined as a disruption in continuous quarterly employment. That is, a gap in employment would be reflected in the second quarter after exit if an individual is employed in the first quarter after exit, then does not work at all in the second quarter after exit.

Box VI.3: Employer Recommendations for Improving the Employability of Colorado Works Participants

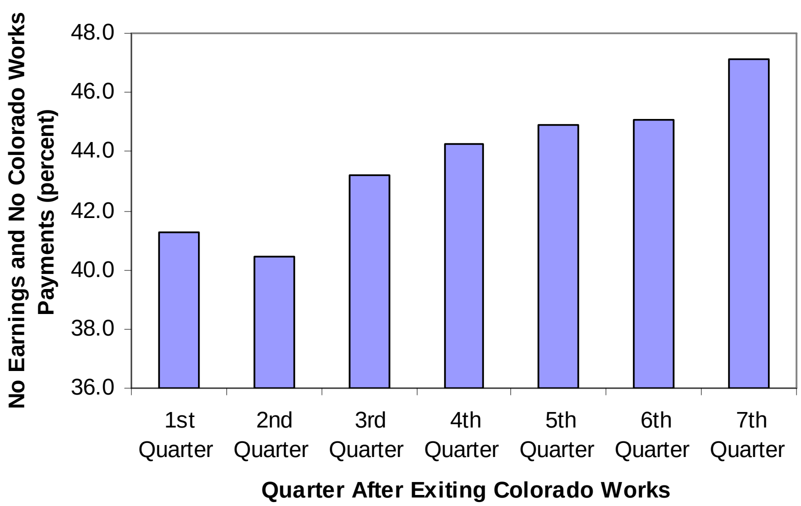
Employers who were interviewed suggested several program improvements that might make them more likely to hire welfare recipients. The most common suggestions included:

- Increase pre-employment preparation and add more supportive services after employment.
- Increase state funding to support businesses who hire welfare recipients.
- Increase communication between Colorado Works offices and employers.
- Conduct a more thorough screening of welfare recipients prior to referring them to employers (e.g. screen for substance abuse and family problems).

D. No Welfare, No Work

One group of TANF leavers that is of particular concern consists of those families that leave Colorado Works but do not have any earnings. ***Exhibit VI.8*** shows the percent of individuals who left Colorado Works between January 2005 and June 2005 who had no earnings and no Colorado Works payments by the quarter after exiting TANF.

Exhibit VI.8: Leavers with No Earnings and No Colorado Works Payments by Quarter after Exiting TANF



Sources: CBMS administrative data; UI wage records.

Over time, increasing shares of leavers had no earnings and no welfare. Out of about 8,000 individuals who left TANF between January 2005 and June 2005, 41 percent did not have earnings or Colorado Works payments in the first quarter after exiting TANF. By the seventh quarter after exiting TANF, 47 percent had neither earnings nor welfare.

During the first year after exiting TANF, a quarter of leavers had no earning and no TANF payments for the entire year. It is unclear how those without either earnings or cash assistance are getting by. Some leavers without work and welfare may have left the state, some may be receiving SSI, others may be living with a spouse or family member who is providing for the family, some may be working in jobs not covered by quarterly UI wage records, and still others may have unknown means of support. This topic will be explored further by the Lewin Group in a more detailed study of Colorado Works leavers.

APPENDIX

Exhibit A.1: Characteristics of Colorado Works One-Parent and Two-Parent BCA Cases by Region, SFY 2006

	Central Mountains	Eastern Plains	Front Range	San Luis Valley	Western Slope	Colorado
Head of Household Characteristics						
Female (%)	89.6	91.3	92.6	89.0	92.4	92.3
Marital Status (%)						
Never married	73.7	65.4	83.5	70.1	74.7	81.2
Married	12.8	14.8	7.7	17.2	11.3	8.8
Other	13.5	19.7	8.8	12.7	14.0	10.0
Age (%)						
18-24 years	31.9	36.7	34.2	36.8	33.8	34.3
25-34 years	37.1	39.3	37.9	37.0	40.5	38.1
35 years or more	31.0	24.0	27.9	26.3	25.7	27.6
One or more disabilities (%)	25.1	19.9	16.9	16.9	21.6	17.7
Case Characteristics						
Family type (%)						
One-parent	82.6	85.1	90.9	79.4	88.5	89.8
Two-parent	17.4	14.9	9.1	20.6	11.5	10.2
Number of children on case (%)						
None [a]	3.7	2.4	3.2	2.9	3.6	3.2
One	45.8	41.5	42.9	48.1	45.9	43.3
Two	29.2	29.7	30.3	28.5	30.6	30.2
Three or more	21.4	26.3	23.6	20.4	20.0	23.3
Age of youngest child (%)						
Under 1 year	22.5	20.6	21.7	21.8	22.4	21.7
1 to 3 years	30.5	37.7	36.2	41.1	36.7	36.3
4 to 5 years	10.5	10.7	11.5	8.7	11.9	11.4
6 years or older	36.5	31.0	30.7	28.4	29.0	30.7
Number of cases	337	527	8,709	289	874	10,735

Source: CBMS administrative data

[a] Includes parents with children on SSI and pregnant women

Exhibit A.2: Characteristics of Sanctioned Colorado Works Participants, SFY 2006

	Sanction Level 1	Sanction Level 2	Sanction Level 3	Twenty-four Month Case Closure	Case Closure for Demon-strable Evidence	CO Works Average Monthly Caseload
Adult Characteristics						
Female (%)	79.1	83.8	84.0	87.3	83.9	85.0
Marital Status (%)						
Never married	78.5	81.6	78.2	81.7	83.2	79.2
Married	13.7	10.3	14.4	10.5	11.0	11.4
Other	7.8	8.1	7.4	7.8	5.8	9.3
Age (%)						
18-24 years	40.4	37.7	35.4	22.1	37.0	33.6
25-34 years	35.0	35.5	42.5	44.9	37.0	38.3
35 years or more	24.4	26.8	22.1	32.9	26.1	28.1
One or more disabilities (%)	16.1	18.7	18.0	18.1	11.7	17.7
Months on TANF clock (%)						
0 to 3	7.1	3.9	2.2	1.3	16.5	16.3
4 to 11	43.1	37.4	32.1	2.9	39.4	31.1
12 to 23	31.1	36.0	35.0	4.2	26.1	26.3
24 to 53	17.9	19.3	28.5	85.7	17.0	24.0
54 to 59	0.6	2.5	1.8	4.8	1.1	1.6
60	0.1	0.8	0.3	0.6	0.0	0.2
More than 60	0.1	0.8	0.0	0.6	0.0	0.6
Case Characteristics						
Family Type (%)						
One-parent family	77.7	82.7	80.8	83.3	81.8	81.7
Two-parent family	22.3	17.3	19.2	16.7	18.2	18.3
Number of children on the eligibility unit (%)						
None [a]	0.1	0.0	0.3	0.0	1.4	3.2
One	32.1	32.4	27.4	26.2	34.3	42.3
Two	33.1	30.7	31.5	29.3	31.0	30.4
Three or more	34.7	36.9	40.8	44.5	33.3	24.2
Age of youngest child (%)						
Under 1 year	27.5	27.4	24.8	14.1	21.7	22.4
1 to 3 years	38.6	36.3	38.6	36.5	39.8	36.6
4 to 5 years	9.7	10.1	12.4	13.3	8.6	11.1
6 years or older	24.2	26.3	24.2	36.1	29.9	29.9
Total Caseload	708	358	868	526	571	11,957

Source: CBMS administrative data
Notes: As sanctions are assigned due to the actions or inaction of individual participants, this exhibit presents figures at the participant level, rather than head of household as in other exhibits throughout this report. Categories are mutually exclusive; individuals are included using a hierarchy of punitive severity in order of: case closure for demonstrable evidence, level three sanction, 24-month case closure, level two sanction, and level one sanction.
[a] Includes parents with children on SSI and pregnant women