Evaluation of the Colorado Works Program

Second Annual Report

November 2000

Submitted to:

Office of the Colorado State Auditor

Submitted by:

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This is the Second Annual Report in Berkeley Policy Associates' ongoing evaluation of the Colorado Works program. The report presents our assessment of program operations and expenditures, caseload trends, and recipient outcomes during the first three years of Colorado Works. Findings and recommendations are presented on the state and federal earned income tax credits, job preparation activities, provision of services for mental health, substance abuse, and domestic violence, and the development of additional performance measures for the program.

We appreciate the cooperation of policymakers and program staff at the state and county levels. Their ongoing feedback on program operations and our preliminary findings have been critical to the success of the evaluation.

We are pleased to be part of this important project and look forward to continuing the evaluation next year.

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Executive Summary

In August 1996, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) (P.L. 104-193) was signed into federal law, replacing the Aid to Families with Dependent Children (AFDC) program with the Temporary Assistance for Needy Families (TANF) program. The Colorado General Assembly responded by enacting Senate Bill 97-120, which established Colorado Works to serve as Colorado's TANF program. In the first three years of Colorado Works, one-parent cases, which make up the majority of the caseload, decreased by 70 percent. As is shown in the figure below, between July 1997 and June 2000, the number of one-parent cases declined from 21,053 to 6,270. During the same period, two-parent and child-only caseload levels have also declined but by smaller amounts. Two-parent cases numbered 740 in July 1997 and 383 in June 2000, a decline of 48 percent. Child-only cases, which do not include an eligible caretaker, stood at 6,105 in July 1997 and 4,700 in June 2000, a decline of 23 percent. Overall, Colorado's TANF caseload has declined at a rate that is among the largest in the nation. Between January 1998 and December 1999, only two states registered percentage caseload declines larger than Colorado's 51 percent decline.

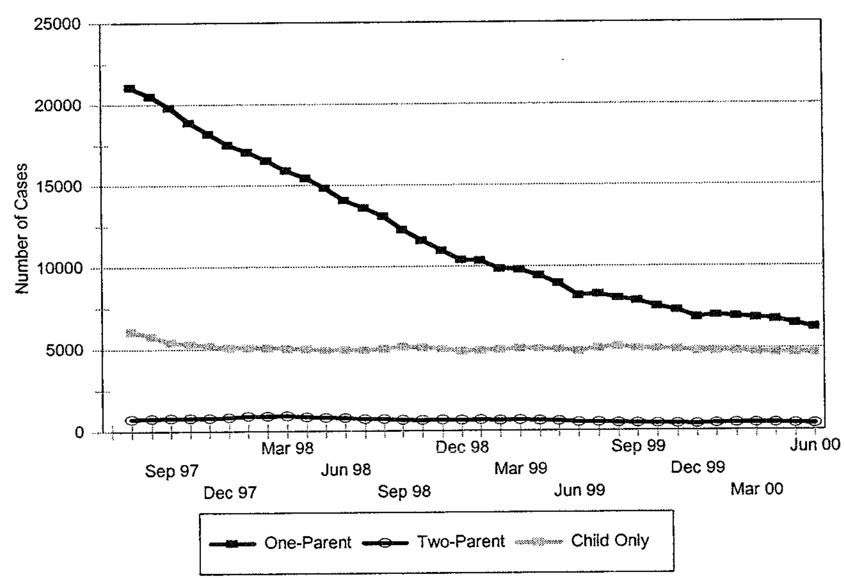
Expenditures for the Colorado Works Program in State Fiscal Year (SFY) 2000 totaled \$131 million. Spending for cash assistance and supportive services to Colorado Works recipients accounted for 57 percent of total expenditures, or \$74.3 million. An additional \$44.4 million (34 percent of total expenditures) was spent on administrative costs associated with program operation, which primarily included salaries for county program staff providing case management and other services to recipients. Overhead and information systems costs amounted to \$12.4 million, or 9 percent of total expenditures.

In June 2000, the typical adult Colorado Works recipient was a single mother, 30 years old, with one or two children. Half of all adult recipients were white, another 30 percent were Hispanic, and about 15 percent were African-American. Ten percent of adult recipients were pregnant. In contrast to the experience of other states, the characteristics of Colorado's TANF population have not measurably changed since the inception of Colorado Works.

Policymakers and advocates have expressed concern that given the rapid decline in welfare caseloads, those remaining on aid would increasingly be "hard-to-serve" recipients who have been on aid for long periods of time. Contrary to expectations, we find evidence that the Colorado Works program is in fact becoming less comprised of long-term recipients. The proportion of adults with five years or more of lifetime welfare receipt on either AFDC or Colorado Works declined from 37 percent of the Colorado Works caseload in June 1998 to 28 percent in June 2000. This decline indicates long-term recipients have been leaving Colorado Works at rates comparable to short-term recipients. Nonetheless, over 1 in 4 adults on the caseload is at risk of reaching the lifetime limit for receipt of TANF assistance within the next two or three years.

Colorado Works Caseload by Case Type

July 1997 - June 2000



Under federal rules, Colorado Works recipients may not receive TANF funded assistance for more than five years (60 months) over their lifetime. However, states can continue to use federal TANF funds to provide assistance beyond the lifetime limit for up to 20 percent of their caseload by granting hardship exemptions. Colorado plans to exempt families in which a parent or child is disabled, families with children who live with a non-parent and who are at risk of out-of-home placement, and victims of domestic violence. The State can also opt to use non-federal TANF funds to continue to serve families in excess of the 20 percent exemption limit.

Initial Colorado Works Goals

Senate Bill 97-120 identified three major goals for Colorado Works. We have found that these program goals have been partially met, with some notable exceptions as discussed below.

Goal 1: Assist participants to terminate their dependence on government benefits by promoting job preparation, work, and marriage. We measure achievement of this goal in a number of ways. First, in looking purely at caseload decline, we find a 70 percent decline in the one-parent caseload, indicating that the State has been successful in helping recipients terminate their dependence on government benefits. However, caseload decline alone does not indicate the extent to which former recipients leave aid for employment. In examining post-program employment, we find that about half of those who leave Colorado Works find employment and of these, only 30 percent find steady employment. (Employment and earnings are discussed in more detail later in the summary.) We do not have data to indicate whether marriage has been utilized as a vehicle for helping recipients leave aid. Data from the field study indicates that this is not a focus of the Colorado Works program.

Goal 2: Develop strategies and policies that focus on ensuring that participants are in work activities as soon as possible so that the State is able to meet or exceed work participation rates specified in the federal law. All Colorado counties have developed strategies to ensure that recipients are engaged in work activities quickly. Counties have implemented numerous tools to help promote this goal, such as job readiness classes, barrier assessments, transportation assistance, child care assistance, diversion programs, and many other practices aimed at helping families become self-sufficient through employment. However, as discussed in more detail below, these activities may not be as useful to some recipients as would services to address other barriers to employment, such as domestic violence or mental health problems. In Federal Fiscal Year (FFY) 1999, Colorado met its all families work participation rate, but was one of only eight states that did not meet its two-parent rate. This is discussed in detail later in the summary.

Goal 3: Allow the counties increased responsibility for the administration of the Colorado Works program. This goal has been accomplished. Each of Colorado's counties administers its own Colorado Works program. The 15 field study counties we visited had all customized their programs to meet the needs of the specific population served by the program.

New TANF Regulations Offer Increased Flexibility

The TANF program was further modified in October 1999 when the final TANF regulations took effect. These regulations emphasize the importance of providing post-employment transitional services insofar as they specify that TANF funds may be used to provide these services for eligible families without counting toward their five-year lifetime limit on aid. States are encouraged to provide supportive and transitional services for employed former recipients and other low-income families to assist them in their employment retention efforts. If the old TANF motto was, "get a job," the new TANF motto is, "get a job and keep it."

The new TANF regulations place an emphasis on the provision of post-program, or transitional, supportive services. The Colorado General Assembly did not specifically authorize transitional services in Senate Bill 97-120. However, these services are being provided by counties under the auspices of the diversion program. State diversion is available to families who meet the basic cash assistance eligibility requirements, but do not need ongoing cash assistance. County diversion is available to those who do not meet the basic cash assistance eligibility requirements, but also demonstrate a need for services. Both programs can be used to assist adults who have no history of Colorado Works receipt, as well as to provide services to Colorado Works leavers. Diversion therefore encompasses both up-front diversion, the standard definition of these programs, as well as post-program transitional services, which other states have authorized under separate programmatic categories.

This focus on long-term employment and self-sufficiency creates the opportunity to place renewed emphasis on activities that were de-emphasized under TANF. For instance, educational and training activities are limited by TANF, and many such activities do not count toward the State's work participation rate. However, current economic and political conditions provide a unique opportunity to restructure service provision for the hardest-to-serve Colorado Works recipients and focus services where they will be most effective. With the large caseload reduction credit that Colorado receives, its work participation rate for all families is effectively zero and will not increase substantially unless the caseload increases. In addition, with the exceptional economic conditions throughout much of the State, most of those who are employable can find employment, further reducing the pressure to meet work participation rates. Colorado may therefore be able to reinstate education and training activities for those with low educational attainment, in an effort to improve their chances at long-term self-sufficiency.

The goals and regulations for Colorado Works and TANF pertain largely to adult-headed cases. Adult-headed cases include one or two parents who are subject to the work participation requirements and time limits associated with Colorado Works. Senate Bill 97-120 did not explicitly lay out goals for the other main group of participants, child-only cases, which includes children whose parents are not eligible for Colorado Works (e.g., because they are receiving SSI), as well as children living with other caregivers, such as grandparents.

Because the regulations guiding participation in Colorado Works differ greatly for child-only and adult-headed cases, we provide separate discussions of the program experiences of these groups. We concentrate the bulk of our analyses on adult-headed cases, as these are the families on which the legislation and program rules concentrate. Child-only case characteristics and services are discussed at the end of this summary.

Evaluation Data Sources and Methods

The data presented in this evaluation come from four main sources:

- administrative data maintained by the Colorado Department of Human Services, the Colorado Department of Labor and Employment, and the Colorado Department of Revenue;
- a survey of Colorado Works recipients who received aid in the last calendar quarter of 1999 (conducted in the spring of 2000);
- field study data collected through interviews and focus groups in 15 Colorado counties; and
- interviews with staff from various state agencies.

We combine these data sources to provide findings about program operations and outcomes, as well as recommendations aimed at program improvement. Colorado Works is an evolving program; many counties are still implementing the innovative programs they initially designed, and others continue to plan and administer new strategies. Because program operations continue to evolve, it is difficult to quantify the effectiveness of various county practices. In the report, we identify counties' innovative approaches to various problems, and we view these practices as noteworthy, even if their effectiveness is yet uncertain.

Throughout the report, we utilize data from July 1997 to June 2000 to report on program activities and outcomes. Because many of our analyses rely on tracking recipients once they leave aid, we are limited to reporting the post-program activities (including return to aid and employment) of those who exited the program in 1998 and 1999. Therefore, it is possible that our findings do not represent the experiences that current Colorado Works leavers will face. This data limitation is particularly acute this year with the adoption of the new TANF regulations in October 1999.

Colorado Has Moved Many Colorado Works Recipients into Employment

Our findings indicate that Colorado has been about as successful as other states in moving adult TANF recipients into employment. In the first three months after leaving Colorado Works, about 54 percent of adults were employed.[1] In the 1999 Colorado Works Participant Survey, about the same percentage of those who had left aid reported doing so as a result of employment (55 percent).

Although on par with other states, Colorado's post-TANF employment rate has not changed since program implementation. We would expect that with the changes and improvements in program operations over time, the percent of former recipients who are employed immediately after exit would increase. In 1999, the national employment rate was 71 percent among single mother families and 68 percent among married mothers.[2] Given these comparison employment rates, an appropriate goal for Colorado Works might be a post-program employment rate of approximately 65 to 70 percent. Taking into account potential underestimates of employment from the Unemployment Insurance data,[3] we estimate that the true post-Colorado Works employment rate is approximately 60 percent, and hence 5 to 10 percentage points lower than a reasonable target rate.

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[1]This figure is based on Unemployment Insurance wage records maintained by the Colorado Department of Labor and Employment. Adults are counted as employed if they record $100 or more in earnings in a particular quarter.

[2]Data reported by the U.S. Bureau of Labor Statistics using data from the 1999 Current Population Survey.

[3]Unemployment Insurance data may underestimate employment because it does not include earnings from: (1) self-employment, (2) some agricultural work, (3) some public sector employment, and (4) irregular or off-the-books employment.

Stable Employment Is the Key to Ongoing Self-Sufficiency

Both TANF and Colorado Works legislation were developed on the presumption that employment is the appropriate program goal because it leads to self-sufficiency. Our findings indicate that while this premise may be true in some cases, not all employment leads to self-sufficiency. Stable employment after exit from Colorado Works is most likely to lead to progress toward self-sufficiency for two key reasons: (1) long-term employment leads to increased earnings, and (2) stable post-program employment leads to decreased return to aid.

Those who remain employed for a year or more after Colorado Works exit experience substantial wage growth in these first few years. This is particularly important because earnings are quite low among those exiting Colorado Works. Median earnings in the first quarter after exit ranged from $2,100 to $2,400 per quarter (equivalent to $8,400 to $9,600 annually) over the entire three years of program operation. Based on earnings from employment alone, one year after exit from Colorado Works about 20 percent of leavers had earnings that exceeded the poverty level. However, as time spent in the labor force increases, former recipients increase their earnings. Among those who were employed steadily after Colorado Works exit, we find that earnings increased by 15 percent after a year of steady employment, 23 percent after 18 months, and 37 percent after two years.

Former recipients tend to find employment in the relatively low-paying services and retail trade industries. For example, during the fourth quarter of 1999, 46 percent of employed former recipients were working in the services sector and 30 percent were employed in retail trade. Given their lack of job skills and work experience, former recipients are at the low end of the earnings scale compared to Colorado employees generally, and within the services and retail trade sectors.

Stable employment is not the norm for former Colorado Works recipients. Among adults who exited Colorado Works in the last calendar quarter of 1998, 32 percent were employed continuously over the subsequent year, 38 percent were employed sporadically, and 30 percent were not employed after leaving Colorado Works. Colorado is one of seven states that participated in the National Governors' Association Academy on Expanding Opportunities for Low-Income Families to

Advance in the New Economy. As part of this project, the State has developed strategies for helping low-income families achieve greater economic success through employment retention.

In addition to its correlation with lower earnings, sporadic employment is also associated with increased re-entry to Colorado Works. Twelve-month re-entry rates for the program are about 18 percent for all Colorado Works leavers. Among those who had 15 months of continuous employment, the re-entry rate was just 1 percent. Those with employment lasting between three and six months after exit had a re-entry rate of up to 40 percent. Those with no employment returned to Colorado Works at a rate of about 19 percent. The actual re-entry rate for this latter group is likely lower because it includes those who have moved out of state, gotten married, or found other means of supporting themselves that are not recorded in administrative data.

The findings detailed thus far lend strong support to the notion that Colorado Works should support long-term steady employment as a means to self-sufficiency. There are, however, a number of challenges to meeting this goal for all recipients. We discuss three main challenges to helping Colorado Works recipients become steadily employed:

- local economic conditions in some areas of the State;
- lack of education and job skills; and
- personal and structural barriers that impede the ability of participants to secure and retain employment.

Many counties have developed innovative practices to address the needs of Colorado Works recipients. Overall, however, we find that services provided to Colorado Works recipients and leavers are not sufficient to ensure that employment barriers are addressed. As we discuss throughout this summary, we find that assessment of barriers to employment and linking recipients to available services continue to prove challenging for many county programs. Counties that are not succeeding in these efforts would benefit from more explicit direction from the Department of Human Services. The Department of Human Services can encourage innovation in barrier identification and service provision by establishing performance measures related to improvements in program operations in these areas. ***The Department of Human Services, in consultation with policymakers, the counties, and advocates, should consider developing additional performance measures for the Colorado Works program. These measures should encourage counties to focus on and improve their outcomes in the provision of job preparation activities such as education, job skills training, and counseling for current recipients, the delivery of post-program supportive services to former recipients, and in employment retention for current and former recipients.***[4]

Local Economic Conditions Play a Role in Securing Employment

Our findings indicate that local economic conditions, as proxied by the county unemployment rate, indeed affect the Colorado Works caseload. Unemployment rates have been at record lows during much of the three years of Colorado Works operation, averaging between 3 and 4 percent statewide. However, two regions of the State--Pueblo County and the San Luis Valley–have seen unemployment rates as high as 11 percent over the first three years of Colorado Works. These areas have also seen the highest concentration of Colorado Works cases per 1,000 women ages 15 to 44 (known as the recipiency rate), suggesting that less than favorable economic conditions in these areas have slowed the caseload decline. Although the caseload has declined in these areas as well as across the State, counties in the San Luis Valley have seen smaller declines.

Higher unemployment rates also affect former recipients' earnings levels. Increasing unemployment would force some former participants to cut back hours or take lower paying jobs in order to remain employed. In fact, a 1 percent increase in the unemployment rate would lead to a 5 percent decrease in earnings.

It will be important to continue to monitor the effect of the economy on Colorado Works caseload levels and former recipients' employment and earnings. In some sense, the current economic conditions can be considered optimal for TANF's

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[4]Departmental responses to each recommendation are provided in the full report. The Department agrees with the recommendations.

work first approach. In the future, if the economy is less robust, this approach may prove much more challenging to implement.

Lack of Education and Limited Job Skills Are Key Barriers to Self-Sufficiency

Perhaps one of the greatest impediments to work among Colorado Works participants is a lack of preparation for and involvement with the labor market. Nearly one-third (31 percent) of 1999 Colorado Works Participant Survey respondents indicated that a lack of job skills hindered their ability to secure or maintain employment over the past year. Employment rates among those with job skills barriers were indeed substantially lower than those without such barriers. Thirty-nine percent of Colorado Works recipients who reported job skills barriers were employed, compared to 55 percent of those who did not report such barriers. Even after leaving cash assistance, lack of job skills continues to be a barrier. Among Colorado Works leavers who we surveyed, those with job skills barriers were employed at a rate of 53 percent, compared to an employment rate of 70 percent for those without job skills barriers.

Job skills barriers to employment can take a variety of forms, including lack of education and low labor market attachment. Using these measures, we find evidence that job skills barriers are indeed a problem for Colorado Works recipients.

Colorado Met Its All Families Work Participation Rate, but Did Not Meet Its Two-Parent Family Rate

In the 2000 program year, Colorado was obligated to place 35 percent of its adult recipients in work activities for 25 or more hours per week (the federal work participation rate requirement). Ninety percent of two-parent cases are required to be in work activities for at least 35 hours per week (both parents' hours combined). Colorado Works further requires participation in a work activity within 24 months of program entry, or when the participant is deemed work-ready by a case manager. The federal government allows a caseload reduction credit that is based on each state's rate of caseload decline. Because Colorado's caseload has fallen so dramatically, its actual (i.e., adjusted) work participation rate is zero for all families and 45 percent for two-parent families.

In FFY 1999, Colorado was one of eight states to not meet the two-parent rate, with 41 percent of two-parent families engaged in work activities at the required level.[5] The State is currently appealing this finding with the U.S. Department of Health and Human Services. If the appeal is denied, Colorado will face a penalty of about $20,000. There are very few two-parent families on the caseload, averaging about 400 per month. These families are generally assumed to be very disadvantaged, given their inability to be self-sufficient even with two potential earners in the family. In particular, Colorado Department of Human Services staff report that a number of two-parent families include a disabled adult who may face additional employment challenges. Some of these parents had SSI applications pending. Further, some are refugees who need English as a Second Language services. The extent to which these services count toward the work participation rate is limited. To address the needs of these two-parent families, counties may appropriately be directing them into services that do not count toward the work participation rate.

Participation in Federally Approved Work Activities Has Declined, and County-Defined Work Activities Have Become More Prevalent

Two significant trends are evident in the work activity participation of adults during the first three years of the Colorado Works program. First, there was an increase in the share of adults participating in a work activity in the months leading up to and including June 1999, the first month in which the 24-month time limit for work participation would affect recipients. In that month, 77 percent of adult recipients were engaged in a work activity, with 61 percent engaged in federally-approved activities. After July 1999, a decline in work activity participation

[5]There are 36 states that have two-parent family TANF programs.

occurred in most activities. In May 2000, 63 percent of adults were engaged in a work activity, with 49 percent in federally-approved activities.

The drop in participation in federally approved work activities since July 1999 does not threaten Colorado's ability to meet the federal work participation rate requirement and may reflect increasing attempts by case managers to place recipients in activities that address barriers.

A second trend in work activity participation of adult recipients is the large increase in the use of county-defined activities over the past two years. In June 1998, only 1 percent of adult Colorado Works participants were engaged in county-defined activities. By June 1999, 22 percent of participants were engaged in a county-defined activity. However, as of May 2000, recipients engaged in county-defined activities had decreased to 18 percent of the adult caseload. The general increase in county-defined work activities is potentially beneficial to recipients if case managers feel they have more flexibility to provide recipients who are not job-ready with needed services to address the barriers they face. County-defined work activities are used to address barriers to employment. Health-related activities are the most common county-defined work activities. In May 2000, medical and pregnancy/maternity (28 and 25 percent, respectively) were the most common activities.

Low Educational Attainment is Associated with Lower Employment Rates

Nationally, 43 percent of TANF recipients have not completed high school or obtained a GED.[6] In comparison, Colorado Works recipients are more highly educated, with 31 percent having never completed high school or a GED. Twenty-two percent of Colorado Works recipients have completed a GED and 21 percent have earned a high school diploma. Although 26 percent of recipients have attended some college classes, only 6 percent have actually earned a degree

[6]*Temporary Assistance for Needy Families (TANF) Program Third Annual Report to Congress,* U.S. Department of Health and Human Services, Washington, D.C., August 2000.

(associate, bachelor, or graduate). Not surprisingly, the employment rate among those who have not completed high school or the equivalent is lower (43 percent) than those who have completed high school or earned a GED (59 percent). Employment among those with a college degree is even higher, at 71 percent.

Education is not only related to employment, but also to earnings levels. Relative to those who did not complete high school or a GED, earnings levels are 16 percent higher for those with a high school diploma or GED, and 46 percent higher for those who have a college degree.

Colorado counties have made progress in providing educational services to those with low educational attainment. Among 1999 Colorado Works Participant Survey respondents without a high school diploma, 48 percent had participated in educational activities through Colorado Works, mostly GED classes.

It is not easy to determine if low educational attainment actually results in low employment rates or if *both* low education attainment and lack of success in the labor market reflect more significant individual barriers (for example, learning disabilities). However, because education and employment are so closely related, lack of educational attainment can be used by Colorado Works case managers to identify recipients who require more intensive assessment and targeted services to address their employment barriers. Such activities may include the opportunity to obtain a high school diploma or GED, but might also include enrollment in certificate programs that provide job skills and post-employment services, or counseling to address learning disabilities. ***The Department of Human Services should provide additional technical assistance to the counties on ways to continue their efforts to meet federally required work participation rates while simultaneously enrolling Colorado Works recipients, as appropriate, in federal work activities that focus on job skills training, basic or vocational education, or more intensive job preparation programs, such as certificate programs that combine on-the-job training or a work experience component.***

Work Activities Are Used to Help Recipients Overcome Lack of Labor Market Experience

Like low educational attainment, lack of experience in the labor market is prevalent among the Colorado Works population. Among 1999 Colorado Works Participant Survey respondents, 31 percent reported that a lack of education or training had been a problem in getting or keeping a job. Indeed, those reporting this barrier reported lower rates of employment. However, two-thirds of those who reported lack of labor market experience received services through Colorado Works to address this problem. Although we cannot ascertain the intensity or duration of these services, the data suggest that many Colorado Work recipients receive assistance from the program to make the transition into the labor market.

Responses to the 1999 Colorado Works Participant Survey indicate that of the work-related activities, job readiness courses, job skills training, and vocational education were among the most helpful in assisting participants to secure and maintain employment. Job search, which is generally an unstructured activity in which recipients are required to contact a specified number of employers, proved much less helpful.

Personal and Structural Barriers Impede Participants' Abilities to Secure or Retain Employment

Nearly all (85 percent) Colorado Works recipients report one or more of the following barriers to obtaining or maintaining employment: lack of education or job skills, mental health, physical disability, transportation, housing, domestic violence, substance abuse, and lack of child care. About two-thirds of recipients face two or more barriers, and one-third face four or more barriers. The presence of these barriers is highly correlated with employment. For instance, those without any barriers are employed at a rate of 73 percent. In contrast, those with one barrier have a 56 percent employment rate, and those with four or more barriers have a 38 percent employment rate.

The prevalence of barriers to employment in the Colorado Works caseload and the relationship of these barriers to subsequent employment underscores the need for a continuum of services to assist recipients in the transition from welfare to work. Although many counties have in place appropriate assessment and service provision measures, we find that overall provision of services offered by Colorado Works is not sufficient to meet participants' needs in most of these barrier categories. In some cases, lack of service provision is due to the difficulty in identifying those with barriers. In other cases, lack of services is due to broader structural impediments, such as a shortage of housing subsidies or public transportation.

Recipients' personal barriers to employment, including mental health, domestic violence, and substance abuse, are generally difficult to assess. Case workers therefore rely on participants' self-reports of these problems to refer them for services. In a departure from findings in the *First Annual Report*, case managers indicated that these problems cannot always be detected in an initial assessment. Rather, identification requires an ongoing relationship with recipients, who are more likely to reveal personal problems once trust has been established. Some case managers feel that additional training would be helpful in identifying these barriers, and many counties, as well as the Colorado Department of Human Services, have offered assessment training.

Colorado counties have developed two additional responses to the challenges posed by identification of barriers:

- **On-site placement of specialists.** A number of the 15 field study counties we visited had domestic violence, substance abuse, or mental health specialists located at the county office to assist with identification of problems, provide appropriate referrals, and provide actual services to those with an identified need.

- **Collaboration with community service providers.** Where an on-site specialist is not feasible or cost effective, counties have entered into formal or informal relationships with service providers to assist with identification and service provision of various barriers. These service providers may offer training to case workers on barrier identification as well.

These responses have reportedly led to increased identification and service provision. County staff report that having on-site specialists, in particular, is an effective way to overcome the problem of identifying barriers.

Structural barriers to employment, including transportation, housing, and child care, are generally easier to assess since there is little stigma associated with these needs and clients are therefore more willing to self-identify a barrier. However, solutions to barriers in these areas are difficult to develop because barriers are often related to shortcomings in or lack of availability of existing services, such as housing subsidies, public transportation or off-hours child care. Therefore, problems faced by Colorado Works recipients in terms of transportation, housing and child care are also likely faced by other low-income families statewide. Counties that have attempted to address these problems have done so mostly through collaboration with other county agencies and community service providers.

Although we do not have specific measures of them, county program staff also report that non-traditional barriers, such as a lack of life skills and an inability to manage household responsibilities, are also prevalent among Colorado Works recipients. Many counties have developed services to specifically address these barriers, including periodic home visits by case managers.

Below we discuss the extent to which each of these six barriers (mental health, domestic violence, substance abuse, transportation, housing, and child care) presents itself in the Colorado Works caseload, the level of service provision offered to address these problems, and the various innovative practices counties have implemented to assist recipients to overcome these barriers.

Mental Health Barriers

The most frequently cited barriers to employment were mental and emotional health problems, reported by 47 percent of the 1999 Colorado Works Participant Survey respondents. These barriers do indeed affect employment. Respondents reporting a mental health problem were 22 percent less likely to be employed than those without such a barrier.

Despite the prevalence of mental health problems, only 39 percent of Colorado Works participants reporting a mental health barrier received services to address it. Because all Colorado Works recipients are Medicaid-eligible, they should have access to a broad range of mental health services. These services are offered through Colorado's nine Mental Health Assessment and Service Agencies (MHASAs), which have entered into Memoranda of Understanding with each county in their service areas to govern mental health referrals from Colorado Works. MHASAs are therefore the appropriate agencies to assist Colorado Works staff to improve the rate of service delivery for mental health services. ***The Mental Health Assessment and Service Agencies (MHASAs) under the Department of Human Services should continue to strengthen their outreach to and working relationships with county Colorado Works programs to ensure that recipients' mental health needs are identified and treated. Issues that should be raised regarding services provided by the MHASAs include: (1) training county case managers in mental health assessment; (2) placing MHASA staff on site in counties with large caseloads to facilitate the assessment and referral process for Colorado Works participants with mental health barriers; and (3) working with Colorado Works program staff in counties with small caseloads to establish assessment, referral, and service provision procedures that adequately address the needs of participants.***

Colorado Works recipients with the most severe mental or physical disabilities may be eligible for Supplemental Security Income (SSI). However, the application process for this program is both complicated and time-consuming. It often requires that applicants appeal their application multiple times, potentially taking three or more years for approval. Because of this process, some potentially SSI-eligible adults may remain on the Colorado Works caseload. Several Colorado counties have provided assistance to participants in handling the complexities of the SSI application and appeals process and staff in these counties believe that their efforts helped additional Colorado Works participants to obtain SSI benefits and move off welfare. Counties that have not adopted these strategies may want to consider them, because ensuring that Colorado Works serves only its intended population is a key to its long-term success.

Domestic Violence Barriers

Nearly one-quarter of 1999 Colorado Works Participant Survey respondents reported that domestic violence was a problem for them in seeking or maintaining employment. Data show that recipients with domestic violence problems were no less likely to be employed than those without domestic violence problems. However, existing research on this topic indicates that maintaining employment is challenging for those with domestic violence problems, and as such, services for these individuals are very important. Our findings indicate that of those reporting domestic violence in their lives, only 15 percent received services to address this barrier.

As was discussed previously, assessment of domestic violence barriers is a key challenge for program staff. However, of the 40 survey respondents who received domestic violence services, 78 percent felt they were very or somewhat helpful in securing or maintaining employment. Providing these services is therefore very important to ensuring self-sufficiency for these families.

To address the prevalence of this problem in the caseload, Colorado adopted the TANF Family Violence Option in 1999. This requires Colorado to certify in its state TANF Plan that it has established and is enforcing procedures to: (1) screen and identify individuals with a history of domestic violence; (2) refer such individuals for counseling and supportive services; and (3) waive program requirements based on safety and fairness concerns. States that have implemented the Family Violence Option will not face a penalty for exceeding the 20 percent cap on families on the caseload who continue to receive assistance beyond the 60-month lifetime limit if the reason for exceeding this limit is due to hardship due to domestic violence waivers.

The Department of Human Services should continue to work with county Colorado Works program staff, service providers, and advocates to improve assessment of domestic violence and service provision to Colorado Works participants who experience domestic violence. Efforts should focus on: (1) providing additional training in domestic violence assessment and case management to Colorado Works case managers; (2) ensuring that case managers have access to professionals in the domestic violence field who can provide additional support in the areas of assessment and case management; and (3) ensuring that all Colorado Works participants have access to services targeted to address domestic violence barriers.

Substance Abuse Barriers

Of all the barriers to assess, substance abuse may be the most difficult because it requires recipients, in some cases, to divulge their use of illegal substances. Although only 5 percent of survey respondents indicated a substance abuse problem, substance abuse is perceived as a substantial problem in 12 of the 15 field study counties we visited. Only 27 percent (7 of 26) of survey respondents who indicated a substance abuse problem received services to treat it.

Apart from the problems in identifying substance abuse problems, another reason for the low rate of service provision is the lack of funding and services available to support treatment. The Medicaid program allows states to select various types of substance abuse services it will fund, and Colorado has opted to cover only a very narrow range of services, excluding nearly all out-patient treatments. Further, the $28 million in state and federal funds available to Managed Service Organizations for substance abuse treatment (in SFY 2000) may not fully meet the State's needs. There is a particular shortage of treatment options for TANF recipients. Currently, there are only 25 publicly-funded residential treatment beds for women with children and pregnant women in Colorado. The minimum waiting list for these beds is three months. Child Protective Services (CPS) also offers substance abuse treatment, but this is only available to Colorado Works recipients with open CPS cases.

If substance abuse is as large a problem as county staff believe, Colorado Works is unable to address it with the current level of funding and services available. To ensure that the treatment needs of this population are met, additional services need to be funded and implemented. ***The Department of Health Care Policy and Financing and the Department of Human Services should analyze the costs and benefits of expanding coverage under Medicaid to include providing substance abuse treatment services to Colorado Works participants. Based on this analysis, an appropriate recommendation should be made to the Joint Budget Committee of the Colorado General Assembly.***

Housing Barriers

Forty-four percent of 1999 Colorado Works Participant Survey respondents indicated that they faced housing instability over the previous year. Housing costs in Colorado pose a problem for all low-income families in the State. Families need to earn $500 per week ($12.50 per hour full-time) to afford the statewide fair market rent of $642 for a two-bedroom apartment. Employed Colorado Works recipients earn far less than that, with median weekly earnings of $266 ($6.65 per hour full-time).

In addition to increased collaboration with community agencies, including on-site placement of housing specialists, counties have developed other means of addressing housing barriers, including: (1) providing resources to cover security deposits or first month's rent; (2) negotiating with landlords to pro-rate the security deposit over several months; and (3) helping participants to apply for the Earned Income Tax Credit (to be discussed in more detail below) to finance security deposits.

Many Colorado Works recipients are eligible for subsidized housing, generally offered through local housing authorities. Demand for subsidies typically exceeds their supply, leading to reported waiting lists of up to 2,400 families in larger counties.

In October 1999, the Department, through a collaborative effort between the Colorado Works Program and the Supportive Housing and Homeless Program, was selected by the U.S. Department of Housing and Urban Development (HUD) to receive 160 housing vouchers through the HUD/Welfare-to-Work Notice of Funding Authority. These 160 vouchers were made available to 17 participating counties.

Counties can also use TANF and Maintenance of Effort (MOE) funds to provide housing assistance, as has been done in other states. For instance, states have used TANF and MOE funds to provide tenant-based rental assistance. Evidence suggests that Colorado is not making use of this option to any great extent.

Transportation Barriers

Forty percent of 1999 Colorado Works Participant Survey respondents reported that transportation problems were a barrier in securing and retaining employment. Inadequate public transportation, unreliable personal vehicles, and the distance from home to work were cited as the chief issues. Survey respondents without a transportation barrier were 25 percent more likely to be working than those who faced this barrier.

Transportation is the most widely provided supportive service, and field study findings indicate that this assistance is typically in the form of bus tokens or gas vouchers. Although very important, these payments provide assistance to people who already have transportation available to them. They do not address barriers faced by those without access to a vehicle or public transportation. Some counties use transportation assistance to address the needs of those without any means of transportation. For example, 5 field study counties specifically allow transportation assistance to be used for purchase of an automobile, 6 counties provide assistance in paying for automobile insurance, and 10 counties provide resources for car repair.

The Department of Human Services and counties have taken two main approaches to improving access to transportation for those who lack a means of traveling to and from work and child care. First, the Department of Human Services is working with eight Colorado counties to collaborate with an auto broker to assist Colorado Works recipients to acquire vehicles. Other Colorado counties have their own vehicle acquisition programs as well. Although promising, the programs we are aware of have served very few recipients. To be effective, they must be expanded to serve more families.

A second strategy used by field study counties is to increase the supply of public transportation to both Colorado Works recipients and other low-income families. For instance, Archuleta County implemented the Mountain Express bus system to connect low-income families with medical offices, child care facilities, grocery stores, service providers and employers. In Mesa County, Grand Valley Transit provides free public transportation to Colorado Works recipients during standard service hours, and access to a free bus service during non-standard hours.

Although Colorado counties have developed several innovative programs to address participants' transportation barriers, by combining various funding streams, including TANF, Welfare-to-Work, and Federal Transit Administration, counties may be able to increase the level of services to reach a greater proportion of recipients. Using these combined funding streams, other states and localities have implemented:

- "Guaranteed Ride Home" programs for emergencies or child care problems among public transportation riders; and
- paid work experience for welfare participants to become shuttle van drivers, supervisors, or dispatchers for shuttle services transporting TANF recipients.

Child Care Barriers

Forty-one percent of 1999 Colorado Works Participant Survey respondents indicated that child care posed problems for them in securing or retaining employment. Despite these problems there was no significant difference in the employment rates of those with and without this barrier. Child care may be more of a problem in maintaining employment than securing employment. However, among non-employed survey respondents, 21 percent indicated that child care was the reason they were not employed, mostly due to affordability issues and an inability to locate an appropriate provider.

The Colorado Child Care Assistance Program (CCCAP) is available to provide child care assistance to low-income families engaged in training or employment activities. CCCAP provides subsidies for children in the care of legally exempt providers (such as relatives and neighbors) and licensed facilities (including child care centers and family home care). Our findings indicate that Colorado Works Child Care, the CCCAP program for Colorado Works recipients, may be underutilized. Colorado provided child care subsidies to a higher proportion of TANF recipients than did most other states. Still, among eligible Colorado Works families, only one-third actually use the available subsidies. Field study respondents identified two factors that limit utilization: (1) lack of need due to free care provided by a relative, neighbor, or community resource; and (2) lack of knowledge about Colorado Works Child Care.

The lack of awareness about Colorado Works Child Care among potential recipients is particularly troubling, given Colorado Works' focus on helping families to obtain and retain employment. ***The Department of Human Services should develop a rule requiring that all Colorado Works recipients be informed of the availability of and eligibility requirements for child care subsidies through the Colorado Child Care Assistance Program (CCCAP). This rule should be submitted to the State Board of Human Services for its consideration.***

Once leaving aid, former Colorado Works recipients who engage in employment or training activities can access the Low-Income Child Care program. Eligibility limits for this program are set at the county level, and must fall between 130 percent and 225 percent of the federal poverty level (FPL). Like Colorado Works Child Care, this program is may be underutilized among eligible families. Twenty percent of employed former Colorado Works recipients use Low-Income Child Care subsidies within the first three months of program exit. Nearly 65 percent of employed former recipients never use these subsidies.

A strong predictor of who will use Low-Income Child Care subsidies is whether the family used subsidies while on Colorado Works. Forty-one percent of those who used Colorado Works Child Care also used Low-Income Child Care, compared to only 20 percent of those who did not use Colorado Works Child Care.

In May 2000, the Division of Child Care introduced a number of new strategies to ease the transition to Low-Income Child Care. First, the Low-Income Child Care application has been remodeled to shorten and simplify it. Second, counties were given the ability to use information pulled directly from the Colorado Works file for eligibility determination, thus avoiding the application altogether. Third, counties were given the ability to change the post-TANF category in the administrative data system to allow families three months, instead of one, to submit a Low-Income Child Care application without losing service. We believe these strategies have the potential to be effective steps in helping to increase Low-Income Child Care enrollment among Colorado Works leavers. Counties should be encouraged to make use of these strategies and monitor their progress toward transitioning eligible Colorado Works leavers to Low-Income Child Care. ***The Department of Human Services, in consultation with policymakers, the counties, and advocates, should consider developing performance measures focused on the delivery of Low-Income Child Care subsidies to eligible former Colorado Works recipients in need of such subsidies.***

Post-Program Employment Provides Access to Additional Supports Intended to Improve Family Well-Being

The new TANF regulations enable counties to provide services that our findings indicate are important in helping Colorado Works recipients obtain self-sufficiency. Merely obtaining paid employment is not adequate to ensure that participants are on their way to independence. Even those who are employed continue to face financial hardship. One year after exit from Colorado Works, 34 percent of one-parent working families and 51 percent of two-parent working families have incomes that exceed the federal poverty level for their family size.[7]

Given the high rate of post-program poverty, the prevalence of barriers in the caseload, and the evidence that one-third of the caseload experiences short-term, sporadic employment, increased attention to post-program services is warranted. There are a number of programs that Colorado Works leavers can access after case closure. These include existing social programs, such as CCCAP, Medicaid, federal and state earned income credits, and Welfare-to-Work. In addition, there are a variety of new post-employment services provided by counties and paid for with TANF funds. We discuss both types of post-program supports below.

Colorado Works Recipients' Use of Existing Social Programs

A key program former Colorado Works recipients can access is Medicaid. There have been large increases in post-Colorado Works enrollment in Medicaid, both among employed and non-employed leavers. Among those who left aid in the first three months of 2000, 61 percent of adults and 68 percent of children were enrolled in Medicaid. Enrollment rates were higher among employed adult former recipients (63 percent) than those who were not employed (51 percent). Employed former recipients have access to Transitional Medicaid, which provides coverage for a year after exit. Non-employed leavers can access Section 1931 Medicaid only if they continue to meet the eligibility criteria set forth for the AFDC program that preceded TANF.

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[7]As measured here, income includes all sources reported on state tax returns.

According to the Department of Health Care Policy and Financing, the implicit goal for Medicaid enrollment is 100 percent coverage of eligible families. To help avoid improper Medicaid case closures, the Department of Human Services worked with the Department of Health Care Policy and Financing to revise its administrative data systems to allow cash assistance cases to close without closing the Medicaid case. This change was implemented in August 2000, and it is too soon to ascertain whether it has been effective.

The federal earned income tax credit (EITC) and Colorado earned income credit (EIC) offer cash payments, in the form of refundable tax credits, to low-income working families who file tax returns. The amount of these refunds can be substantial. For instance, among one-parent families who exited Colorado Works, the EITC and EIC combined decrease the rate of poverty from 66 percent to 53 percent. Among two-parent families, these credits decrease the poverty rate from 51 percent to 39 percent. However, only 50 percent of employed former Colorado Works recipients filed taxes and received these credits in 1999. Because these credits have the potential to substantially increase low-income families' incomes, the State should work to increase the extent to which they are utilized by participants in Colorado Works. ***The Department of Human Services should work with the Department of Revenue and county departments to explore strategies for systematically providing Colorado Works recipients with state and federal tax forms each year. The Department should provide assistance as needed to counties to ensure that Colorado Works recipients have access to technical assistance to apply for and receive the federal and state earned income tax credits.***

A complete assessment of the relationship between participants' income and the poverty level takes into account not only the benefits accrued through various public programs, but also the impact of family expenditures, such as out-of-pocket child care and work-related costs, and state and federal taxes. The Figure below shows a hypothetical budget for a single-parent family with two children under various assumptions about hours worked and wages earned. Included as income for the family are earnings from work, Colorado Works benefits, Food Stamps and the EITC. Deducted from these income sources are taxes paid (Social Security, federal and state) and child care and work expenses. Child care expenses are calculated as they would be for the Low-Income Child Care Program. Work expenses, including transportation and clothing, are assumed to be 10 percent of earnings, capped at $100 per month. Some individuals, particularly those receiving Colorado Works benefits, may receive assistance for these types of expenses. The second to last row in the Figure shows the family's take-home budget amount, net of taxes and expenses.[8] The last row shows the ratio of this take-home budget amount to the federal poverty level of $13,650 for a family of three.

Full-time work at the minimum wage brings the family's accrued take-home budget amount to just barely above the poverty level. This family is no longer eligible for Colorado Works, but is able to retain Food Stamp benefits and receive the maximum EITC amount. In addition, it receives subsidized child care and pays no state or federal taxes. Note that this family is not required to file a federal tax return and therefore may not receive the EITC. Without the EITC, a family with full-time employment at minimum wage would have a take-home budget at 74 percent of the poverty level.

Full-time work at wage levels at or higher than $7.50 per hour all result in take-home budgets that are above 111 percent of the federal poverty level, assuming the family files taxes to receive the EITC. However, note also that working full-time at minimum wage provides approximately the same take-home budget as working part-time at $7.50 per hour. The same is true when the parent works full-time at $7.50 per hour and part-time at $10.00 per hour. This occurs because most of the

[8]Families may receive income from other sources not included in this figure, such as child support and alimony. Child support owed to a Colorado Works recipient is assigned to the state. In addition, individuals may receive other types of assistance, such as transportation, medical care, counseling, or job training, the value of which is not included in this budget. We do not include the Dependent Care Tax Credit in these calculations because most families are not required to pay federal taxes and would therefore not be able to claim the non-refundable credit.

programs included in this figure are based on sliding scales tagged to income or earnings, so that benefits are reduced as earnings increase.

Effects of Public Assistance Benefits, Taxes, and Earnings on Annual Household Income

For a Single Parent with Two Children

Income Sources, Expenses and Other Deductions	No Work	Part-Time $5.15/hr	Full-Time $5.15/hr	Part-Time $7.50/hr	Full-Time $7.50/hr	Part-Time $10.00/hr	Full-Time $10.00/hr
Earnings	$0	$6,438	$10,300	$9,375	$15,000	$12,500	$20,000
Colorado Works	$4,272	$516	$0	$0	$0	$0	$0
Food Stamps	$3,948	$3,564	$2,400	$2,736	$828	$1,608	$0
EITC	$0	$2,570	$3,756	$3,756	$3,174	$3,700	$2,121
Gross Income	$8,220	$13,088	$16,456	$15,867	$19,002	$17,808	$22,121
Social Security Tax	$0	($493)	($788)	($717)	($1,148)	($956)	($1,530)
Federal Income Tax	$0	$0	$0	$0	($99)	$0	($851)
Colorado Income Tax	$0	$0	$0	$0	($33)	$0	($283)
Child Care	$0	($212)	($824)	($361)	($1,355)	($550)	($2,010)
Work Expenses	$0	($644)	($1,030)	($938)	($1,200)	($1,200)	($1,200)
Take-Home Budget	$8,220	$11,739	$13,814	$13,851	$15,168	$15,102	$16,247
Share of Federal Poverty Level	60%	86%	101%	101%	111%	111%	119%

Notes: Part-time work is assumed to be 25 hours per week. Full-time work is assumed to be 40 hours per week. Individuals are assumed to work 50 weeks per year. Parentheses denote deductions from budget.

Source: BPA tabulations using information from (1) Colorado Department of Human Services Agency Letter FA-98-34-I; (2) Title XXI State Plan (Colorado Child Health Plan); (3) Colorado Department of Human Services Agency Letter CC-98-3-P; (4) Conversations with the Colorado Department of Human Services; and (5) IRS Form 1040 and Instructions; and (6) Colorado Department of Revenue Form 104.

Welfare-to-Work Program Services

The Welfare-to-Work (WtW) program, funded by the U.S. Department of Labor through regional Workforce Development Boards, is intended to move the hardest-to-serve welfare recipients into employment and provide them with retention services to ensure continued self-sufficiency. Once the participant is in a work activity, a broad range of job retention and post-program employment and supportive services are allowable if not available through other funding sources.

In FFY 1998 and FFY 1999, the Colorado Department of Labor and Employment (CDLE) received a total of $19 million in federal WtW funds, which were matched with $10 million through a state cash and in-kind match. According to the CDLE, just over 800 participants had been served by WtW funds statewide as of August 2000. Only 24 percent of FFY 1998 federal funds, or 12 percent of total available federal WtW funds, had been spent as of August 2000. Awardees have three years from the date of award to spend WtW funds. Colorado must spend the remaining 76 percent of FFY 1998 federal funds ($7.5 million) by July 31, 2001, or face forfeiture. FFY 1999 WtW funds must be spent by September 28, 2002.

Colorado is not alone in its underuse of this program. Nationally, enrollments in WtW have been lower than predicted, due in part to lack of referrals from TANF, administrative hurdles, and restrictive eligibility criteria. Eligibility criteria were broadened substantially in the Welfare-to-Work Amendments of 1999. These amendments allow the program to serve a broader category of long-term recipients and allow funds to support job skills training.

At the state level, CDLE and the Colorado Department of Human Services have worked together to address coordination and referral issues through cross-education of Colorado Works and WtW case managers. CDLE has conducted workshops at the annual Colorado Works conference and is developing a guide to linkages between TANF, Workforce Investment Act (WIA) programs, and WtW. Given the new, more flexible program rules and the relatively high incidence of labor market related barriers among Colorado Works recipients, we believe it would be appropriate for policymakers in the State to develop a set of strategies to use WtW funds to provide additional intensive education, training, and post-employment supportive services to Colorado Works recipients. The need for a focused set of strategies is all the more urgent given the time-limited availability of WtW funds. ***The Department of Human Services and the Department of Labor and Employment should work with Workforce Development Boards in regions in the State where strategies to use Welfare-to-Work funds to provide services have not succeeded. The Departments should involve appropriate stakeholders such as Colorado Works program staff from County Departments of Human Services, local community colleges, local employment and training service providers, and employer representatives, to develop strategies for providing WtW-funded services to current and former Colorado Works recipients and others eligible for such services.***

County-Initiated Post-Program Supportive Services

The Colorado General Assembly did not specifically authorize post-program (transitional) services in the legislation enacting Colorado Works. However, such services can be provided to exiting recipients through state and county diversion programs. Diversion therefore encompasses two programs with very different goals. First, it can be used as an option to help families avoid beginning a basic cash assistance case by offering short-term financial assistance for needs such as car repairs or rental security deposits. Second, it can be used to provide ongoing assistance for Colorado Works leavers to promote long-term employment.

Counties have experimented with this latter aspect of diversion and have devised various efforts to help former participants remain employed. For instance, 6 of the 15 field study counties offer cash incentives for employment retention. These may be offered once or multiple times, with progressively higher amounts as recipients remain employed. Anecdotal evidence suggests that these cash incentives have been underutilized, as many former recipients either do not know they are eligible to receive them or opt to not do so.

Four of the 15 field study counties offered case management services to former recipients to help them access services they may need. For instance, in Weld

County, all Colorado Works leavers are assigned to a case worker who specializes in providing these services. Adams County outsources its case management functions, and these agencies also provide post-program services. Employment counseling, such as advice about how to handle a co-worker dispute and how to manage work stress, is provided in three of the field study counties.

Many of the field study counties provided post-Colorado Works transportation assistance through diversion. Denver County tracked the reasons recipients requested diversion assistance from January to April 2000 and found that 18 percent of diversion funds were used for transportation assistance. Such assistance includes payments for discounted bus passes, funds for car repair, gas allowances and other transportation needs.

These post-program services are all being funded through diversion payments, but neither the State nor counties are able to track the effectiveness of these payments in helping recipients remain employed due to limitations in the administrative data coding. Given the national attention on the provision of post-program services, it is very important that Colorado be able to both demonstrate that it provides these services and document the rate at which they are used. In the *First Annual Report*, we recommended that greater specificity be added to the coding of diversion payments in the Colorado Benefits Management System (CBMS) currently under development, and the Department of Human Services agreed. Department staff met with CBMS staff and with county staff in order to determine the appropriate categories for coding diversion payments. These new categories have been added to the CBMS system design.

Counties Have Developed Services Targeted to Child-Only Cases

Child-only cases are those that do not include an adult caretaker, and as such, they are not subject to the work requirements and time limits that adult cases face. There are no explicit service goals for these cases laid out in legislation or program rules. Although the number of child-only cases has remained stable since Colorado Works implementation, their representation as a proportion of the caseload has increased substantially from 22 percent in July 1997 to 41 percent in

June 2000. This increasing representation is due to the sharp decline in one-parent cases. The changing composition of the caseload demonstrates a need for services focused specifically on this target population.

Based on observations from the field study, it appears that most of the child-only cases in Colorado include either a parent or a grandparent as head of household. Parent caretakers in child-only cases are ineligible for TANF, largely for one of two reasons. First, they may be recipients of the Supplemental Security Income (SSI) program, which assists low-income disabled individuals. Second, they may be undocumented immigrants who are ineligible for assistance, with children who are U.S. citizens and therefore eligible. In fact, the regions of the State that have relatively high rates of child-only cases (San Luis Valley, Pueblo County, Denver County, Eastern Colorado) are also regions that are likely to have relatively large concentrations of undocumented immigrants.

Given the increasing prominence of child-only cases in the Colorado Works caseload, many counties have developed programs targeted to this population. Programs have been initiated to provide services and support to children in these cases, who are about nine years old on average, as well as to their adult caretakers. Based on our field study findings, these programs now seem to be fairly widespread in the State.

Ten of the 15 field study counties have developed services to support adult caregivers. The goal of these services is to preserve families where financial or other resolvable difficulties would cause children to become involved with the Child Protective Services (CPS) system and possibly be placed in out-of-home care. Five of the 15 field study counties assist adult caregivers with additional cash payments. This approach is generally targeted to adult caregivers who are grandparents or other relatives with fixed and limited incomes and is intended to raise assistance levels closer to parity with payments to foster care parents. For instance, Conejos County provides cash to adult caregivers if the child has been in the care and custody of CPS within six months and is now in the legal custody of a relative other than their parent. El Paso and Weld Counties also provide additional financial assistance to relative caretakers of child-only cases. Payments can be used for needs the family is having difficulty providing such as braces, school supplies, beds and bedding, respite care, recreational activities, rent, moving expenses, transportation, and clothing. Denver County provides relative caretakers who are also Colorado Works recipients cash assistance based on the number of relative children for whom they are caring. Rio Grande County provides child-only cases a cash payment if the custodian has documentation of legal custody and if out-of-home placement is pending.

Nine of the 15 field study counties use other assistance payments to provide supportive services to children in child-only cases. This can be used to pay for school-related supplies and activities such as computers, school supplies, clothing, school trips, special classes, summer camp, bus passes, and counseling. Some counties offer respite care and day treatment for children who are at risk of out-of-home placement or expulsion from school.

In Adams County, a program has been designed by the social services office and a contracted provider to prevent CPS involvement and improve and maintain family stability among child-only cases. The program is voluntary and short-term and employs two full-time case managers who work directly with clients. Case managers address such issues as mental health, housing, health, adolescence, and parenting resources and support.

Despite this limitation, counties have adopted many innovative practices aimed at improving the financial and emotional well-being of children in child-only cases. These innovative practices and services may preserve families where financial or other resolvable difficulties would cause children to become involved with the Child Protective Services (CPS) system and possibly be placed in foster care.

Recommendation Locator

Rec. No.	Page No.	Recommendation	Agency Addressed	Agency Response	Implementation Date
1	88	The Department of Human Services should work with the Department of Revenue and county departments to explore strategies for systematically providing Colorado Works recipients with state and federal tax forms each year. The Department should provide assistance as needed to counties to ensure that Colorado Works recipients have access to technical assistance to apply for and receive the federal and state earned income tax credits.	Department of Human Services	Agree	January 2001 March 2001
2	109	The Department of Human Services should provide additional technical assistance to the counties on ways to continue their efforts to meet federally required work participation rates while simultaneously enrolling Colorado Works recipients, as appropriate, in federal work activities that focus on job skills training, basic or vocational education, or more intensive job preparation programs, such as certificate programs which combine skills training with on-the-job training or work experience.	Department of Human Services	Agree	Ongoing June 2001
3	115	The Department of Human Services and the Department of Labor and Employment should work with Workforce Development Boards in regions in the State where strategies to use Welfare-to-Work funds to provide services have not succeeded. The Departments should involve appropriate stakeholders such as Colorado Works program staff from County Departments of Human Services, local community colleges, local employment and training service providers, and employer representatives, to develop strategies for providing WtW-funded services to current and former Colorado Works recipients and others eligible for such services.	Department of Human Services Department of Labor and Employment	Agree	June 2001

Rec. No.	Page No.	Recommendation	Agency Addressed	Agency Response	Implementation Date
4	127	The Mental Health Assessment and Service Agencies (MHASAs) under the Department of Human Services should continue to strengthen their outreach to and working relationships with county Colorado Works programs to ensure that recipients' mental health needs are identified and treated. Issues that should be raised regarding services provided by the MHASAs include: (1) training county case managers in mental health assessment; (2) placing MHASA staff on site in counties with large caseloads to facilitate the assessment and referral process for Colorado Works participants with mental health barriers; and (3) working with Colorado Works program staff in counties with small caseloads to establish assessment, referral, and service provision procedures that adequately address the needs of participants.	Department of Human Services	Agree	January 2001 March 2001
5	132	The Department of Human Services should continue to work with county Colorado Works program staff, service providers, and advocates to improve assessment of domestic violence and service provision to Colorado Works participants who experience domestic violence. Efforts should focus on: (1) providing additional training in domestic violence assessment and case management to Colorado Works case managers; (2) ensuring that case managers have access to professionals in the domestic violence field who can provide additional support in the areas of assessment and case management; and (3) ensuring that all Colorado Works participants have access to services targeted to address domestic violence barriers.	Department of Human Services	Agree	Ongoing

Rec. No.	Page No.	Recommendation	Agency Addressed	Agency Response	Implementation Date
6	136	The Department of Health Care Policy and Financing and the Department of Human Services should analyze the costs and benefits of expanding coverage under Medicaid to include providing substance abuse treatment services to Colorado Works participants. Based on this analysis, an appropriate recommendation should be made to the Joint Budget Committee of the Colorado General Assembly.	Department of Health Care Policy and Financing Department of Human Services	Partially Agree	May 2001
7	145	The Department of Human Services, in consultation with policymakers, the counties, and advocates, should consider developing additional performance measures for the Colorado Works program. These measures should encourage counties to focus on and improve their outcomes in the provision of job preparation activities such as education, job skills training, and counseling for current recipients, the delivery of post-program supportive services to former recipients, and in employment retention for current and former recipients.	Department of Human Services	Agree	Ongoing
8	158	The Department of Human Services should develop a rule requiring that all Colorado Works recipients be informed of the availability of and eligibility requirements for child care subsidies through the Colorado Child Care Assistance Program (CCCAP). This rule should be submitted to the State Board of Human Services for its consideration.	Department of Human Services	Agree	June 2001
9	167	The Department of Human Services, in consultation with policymakers, the counties, and advocates, should consider developing performance measures focused on the delivery of Low-Income Child Care subsidies to eligible former Colorado Works recipients in need of such subsidies.	Department of Human Services	Agree	June 2002

Chapter 1: Overview of the Colorado Works Program Rules and Expenditures

Introduction

In August 1996, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) (P.L. 104-193) was signed into law, replacing the Aid to Families with Dependent Children (AFDC) program with the Temporary Assistance to Needy Families (TANF) program. While the AFDC program provided a guarantee of cash assistance for eligible needy families, TANF provides time-limited cash assistance and is focused on assisting recipients toward self-sufficiency. Toward these ends, TANF imposes a five-year lifetime limit on the receipt of basic cash assistance and requires most adult recipients to work within two years of beginning to receive aid. TANF also provides states with substantial discretion over a broad range of program rules and requirements, allowing states to design programs that are responsive to the needs of their particular recipient populations.

Responding to the original PRWORA legislation, the Colorado General Assembly enacted Senate Bill 97-120, which established Colorado Works as the state's TANF program as of July 1997. The legislation identified three major goals for the Colorado Works program: (1) to assist participants in ending their dependence on government benefits by promoting job preparation, work, and marriage; (2) to develop strategies and policies that ensure that participants are in work activities as soon as possible, allowing the State to meet or exceed work participation rates specified in federal law; and (3) to provide counties with increased responsibility for the design and administration of Colorado Works.

The U.S. Department of Health and Human Services issued revised final TANF regulations in April 1999 to clarify PRWORA legislative provisions and expand program flexibility. These revisions went into effect in October 1999. The final TANF regulations give the states additional flexibility to serve a broader population of low-income families beyond just those eligible for basic cash assistance. Under the final regulations, only families receiving benefits and services defined as "assistance" are subject to TANF's time limits, child support enforcement, and work participation requirements. Assistance under TANF is defined as cash payments, vouchers, and benefits designed to meet a family's ongoing basic needs.[1] This means that states can now provide a range of services to low-income families without affecting their lifetime limit on basic cash assistance receipt.

During the first three years of the Colorado Works program, counties have increased their expenditures for supportive services to recipients despite a large overall decline in the caseload. In this chapter we quantify the amount of total Colorado Works expenditures that are used to fund such services. Total expenditures for Colorado Works in State Fiscal Year (SFY) 2000 amounted to $131 million. Spending for cash assistance and supportive services to Colorado Works recipients accounted for 57 percent of total expenditures, or $74.3 million. An additional $44.4 million (34 percent of total expenditures) was spent on administrative costs associated with program operation, which primarily included salaries for county program staff providing case management and other services to recipients. Overhead and information systems costs amounted to $12.4 million, or 9 percent of total expenditures. Spending for cash assistance and supportive services included $43.6 million spent on cash assistance payments, $15.2 for other assistance payments and contracted supportive services to recipients, $10.3 million for child care subsidies to Colorado Works recipients, and $5.1 million for state and county diversion payments.

Currently, comparable TANF expenditure data from other states is not available. Accordingly, it is difficult to assess the extent to which Colorado Works expenditure patterns are similar to or depart from patterns in other states. However, a theme emerging from many of the findings in this report is that the need for supportive services and job preparation activities among Colorado Works

[1]Assistance also includes supportive services (such as transportation or child care) for families who are not employed.

participants remains substantial. Policymakers may want to continue to examine whether the current mix of program expenditures is appropriate to meet this need. In subsequent chapters, we discuss the extent to which the supply of supportive services matches the service needs identified by recipients. We also assess the extent to which those with identified barriers to employment actually receive services to address those barriers. We conclude that a significant proportion of Colorado Works recipients would likely benefit from more targeted service delivery.

Below, we first present an overview of Colorado Works program rules and recent changes to the program following issuance of the final federal TANF regulations. We then examine the SFY 2000 expenditures for the Colorado Works program.

Colorado Works Program Rules: An Overview

In the sections below, we summarize the Colorado Works program rules, including changes made to the Colorado Works program since the passage of the final TANF regulations. Key features of the program include the 24-month work activity participation time limit, the 60-month lifetime limit for assistance, the work participation rate, federally defined work activities, individual responsibility contracts, and state and county diversion.

Eligibility

Eligibility rules for Colorado Works are determined by the state and are listed at CCR 9-2503-1, Section 3.600. Households must include a dependent child under age 18 (or 19 if they are in school and expected to complete their education by the age of 19) and must meet income and asset eligibility limits. In addition to meeting financial and categorical eligibility requirements, all Colorado Works applicants must assign rights to child support to the State and must provide proof that their children are properly immunized.

Time Limits

Colorado Works imposes two time limits on families: a 24-month work participation time limit and a 60-month lifetime limit on assistance. Colorado Works recipients must be participating in either a federally approved work activity or a county-defined work activity within 24 months of program enrollment, or when determined by the county to be work-ready, whichever comes first.[2] Counties have the option to exempt single mothers with children under age one and to identify other "good cause" reasons for noncompliance with work requirements. Victims of domestic violence will also be exempted.

Recipients also face a lifetime limit on receipt of assistance.[3] Families will not be eligible for assistance once an adult member has received TANF cash assistance for 60 or more cumulative months. In Colorado, among cases that originated in the state, families will begin to reach their lifetime limit in July 2002. States can exempt up to 20 percent of their caseload from the lifetime limit for reasons of hardship. Colorado has indicated that it will grant good cause hardship exemptions to families with disabled children or adults, families experiencing domestic violence, and children living with a non-parent for whom out-of-home placement would be necessary if the assistance was stopped.

[2]County-defined activities can include a broad range of services designed to encourage self-sufficiency. Counties have some flexibility in deciding which of the federally-approved work activities they will offer.

[3]The TANF regulations make a distinction between "assistance," which includes benefits that address a family's on-going basic needs, and "non-assistance,"which includes other benefits and services provided under TANF, such as diversion assistance, work subsidies, and supportive services for employed families. Supportive services provided to families who are not employed are defined as assistance. Receipt of non-assistance benefits and services does not count towards the 60-month lifetime limit.

Work Participation Rate Requirement

Colorado must have a specified percentage of its statewide caseload in federally-approved work activities for a specified number of hours per week or face a financial penalty. Each county has an individual work participation rate negotiated with the state in their annual performance contract. Separate rates are mandated for all families and for two-parent cases. In Federal Fiscal Year (FFY) 2000, 40 percent of all families on Colorado Works must participate in work activities for an average of 30 hours per week. The FFY 2000 required rate for two-parent families is 90 percent for at least 35 hours per week.[4] The required participation rates for a state will be reduced by the decline in their caseload in the previous fiscal year relative to FFY 1995.[5] Because Colorado's caseload has declined dramatically since FFY 1995, the state's adjusted work participation rates are actually much lower than the mandated rates. In fact, while the FFY 1999 federal work participation rate requirement for all families was 35 percent, Colorado's actual (i.e., adjusted) all-families work participation rate was essentially zero.

After the final TANF regulations were enacted, Colorado revised the definitions of community service and work experience to help counties meet their work participation rates and to allow more Colorado Works recipients to access education, training, and family stability activities.[6] Effective September 1, 2000, recipients may combine education, training, and family stability activities with community service and work experience activities for up to 35 percent of their weekly scheduled hours. When education or training are combined with one of these activities, the 12-month limits do not apply, and these participants will not be

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[4]The required work participation rates have increased since FFY 1997. The all families rate will continue to increase to 45 percent in FFY 2001 and 50 percent in FFY 2002.

[5]The final TANF regulations clarify the rules for how much of the decline in a state's caseload will count toward the caseload reduction credit. Declines due to eligibility restrictions and changes in federal regulations will not be counted toward the credit.

[6]Colorado Department of Human Services, Agency Letter TCW-00-15-A, August 17, 2000.

included in the 30 percent cap on vocational education when calculating the work participation rate.

Assessments and Individual Responsibility Contracts

All Colorado Works recipients must be assessed within 30 days of application. Counties have several options for who will conduct the assessments but are required to include an evaluation of basic skills, past employment, education level, and barriers to employment. Within 30 days of completing the assessment, counties must develop an Individual Responsibility Contract (IRC) that describes the recipient's obligations and the services to be provided by the county.

Diversion

Diversion programs provide immediate assistance to program applicants to help them avoid a spell on basic cash assistance. Counties have the option of offering two diversion programs using Colorado Works funds: state and county diversion. State diversion allows counties to offer short-term aid to meet an immediate need for applicants who are eligible for Colorado Works basic cash assistance. County diversion programs can be used to address the immediate, short-term needs of families who do not meet the eligibility requirements for Colorado Works. To expand eligibility for diversion after the final federal TANF regulations were enacted, Colorado changed the definition of short-term diversion assistance from 90 days to four consecutive months.[7] Additionally, counties were given guidance on the use of county diversion to provide services consistent with the purposes of TANF, such as family preservation services to low- and moderate-income families whose incomes exceed eligibility limits for basic cash assistance. Counties may

[7]Colorado Department of Human Services, Agency Letter TCW-99-31-I, October 8, 1999.

determine the eligibility requirements for each service, and eligibility limits can be different for each service offered.[8]

Family Violence Option

Colorado has chosen to implement the Family Violence Option (FVO), an optional set of TANF provisions relating to screening for and offering referrals to services to address domestic violence. States that have implemented the FVO will not face a penalty for exceeding the 20 percent cap on families on the caseload who continue to receive assistance beyond the 60-month lifetime limit due to hardship exemptions. Similarly, states will not be penalized for not meeting the required work participation rates if their failure to meet the rates is due to good cause domestic violence waivers.

Referrals and Other Supportive Services

State rules for the Colorado Works program stipulate that counties must provide referrals for supportive services to applicants and participants who are victims of domestic violence, homeless, in need of mental health services, or in need of substance abuse treatment. Counties must also assist participants in applying for the federal Earned Income Tax Credit (EITC) and provide opportunities for participants to open Individual Development Accounts (IDAs). Counties have the option of providing additional cash assistance or supportive services that promote sustainable employment.

Sanctions

Recipients who fail to comply with program requirements will face sanctions. The first sanction reduces the basic cash assistance grant by 25 percent for between one and three months, at county option. Counties set the length of subsequent sanctions within ranges established by the state. Counties have some flexibility to

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[8]Colorado Department of Human Services, Agency Letter TCW-99-32-I, October 18, 1999.

establish additional circumstances that require compliance or will result in sanctions, but may not impose sanctions that interfere with recipients' receipt of Food Stamps or Medicaid. Counties must also determine good cause reasons for noncompliance with program requirements.

Colorado Works Expenditures During State Fiscal Year 2000

During SFY 2000, which covers the period from July 1, 1999, through June 30, 2000, combined federal, state, and county expenditures for the Colorado Works Program totaled $131 million. This total expenditure amount excludes state and county spending for family preservation and child welfare programs, which is allowed to count as part of the state's Maintenance-of-Effort (MOE) spending for the TANF program. Although some Colorado Works recipients receive services through these programs, they are administered separately through county child welfare departments. As of the time that this report was finalized, the Department of Human Services was in the process of determining the total MOE expenditures for these programs.[9]

Colorado's Level of Unspent TANF Block Grant Funds Remains Nearly the Same as a Year Ago

During the first three years of the Colorado Works program, federal TANF grants to the state totaled $435 million (see Figure 1.1). The state is allowed to transfer up to 10 percent of each year's block grant funds into the Social Services Block Grant (SSBG) and a maximum of 30 percent into the SSBG and Child Care and Development Fund (CCDF) combined. Expenditures of these transferred funds are then governed by the rules of those programs. As of June 2000, Colorado had

[9]A state and county TANF MOE expenditure total of $65.4 million for family preservation and child welfare activities was initially reported by the Colorado Department of Human Services. According to the Department, "The Department believes that this amount (pursuant to analyses conducted since it was provided to Berkeley Policy Associates) may be overstated. To resolve this uncertainty, all of the expenditure reports that contribute to this amount are being rerun. This is a complex process and will not be completed until sometime in December 2000."

transferred 18 percent of total TANF block grant funds from FFY 1998, 1999, and 2000 to CCDF and SSBG. Although overall this is less than the limit for such transfers, the state did reach the 30 percent cap during FFY 1999 and 2000.

Of the $360 million of federal TANF funds that remained available after transfers to the other grants, Colorado had spent $253 million by the end of SFY 2000.[10] This included the entire balance of FFY 1997 and 1998 block grant funds. However, $107 million of the funds from the FFY 1999 and 2000 grants had not been spent as of June 2000. This amount was essentially unchanged from the balance of unspent funds ($106 million) held by the State a year earlier.

The final TANF regulations limit the use of unspent federal block grant funds in two ways. First, transfers of TANF block grant funds to the CCDF and SSBG must be made during the fiscal year in which the federal TANF funds were awarded. In addition, any unspent funds carried over from a prior year's federal block grant can only be spent on benefits and services that meet the definition of assistance. Although these rules constrain the flexibility of program administrators to some extent, they do not contribute to any funding-related problems at present. To date, for example, program administrators have had adequate time to shift TANF block grant funds into CCDF-funded child care programs to cover overspent allocations.

[10]Total expenditures are subject to change depending on the final determination of total state and county TANF MOE expenditures for family preservation and child welfare programs. Any change in this expenditure amount will affect the balance of unspent TANF block grant funds.

Figure 1.1
Federal, State, and County TANF Expenditures
July 1997 to June 2000

	Total Expenditures (Millions of Dollars)
1) Total Federal TANF Block Grant Award	$435.3
2) Transfers of Federal Block Grant to Child Care and Development Fund (CCDF)	$37.6
3) Transfers of Federal Block Grant to Social Services Block Grant (SSBG)	$39.5
4) Federal Block Grant Funds Available for TANF	$360.2
5) Federal Block Grant Expenditures on TANF	$253.0
6) Unspent Federal TANF Block Grant Funds	$107.2
7) Total State and County Maintenance-of-Effort (MOE) Expenditures	$307.8
8) Total Federal, State, and County Funds Available for TANF	$668.0

Notes: Federal Block Grant Funds Available for TANF (line 4) equals the Total Federal TANF Block Grant Award (line 1) minus the transfers to CCDF and SSBG (lines 2 and 3). Total Federal, State, and County Funds Available for TANF (line 8) is the sum of Federal Block Grant Funds Available for TANF (line 4) and the Total State and County MOE Expenditures (line 7).

Total State and County Maintenance-of-Effort expenditures include $65.4 million for family preservation and child welfare programs. This amount is subject to revision by the Colorado Department of Human Services.

Source: TANF ACF-196 Financial Reports.

Cash Assistance and Supportive Services Benefits Paid to Recipients Accounted for About Half of Colorado Works Expenditures

A detailed breakdown of federal and state/county Colorado Works expenditures during SFY 2000 is reported in Figure 1.2. Additional detail on the "Other" category of expenditures is provided in Figure 1.3. The expenditure categories reported for SFY 2000 are based on new federal reporting guidelines that went into effect in October 1999. These categories reflect the distinction between "assistance" and "non-assistance" set forth in the final TANF regulations (as discussed above). There are two expenditure categories for assistance:

- **Basic Assistance** includes monthly cash assistance benefits (excluding diversion payments) and other payments intended to meet ongoing basic needs (such as Low-Income Energy Assistance Program payments). In SFY 2000, total expenditures for assistance amounted to $52.3 million.

- **Supportive services for families who are not employed** includes transportation assistance and services necessary to help people participate in a work activity. Total expenditures in this category were $2.3 million.

Expenditures for non-assistance are categorized as follows:

- **Work subsidies** are payments to employers made on behalf of a recipient to help cover the costs of wages, benefits, or training. Only $3,833 was expended for work subsidies during SFY 2000.

- **Education** includes expenditures for education-related work activities or as a supplement to other work activities. Expenditures amounted to $590,000 in SFY 2000.

- **Other work activities and work related expenses** include expenditures for job preparation activities and other assistance payments for work expenses. Expenditures were $457,000 in SFY 2000.

- **Child care for employed families** includes expenditures on direct provision of child care services using TANF funds but excludes subsidies to Colorado Works recipients provided through the Colorado Child Care Assistance Program. Approximately $2.2 million was spent for direct child care services.

- **Transportation for employed families** includes bus tokens, car payments, auto insurance reimbursement, and van services for employed Colorado Works recipients. Expenditures for transportation services amounted to $1.8 million.

- **Non-recurrent short-term benefits** include diversion payments and one-time payments for work clothes and equipment. Benefits in this area totaled $3.9 million.

- **Administration** includes expenses for indirect administration not directly related to the provision of program services; these are subject to a federally imposed cap of 15 percent of total expenditures. Administration expenditures that meet this definition totaled $5.3 million.

- **Systems** includes expenditures for systems costs related to monitoring and tracking the program, and include expenditures for the Electronic Benefits System, and the CFMS, COIN, CACTIS, and CBMS administrative data systems. Expenditures for systems totaled $7.1 million.

- **Expenditures authorized under prior law** include expenditures related to JOBS and the Job Training Partnership Act, and totaled $461,000.

- **Other** expenditures include the costs associated with case management and other Colorado Works program costs, and child care subsidies provided to Colorado Works recipients. Expenditures for this category in SFY 2000 totaled $55 million. (Figure 1.3 provides additional detail on these other expenditures.)

Approximately $70 million, or 53 percent, of total TANF expenditures in SFY 2000 (excluding state and county MOE expenditures for family preservation and child welfare programs) involved direct cash assistance and supportive services benefits paid to recipients. This included $40 million in monthly basic cash assistance benefits paid to recipients, $20 million in other assistance payments, state and county diversion payments, and contracted supportive services to recipients, and $10 million in Colorado Works Child Care subsidies. Expenditures on administrative costs associated with providing program services, including salaries for county program staff providing case management and other services to recipients totaled $44 million, or about 34 percent of all TANF-related expenditures. About 10 percent of expenditures went toward general administration and systems.

Figure 1.2
Colorado Works Expenditures
State Fiscal Year 2000

	Federal Funds	State/County Funds	Total	
Expenditures on Assistance:				
Basic Assistance	$36,083,871	$16,203,541	$52,287,412	39.8%
Supportive Services for Non-Employed Families	$1,552,881	$775,828	$2,328,709	1.8%
Expenditures on Non-Assistance:				
Work Subsidies	$0	$3,833	$3,833	0.0%
Education	$274,952	$315,196	$590,148	0.4%
Other Work Activities and Work-Related Expenses	$313,147	$143,368	$456,515	0.3%
Child Care for Employed Families	$1,045,312	$1,161,783	$2,207,095	1.7%
Transportation for Employed Families	$814,811	$968,526	$1,783,337	1.4%
Non-Recurrent Short-Term Benefits	$2,772,245	$1,129,869	$3,902,114	3.0%
Administration	$3,364,830	$1,997,445	$5,362,274	4.1%
Systems	$4,769,937	$2,341,785	$7,111,722	5.4%
Expenditures Authorized Under Prior Law	$460,946	$0	$460,946	0.4%
Other	$30,659,255	$24,146,936	$54,806,191	41.7%
Total	**$82,112,187**	**$49,188,109**	**$131,300,296**	**100.0%**

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Note: Other expenditures excludes expenditures for family preservation and child welfare activities, which are currently subject to revision by the Colorado Department of Human Services. Spending for these activities is allowed to count toward Colorado's TANF MOE expenditures.

Source: TANF ACF-196 Financial Reports and Colorado Department of Human Services Financial Data.

Federal Categories

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Figure 1.3
Detail on Other Expenditures
State Fiscal Year 2000

	Federal Funds	**State/County Funds**	**Total**	
Colorado Works County Administrative Costs	$29,122,793	$13,819,890	$42,942,684	78.4%
Colorado Works State Administrative Costs	$1,536,462	$0	$1,536,462	2.8%
CCCAP-Colorado Works Child Care Subsidies	$0	$10,327,046	$10,327,045	18.8%
Total	**$30,659,255**	**$24,146,936**	**$54,806,191**	**100%**

Note: Total State/County Expenditures exclude expenditures for family preservation and child welfare activities, which are included in Colorado's total TANF MOE expenditures.

Source: BPA tabulations from TANF ACF 196 Financial Reports and Colorado Department of Human Services Financial Reports.

The Composition of Assistance Payments to Recipients

Over the first three years of Colorado Works, the composition of direct cash assistance and supportive services benefits paid to recipients has changed, reflecting the expanded provision of supportive services to Colorado Works recipients. Counties have continued to expand their use of more flexible forms of assistance allowed under the Colorado Works program. This trend is evident in Figure 1.4. In the first year of Colorado Works (SFY 1998), total assistance payments to Colorado Works participants amounted to $87 million, of which basic cash assistance payments accounted for 94 percent.[11] By the third year of the program (SFY 2000), after a large decline in the Colorado Works caseload, total assistance payments had fallen to about $56 million, and the share of basic cash assistance payments also declined to 72 percent of all assistance payments. In contrast, since the first year of Colorado Works, the number of state diversion payments has more than doubled, the number of county diversion payments is seven times higher, and the number of other assistance payments is three times higher.

Diversion Assistance Has Increased

Colorado has two diversion programs: state and county diversion (which are discussed in more detail in Chapter 8). Both are more flexible forms of assistance than basic cash assistance, because they allow recipients to address specific short-term financial needs and do not count against the lifetime limit on cash aid receipt. State diversion is available to families who are eligible for, but do not need, basic cash assistance because they have only a short-term need. County diversion is available to low-income families who are not eligible for basic cash assistance, but who similarly have a short-term financial need.

Expenditures for both state and county diversion have increased both in absolute dollars and as a proportion of the total assistance payments over the three years of Colorado Works' operation. In SFY 2000, combined state and county diversion payments totaled $5.1 million, up from $1.4 million in SFY 1998 (Figure 1.4). Nine percent of the $56 million in total assistance payments during SFY 2000 were for state or county diversion payments, compared to 2 percent in SFY 1998. The number of county diversion payments increased by 385 percent during this time

[11]Total assistance payments, as defined in this section, include monthly basic cash assistance payments, state and county diversion payments, and other assistance payments made to recipients or to a vendor on behalf of an indIvidual recipient. Total assistance payments are not equivalent to the basic assistance category on the federal ACF-196 forms, reported in Figure 1.1. Some types of assistance, such as the Low-Income Energy Assistance Program, are included in the ACF-196 basic assistance category, but not in the COIN administrative data, which we use to measure total assistance payments. Other payments, such as short-term diversion payments, are included in total assistance payments discussed here but not in the ACF-196 category.

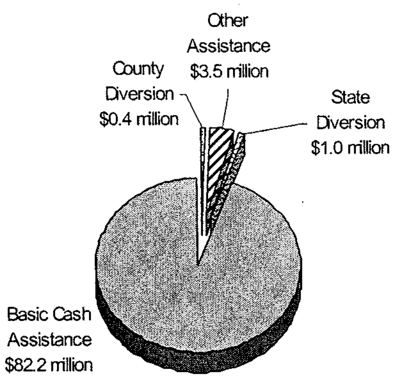
period, from 653 to 3,167, and the number of state diversion payments doubled, from 1,148 to 2,430. The average amount of a county diversion payment has also increased. In SFY 2000, the average county diversion payment was $822, an increase of 35 percent from SFY 1998. In contrast, the average state diversion payment was $657 in SFY 2000 and has increased little since the start of the program. Diversion payments generally correspond to the equivalent of two to three months worth of basic cash assistance payments, which averaged $363 in SFY 1999.[12]

[12]The maximum basic cash assistance grant for a family of three was $356.

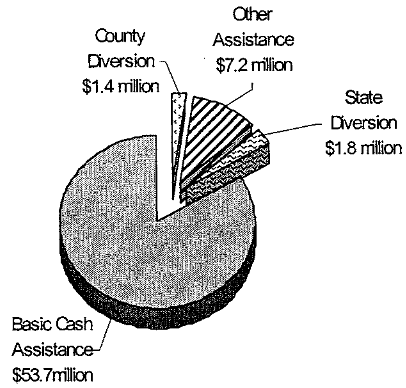
Figure 1.4

Total Expenditures for Basic Cash Assistance, Other Assistance Payments and State and County Diversion Payments by State Fiscal Year

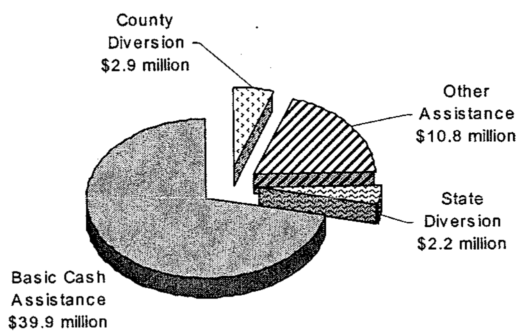
State Fiscal Year 1998
Total Assistance Payments: $87.2 million



State Fiscal Year 1999
Total Assistance Payments: $64.2 million



State Fiscal Year 2000
Total Assistance Payments: $55.7 million



Source: BPA calculations using COIN administrative records, Colorado Department of Human Services.

The increased utilization of, and expenditures on, diversion have been driven by county policy changes. For example, some counties have expanded eligibility for their county diversion programs. Three of the 15 field study counties increased the eligibility limits for county diversion during the past year.[13] In addition, three of the 15 field study counties reported that they increased the maximum payments allowed for diversion recipients. For example, Moffat County increased its maximum county diversion payment from $500 to $2,500 annually. Some counties have also begun to use county diversion assistance to help recipients with child care costs.[14] Denver County expanded eligibility for county diversion to allow more low-income families to become eligible for child care assistance.

Other Assistance Payments Have Increased

Other assistance payments, which are made only to those receiving basic cash assistance, fund a variety of supportive services for Colorado Works participants. These payments are made directly to the recipient or in the form of a vendor payment on behalf of a recipient. The types of services funded by other assistance payments, the number of payments for each type, and average payment amounts are shown in Figure 1.5.

[13]Both Denver and Mesa Counties raised the income limit for county diversion from 185 percent of the Federal Poverty Level to 225 percent of the Federal Poverty Level. Weld County increased eligibility to include families up to 185 percent of the Federal Poverty Level.

[14]Colorado Department of Human Services, Agency Letter CC-00-1-P, January 24, 2000.

Figure 1.5
Colorado Works Other Assistance Payments by Type
State Fiscal Years 1999 and 2000

Assistance Category	SFY1999			SFY2000		
	Number (%)	Total Expenditures	Average Payment	Number (%)	Total Expenditures	Average Payment
Transportation	34,914 (53.1%)	$2,006,768	$57	30,079 (41.7%)	$2,179,420	$72
Clothing	4,642 (7.1%)	$461,560	$99	1,007 (1.4%)	$124,769	$124
Educational Expenses	5,046 (7.7%)	$1,327,834	$263	4,300 (6.0%)	$619,619	$144
Other Work Expenses	2,351 (3.6%)	$467,604	$199	3,537 (4.9%)	$682,888	$193
Supplemental Cash Assistance	11,303 (17.2%)	$1,621,205	$143	13,586 (18.8%)	$3,643,212	$268
Family Planning Assistance	30 (0.0%)	$8,268	$276	4 (0.0%)	$632	$158
Employer Incentives	261 (0.4%)	$86,284	$331	269 (0.4%)	$84,870	$316
Miscellaneous	7,184 (10.9%)	$1,246,228	$173	19,428 (26.9%)	$3,484,559	$179
Total	**65,732**	**$7,225,750**	**$110**	**72,210**	**$10,819,969**	**$150**

Note: Number of other assistance payments rather than cases is reported. Because some cases receive more than one payment in a month, the number of payments will exceed the number of cases in a particular month.

Source: BPA tabulations using COIN administrative records, Colorado Department of Human Services.

Total expenditures for other assistance payments, the total number of other assistance payments, and the average payment amount all increased from SFY 1999 to 2000, despite an overall decline in the Colorado Works ongoing assistance caseload during that time. Total expenditures increased by 49 percent to nearly $11 million and the average payment increased from $110 to $150. Total number of payments increased by 10 percent to 72,210.

Three categories of other assistance accounted for most of the payments made in SFY 2000: transportation (42 percent of all payments), supplemental cash assistance (19 percent of all payments), and miscellaneous payments that do not fall into the existing categories (27 percent of all payments).

Supplemental cash assistance payments are used by several counties as incentive payments for Colorado Works recipients who successfully enroll in a federally approved work activity and meet the required monthly hours of participation. These payments are also made to recipients upon entry into full-time unsubsidized employment. One county is using supplemental cash assistance to provide additional cash assistance to child-only families, and another county has been using these payments to provide a higher earned income disregard for recipients who begin paid employment. Transportation payment sizes are relatively small on average ($72) and are typically used to fund public transit passes or vouchers, and minor car repairs.

In both SFY 1999 and 2000, about 36 percent of families on Colorado Works received at least one other assistance payment. However the total value of other assistance payments received by a case over a year increased from an average of $569 during SFY 1999 to $890 during SFY 2000, indicating that more families are getting multiple other assistance payments.

Chapter 2: Colorado Works Caseload Characteristics

Introduction

Since the start of the Colorado Works program in July 1997, the State's TANF caseload has declined at a faster rate than the caseloads of nearly all other states in the country. The Colorado Works caseload has fallen in all regions of the State, although the rate of decline has been slower in regions with less favorable local labor market conditions. Although the typical family on Colorado Works is comprised of a single mother with one or two children, child-only cases, in which the adult head of household is not eligible for assistance, have become almost as numerous. This is not due to an increase in the number of child-only cases; both one-parent and child-only case levels have fallen since 1997. But because one-parent cases have fallen at a much faster rate than child-only cases, a large proportion of the Colorado Works caseload now consists of child-only cases. Increasingly, county programs have begun to develop services targeted to these cases.

In addition to reporting on Colorado Works caseload trends by region and case type, in this chapter we examine another important characteristic of the caseload: the length of time adult Colorado Works recipients have been receiving assistance. This aspect of the caseload has two important implications for policy. First, given the dramatic declines in TANF caseloads in Colorado and across the nation, policymakers have expressed concern that those remaining in the program are long-term recipients who have few job skills or limited work experience and who will find it difficult to successfully transition to work and self-sufficiency. To identify long-term recipients on the Colorado Works caseload, we measure their total time on welfare as an adult, including both time on Colorado Works and time on Aid to Families with Dependent Children (AFDC). Second, because assistance for adults under TANF is time-limited, we also report on the extent to which Colorado Works participants are using up their lifetime 60-month eligibility for cash assistance. We examine these issues using data from the main Colorado Works administrative database covering the period July 1997 to June 2000. We supplement this data with findings from our field study of 15 Colorado counties.

Key findings for this chapter are cited below:

- **The Colorado Works caseload has continued to decline but less rapidly than in previous years.** Between June 1999 and June 2000, the Colorado Works caseload fell by 14 percent to 11,930 cases. During the previous year, the caseload fell by 31 percent.

- **The caseload fell in all regions of Colorado but remained comparatively higher in regions with high unemployment rates.** Regions that have high unemployment rates, especially the San Luis Valley, have the highest Colorado Works recipiency rates. Yet even these regions have seen drops in their recipiency rates commensurate with declines in unemployment rates.

- **Child-only cases continued to increase as a share of the Colorado Works caseload because of the large decline in the one-parent caseload.** Although child-only cases account for a larger share of the caseload, the absolute number of child-only cases has remained stable during the first three years of Colorado Works. To address the needs of child-only cases, counties have targeted services and cash payments to adult caregivers with the goal of preserving families in situations where financial or other resolvable difficulties would cause children to become involved with Child Protective Services.

- **Long-term recipients made up a smaller proportion of the Colorado Works caseload in June 2000 than they did two years earlier.** For example, 10 percent of adults on the caseload in June 2000 had 10 or more years of welfare receipt compared to 13 percent of adults on the June 1998 caseload.

The Colorado Works Caseload Decline

In its third year of operation, the Colorado Works caseload continued to decline, although at a slower rate than in previous years. In June 2000, there were 11,930 active Colorado Works cases, a drop of 2,008 cases, or 14 percent, from June 1999.[1] This compares to a prior year caseload decline of 6,188 cases, or 31 percent. Much of the decline in the Colorado Works caseload during the first two years resulted from a high level of one-parent case closures rather than from a decline in new cases coming into the program. During the past year, the number of monthly case closures has dropped while monthly case openings have remained relatively stable, contributing to a slower decline in the caseload. Overall, Colorado's TANF caseload has declined at a rate that is among the largest in the nation. Between January 1998 and December 1999, only two states registered percentage caseload declines larger than Colorado's 51 percent decline.[2]

In June 2000, the typical adult Colorado Works recipient was a single mother of one to two children, with an average age of 30. Half of adult recipients were white, another 30 percent were Hispanic, and about 15 percent were African-American. Nearly 10 percent of adult recipients were pregnant. Unlike many other states nationwide, the characteristics of Colorado's TANF adult population have changed only slightly since the inception of Colorado Works, as illustrated in Figure A.5 of Appendix A.

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[1]This caseload count includes adult-headed and child-only cases receiving basic cash assistance as well as all cases receiving state or county diversion payments.

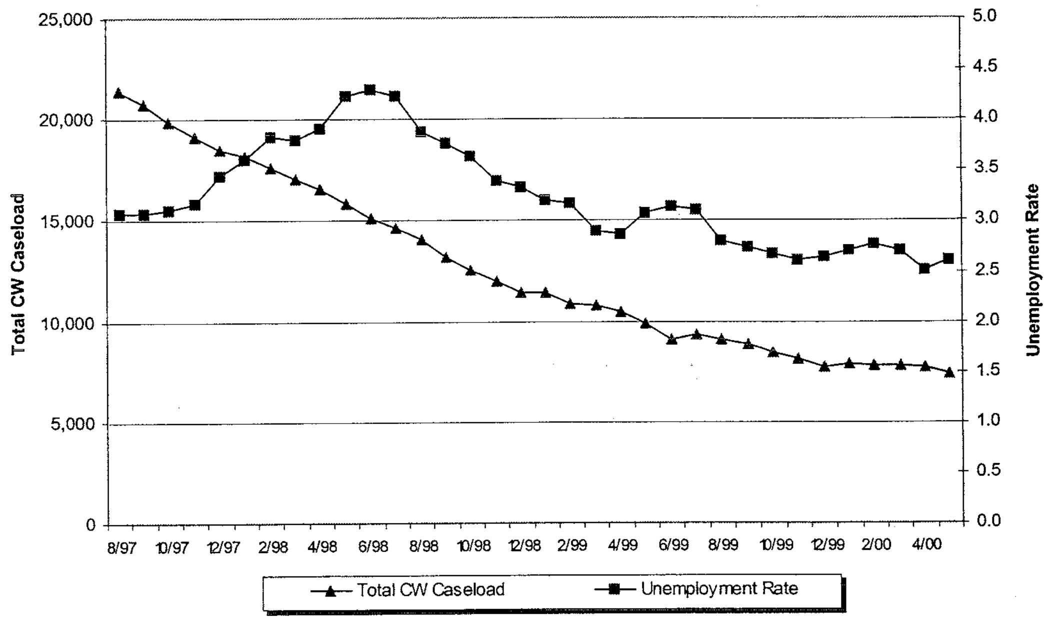
[2]National TANF caseload data is available through December 1999. The two states with larger caseload declines were West Virginia (-54 percent) and Wyoming (-52 percent). Between 1993 and 1999, Colorado's welfare caseload declined by 75 percent. Only five states (Idaho, Mississippi, West Virginia, Wisconsin, and Wyoming) experienced larger declines over that same time period. See *Temporary Assistance for Needy Families (TANF) Program: Third Annual Report to Congress*, U.S. Department of Health and Human Services, August 2000.

The large decline in the Colorado Works caseload has an important ramification for the program's operation. Under TANF rules, states receive a caseload reduction credit that lowers the required federal work participation rate for adults receiving assistance. Colorado's caseload reduction credit is large enough that the effective work participation rate for the State is zero. We discuss this in more detail in Chapter 5.

The drop in the Colorado Works caseload has occurred during a period in which the State's economic climate has been strong and the statewide unemployment rate quite low (see Figure 2.1). The State's unemployment rate was 3.3 percent in 1997 (the first year of the Colorado Works program), increased to 3.8 percent in 1998, declined to 2.9 percent in 1999, and remained under 3 percent during the first six months of 2000. At these low unemployment levels, nearly all job seekers should be able to find a job of some kind.

These economic conditions are extremely favorable to the "work-first" emphasis of the Colorado Works program, in which counties encourage recipients to find employment as soon as possible. However, several regions in the State have had relatively high unemployment rates during some or all of this period, and we can estimate the effect of changes in the unemployment rate on Colorado Works caseload levels using this regional variation.

Figure 2.1
Colorado Works Caseload and Statewide Unemployment Rate
August 1997 to May 2000



Notes: Unemployment rates are calculated as 3-month moving averages. For example, the unemployment rate for August 1997 is the average of July, August, and September 1997.

Source: BPA tabulations using COIN administrative records, Colorado Department of Human Services. Unemployment rates are tabulated using unemployment data from Colorado Department of Labor and Employment.

Regional Analysis of Caseload Trends

In this section, we look at the variation in Colorado Works caseloads across 12 major regions that comprise the State. Regional caseload trends provide a more detailed understanding of how the Colorado Works caseload has changed over time and, moreover, allow us to examine the relationship between caseloads and unemployment rates.

The Rate of Welfare Receipt Differs By Region, but Most Regions Have Experienced Large Declines

Although caseloads have declined in all of the major regions of Colorado since the inception of Colorado Works, the rate of decline has been larger in some regions than in others. Our comparisons of caseload trends across regions with different population sizes are based on the calculation of a Colorado Works recipiency rate for each region. The recipiency rate for a given region is the number of Colorado Works cases per 1,000 women aged 15 to 44.[3] Women in this age group represent the population at greatest risk of entering the Colorado Works program.[4]

[3]We include in our case count households receiving basic cash assistance in any month as well as those receiving diversion payments.

[4]Recipiency rates can be defined in several ways by using different measures of the population (e.g. all adults, or all adult women) . National AFDC/TANF recipiency rates are reported in *Indicators of Welfare Dependence: Annual Report to Congress*, U.S. Department of Health and Human Services, March 2000. For an analysis of California welfare caseloads which uses the same recipiency rate measure we employ, see Thomas MaCurdy, David Mancuso, and Margaret O'Brien-Strain, *The Rise and Fall of California's Welfare Caseload: Types and Regions, 1980-1999*, Public Policy Institute of California, 2000.

To conduct a regional analysis of caseload trends, we defined 12 regions in the State.[5] Counties included in each region are shown in Figure 2.2. Recipiency rates by region or metropolitan area during the first three years of the Colorado Works Program are presented in Figures 2.3 (for small-county regions) and in Figures 2.4a and 2.4b (for the larger metropolitan areas).

Two findings are evident from these regional comparisons. First, all regions experienced large declines in their recipiency rates between July 1997 and June 2000, ranging from a 43 percent decline in the Western Slope region to a 78 percent decline in Pueblo County. Other regions with large declines included Weld (72 percent) and the Denver Suburbs (67 percent). For most regions, the rate of decline in the third year of the program was smaller than that experienced during the first two years of the program.

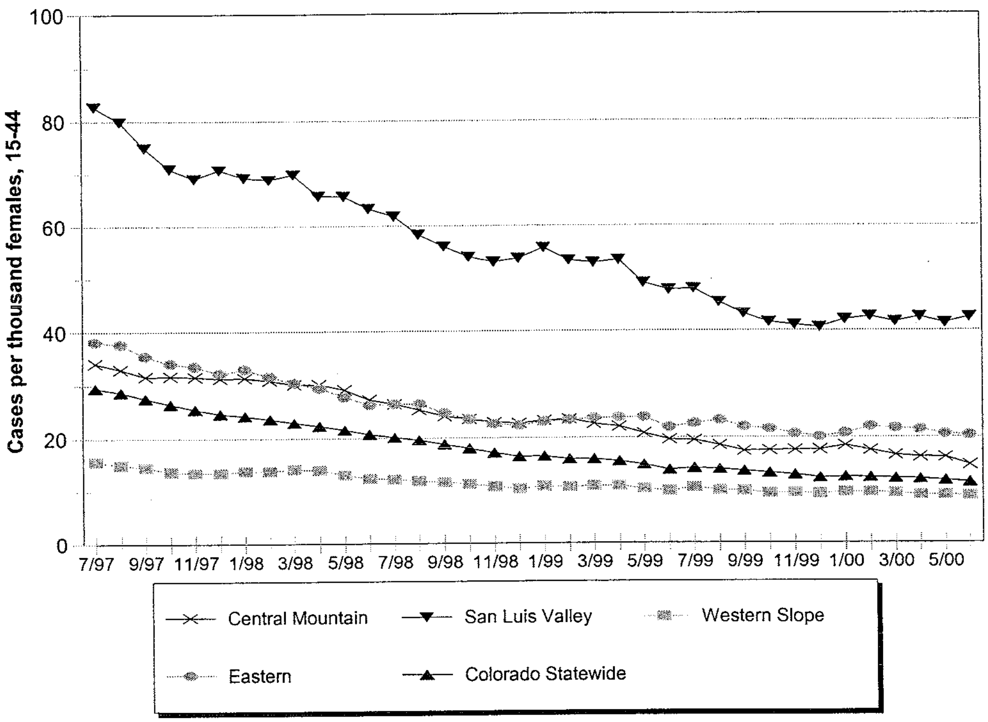
[5]Eight of these regions coincide with the major metropolitan areas in the State, as defined by the Federal Office of Management and Budget. These include Boulder-Longmont (Boulder County), Colorado Springs (El Paso County), Fort Collins-Loveland (Larimer County), Grand Junction (Mesa County), Greeley (Weld County) and Pueblo (Pueblo County). For the Denver metropolitan area, which includes Adams, Arapahoe, Denver, Douglas, and Jefferson counties, we examine caseload trends in Denver County separately from those in the other four Denver metro area counties (which we group into a "Denver Suburbs" region). The remaining four regions -- Eastern, San Luis Valley, Central Mountain, and Western Slope – are comprised primarily of small, non-metropolitan counties that are in proximity to each other and have common geographic and economic characteristics. These regions are based on the substate regions that have been developed by the Colorado Department of Local Affairs.

Figure 2.2
Definitions of Colorado Regions

1) Boulder Boulder-Longmont PMSA **2) El Paso** Colorado Springs MSA **3) Denver** **4) Denver Suburbs** Adams Arapahoe Douglas Jefferson **5) Larimer** Fort Collins-Loveland MSA **6) Mesa** Grand Junction MSA **7) Weld** Greely PMSA **8) Pueblo** Pueblo MSA **9) Central Mountain Region** Chaffee Clear Creek Custer Fremont Gilpin Huerfano Lake Las Animas Park Teller **10) San Luis Valley Region** Alamosa Conejos Costilla Mineral Rio Grande Saguache	**11) Western Slope Region** Archuleta Delta Dolores Eagle Garfield Grand Gunnison Hinsdale Jackson LaPlata Moffat Montezuma Montrose Ouray Pitkin Rio Blanco Routt San Juan San Miguel Summit **12) Eastern Region** Baca Bent Cheyenne Crowley Elbert Kiowa Kit Carson Lincoln Logan Morgan Otero Phillips Prowers Sedgwick Washington Yuma

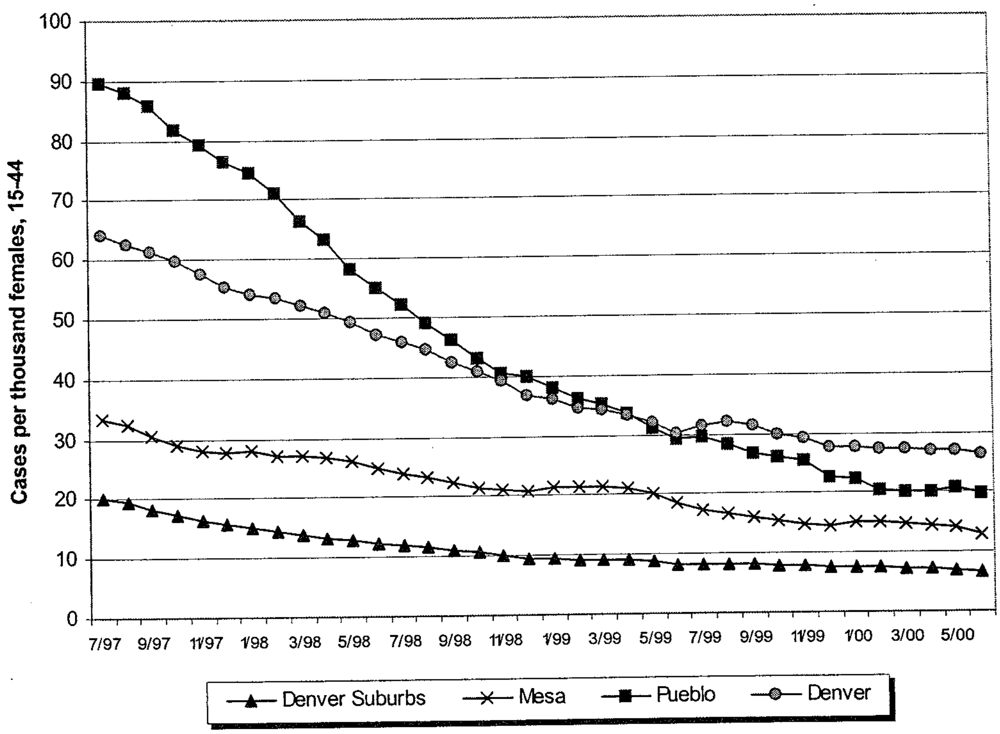
Note: Region definitions are based on the Metropolitan Statistical Area (MSA) and Primary Metropolitan Statistical Area (PMSA) designations for urban areas developed by the Federal Office of Management and Budget and the substate regions (for rural counties) developed by the Colorado Department of Local Affairs.

Figure 2.3
Small-County Regions
Colorado Works Recipiency Rates
July 1997 to June 2000



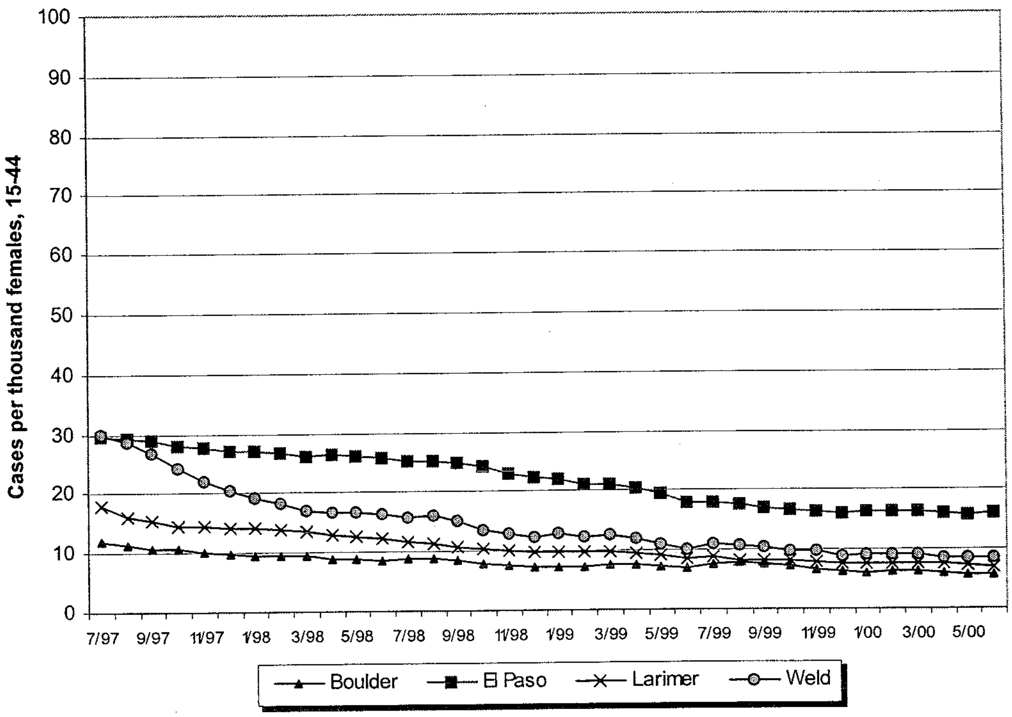
Source: BPA tabulations using COIN administrative records, Colorado Department of Human Services, and county population data published by Colorado Department of Local Affairs.

Figure 2.4a
Metropolitan Counties Colorado Works Recipiency Rates:
Pueblo, Denver, Mesa, and Denver Suburbs
July 1997 to June 2000



Source: BPA tabulations using COIN administrative records, Colorado Department of Human Services, and county population data published by Colorado Department of Local Affairs.

Figure 2.4b
Metropolitan Counties Colorado Works Recipiency Rates:
El Paso, Weld, Larimer, and Boulder
July 1997 to June 2000



Source: BPA tabulations using COIN administrative records, Colorado Department of Human Services, and county population data published by Colorado Department of Local Affairs.

A second finding is that differences in recipiency rates across regions narrowed considerably during the first three years of Colorado Works. At the start of the program in July 1997, some regions, including Denver Suburbs, Western Slope, and Central Mountain, had low recipiency rates, while others, including Pueblo and Denver Counties and the San Luis Valley region, had very high recipiency rates. After three years, however, differences between the recipiency rates of most regions in the State have narrowed significantly. In 1997, recipiency rates ranged from a low of 12 cases per thousand women aged 15 to 44 in Boulder County to 90 cases per thousand in Pueblo County. By June 2000, the range of recipiency rates for 11 of the 12 regions had narrowed to between 6 and 26 cases per thousand. The San Luis Valley continued to have a relatively high recipiency rate of 43 cases per thousand, although this too represented a decline of almost 50 percent from that region's recipiency rate in July 1997.

Local Unemployment Rates Affect the Rate of Decline in Colorado Works Recipiency Rates

Since the onset of welfare reform, policymakers and researchers have tried to discern how much of the large decline in welfare caseloads nationwide has been due to program-related changes brought on by TANF and how much has been due to the strong economic climate and low unemployment rates of the past several years. Here we examine the correlations between regional Colorado Works recipiency rates and regional unemployment rates. Unemployment rates have been low in most regions since the start of the Colorado Works program. But in two regions of the State with high unemployment rates, we observe a strong correlation between declines in unemployment and declines in the Colorado Works recipiency rate.

To gauge the impact of local unemployment rates on Colorado Works recipiency rates, we examined the experience of Pueblo County and the San Luis Valley region, two regions that have had relatively high unemployment rates during some or all of the three years since the program was implemented. As shown in Figure 2.5a, Pueblo County's unemployment peaked at almost 11 percent in June 1998 then fell to between 4 and 5 percent through the last half of 1999 and first half of 2000. As shown in Figure 2.5b, the unemployment rate in the San Luis Valley region peaked at 11 percent in June 1998 but has leveled off at closer to 6 percent in the first half of 2000. The recipiency rates in these two regions also declined, although Pueblo

County's recipiency rate declined more rapidly than that of the San Luis Valley. Between August 1997 and May 2000, Pueblo's recipiency rate declined by 76 percent, from 88 cases to 21 cases. The recipiency rate in the San Luis Valley dropped by 49 percent, from 80 to 41 cases during the same period. As of June 2000, the San Luis Valley had both the highest regional unemployment rate in the State and the highest Colorado Works recipiency rate, suggesting that less favorable labor market conditions in this region have slowed the rate of caseload decline.[6]

Regional Colorado Works recipiency rate patterns suggest that the strong local economies in most areas of the State have created conditions conducive to large declines in the Colorado Works caseload during the past three years. This does not mean that changes in the rules governing cash assistance as implemented in Colorado Works played no role in caseload declines. Rather it seems most likely that the strong local labor markets combined with new rules mandating work participation and program incentives to encourage recipients to find jobs resulted in a much larger caseload decline than would have occurred had either one of these factors not been present.

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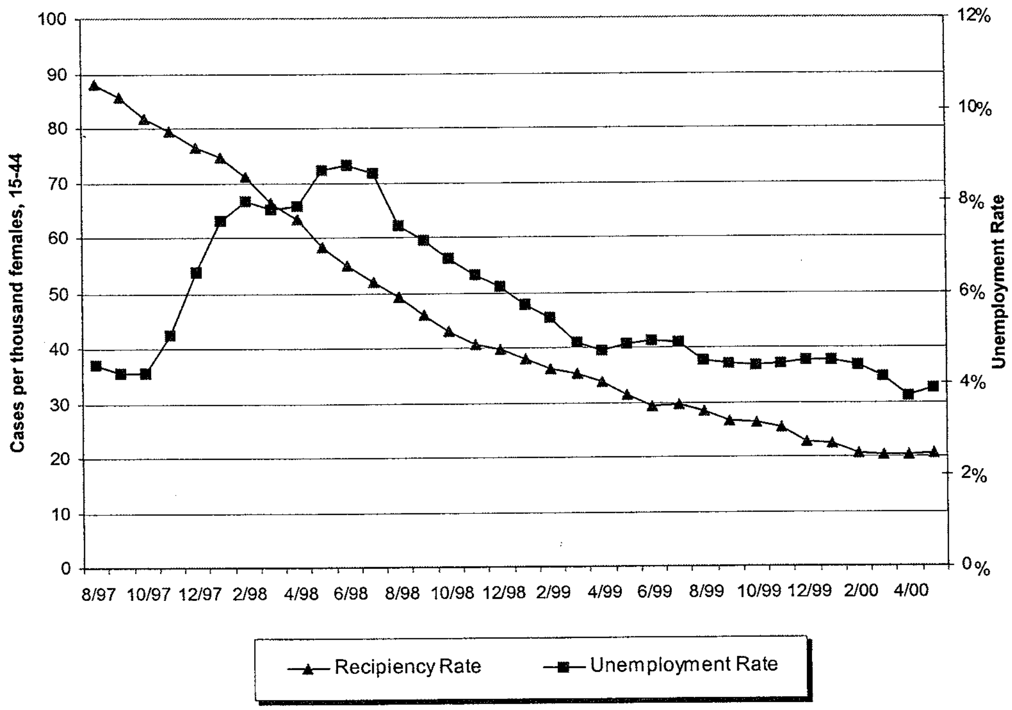
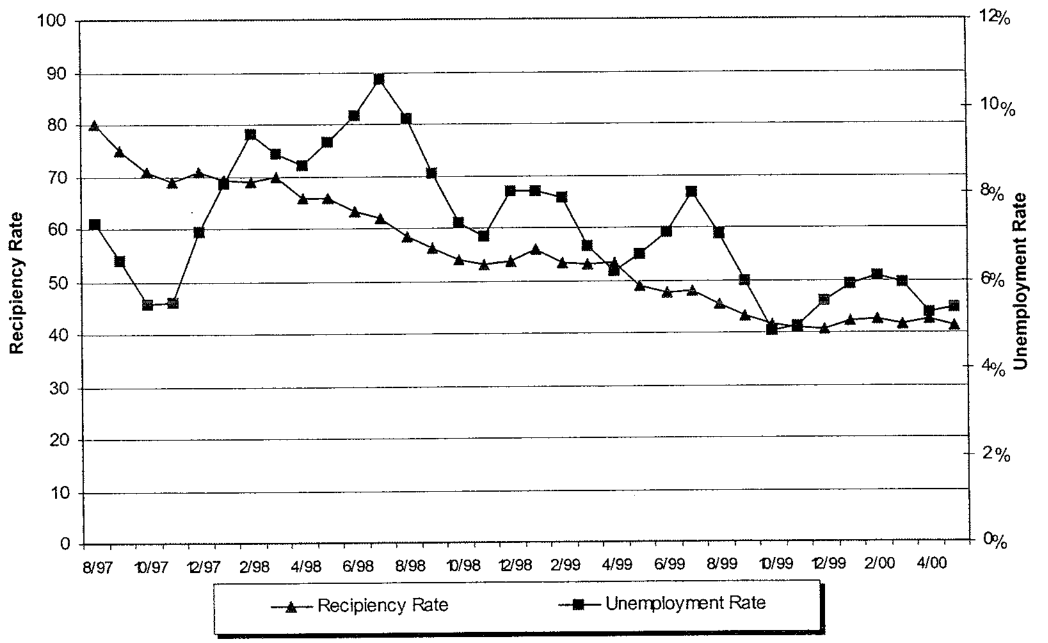
[6]In an analysis not presented here, we also compared Colorado Works recipiency rate trends to non-marital birth rate trends in each region. Given that a high proportion of Colorado Works cases are headed by single mothers, a region's non-marital birth rate may influence its recipiency rate. Although we found that at the start of the Colorado Works program high recipiency rates were correlated with high non-marital birth rates, since then non-marital birth rates have not declined in tandem with recipiency rates, indicating that they are not a factor contributing to the decline in the Colorado Works caseload.

Figure 2.5a
Recipiency Rates and Regional Unemployment Rates
Pueblo Region
August 1997 to May 2000



Source: BPA tabulations using COIN administrative records, Colorado Department of Human Services, and county population data published by Colorado Department of Local Affairs.

Figure 2.5b
Recipiency Rates and Regional Unemployment Rates
San Luis Valley
August 1997 to May 2000



Source: BPA tabulations using COIN administrative records, Colorado Department of Human Services, and county population data published by Colorado Department of Local Affairs.

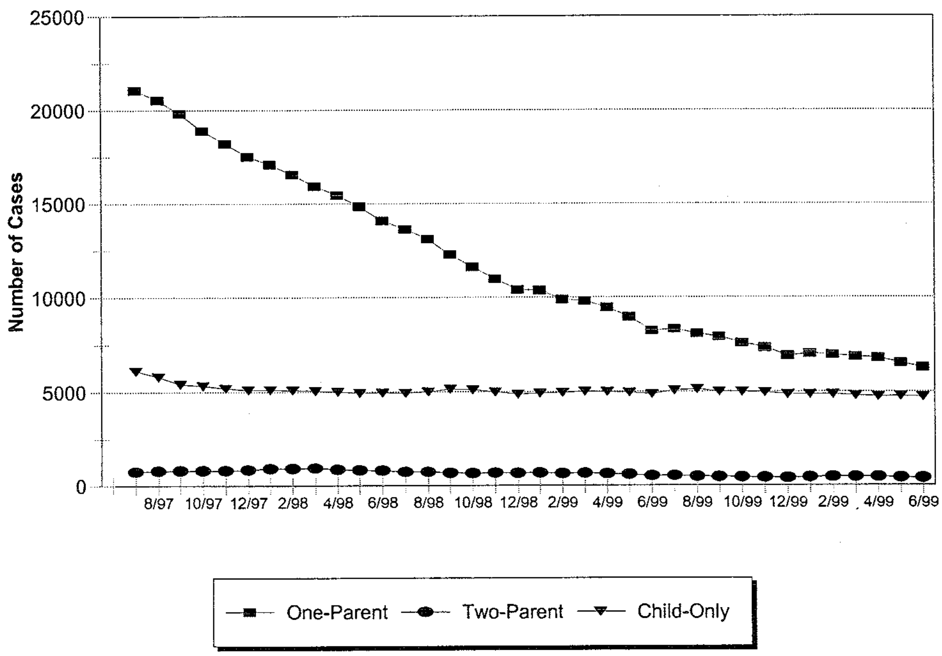
Child-Only Cases in Colorado Works

This section examines statewide trends as well as regional recipiency rates for child-only cases, which–as noted earlier–account for an increased proportion of the Colorado Works caseload. Also discussed here are approaches taken by individual counties to meet the special needs of child-only cases.

The Number of Child-Only Cases in the Colorado Works Caseload Remains Stable

Among ongoing basic cash assistance cases, cases headed by single parents comprise the largest share of the Colorado Works caseload. However, as noted in our previous evaluation reports, the number of one-parent cases has declined dramatically since the start of the Colorado Works program and has accounted for nearly all of the overall decline in the caseload, as seen in Figure 2.6. The numbers of child-only cases and two-parent cases have remained stable over the first three years of the program. Accordingly, child-only cases have become a more important component of the overall ongoing assistance caseload. In June 2000, one-parent cases comprised 55 percent (6,270 cases) of the overall ongoing assistance caseload, child-only cases comprised 41 percent (4,700 cases), and two-parent cases comprised 4 percent (383 cases).

Figure 2.6
Colorado Works Ongoing Assistance Caseload by Family Type
July 1997 to June 2000



Note: Monthly caseload counts do not include state and county diversion cases.

Source: BPA calculations using COIN administrative records, Colorado Department of Human Services.

Child-only caseloads have also become an increasing share of many state TANF caseloads across the U.S. The proportions of one-parent, two-parent, and child-only cases in Colorado Works are very close to the national average for all state TANF caseloads.[7]

The stability in the number of child-only cases is a trend that holds true for most regions of Colorado, as indicated by regional recipiency rates for child-only cases. Our definition of child-only recipiency rates is comparable to the Colorado Works recipiency rate used earlier: the child-only recipient rate is the number of Colorado Works child-only cases per 1,000 women aged 15 to 44 residing in each region. Four regions--Denver, Pueblo, San Luis Valley, and Eastern--have child-only recipiency rates that are significantly higher than the statewide average of approximately 5 cases per thousand women aged 15 to 44. Of these, Pueblo County has experienced a large decline in its recipiency rate, from nearly 20 cases per thousand in July 1997 to about 10 cases per thousand in June 2000.

Child-only cases can be classified according to the relationship of the children on a case to the adult head of the household (who, by definition, is not a member of the case and is therefore not receiving assistance). The head of household on a child-only case can be a parent, grandparent, or other relative (such as an aunt or uncle).[8] Colorado Works administrative records do not include information on the head of household for child-only cases. Based on observations from our county site visits, it appears that most of the child-only cases in Colorado include either a parent or a grandparent as head of household.

Child-only cases with parent heads of household can be those in which the parent is an SSI recipient. In addition, such cases may be comprised of families in which the children are U.S. citizens and the parent is an undocumented immigrant who is ineligible for assistance. In fact, the regions of the State that have relatively high child-only recipiency rates (San Luis Valley, Pueblo, Denver, Eastern) are also regions that are likely to have relatively large concentrations of undocumented

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[7]See *Temporary Assistance for Needy Families (TANF) Program: Third Annual Report to Congress*, U.S. Department of Health and Human Services, August 2000, Table 10:7.

[8]In rare cases, the head of household might be the spouse of a child in a child-only case. Children residing with foster parents are not eligible for the Colorado Works program.

immigrants. Although undocumented immigrants are ineligible to receive TANF, Medicaid, or Food Stamp benefits, they remain eligible for emergency Medicaid services and access to community-based programs that provide additional health and health-related services, including crisis counseling, treatment of mental illness, short-term shelter or housing assistance, domestic violence services, and further emergency crisis interventions.[9] Counties can assist undocumented immigrants who are the adult heads of child-only cases to access and utilize needed services.

Counties Have Developed Services Targeted to Child-Only Cases

In response to the increasing prominence of child-only cases in the Colorado Works caseload, many counties have developed programs specifically to provide services and support to adult heads of household and children in these cases. The goal of these services is to preserve families where financial or other resolvable difficulties would cause children to become involved with the Child Protective Services (CPS) system and possibly be placed in out-of-home care.

Ten of the 15 field study counties have developed specialized services to support adult heads of household. Of these 10 counties, 5 (Conejos, El Paso, Weld, Denver, and Rio Grande) assist adult caregivers with additional cash payments. This approach generally is targeted to adult caregivers who are grandparents or other relatives with fixed and limited incomes and is intended to raise assistance levels closer to parity with payments to foster care parents. Conejos County uses county diversion to provide cash to adult caregivers if the child has been in the care and custody of CPS within six months and is now in the legal custody of a relative other than their parent.[10] Case management is provided and each case is reviewed annually. El Paso and Weld Counties use other assistance payments to provide additional financial assistance to relative caregivers of child-only cases. In El Paso County, the amount is unlimited; in Weld County, up to $3,300 per child per year is allowed. These

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[9]Claudia Schlosberg, *Not-qualified Immigrants' Access to Public Health and Emergency Services after the Welfare Law,* National Health Law Program, January 1998.

[10]The amount of the grant is based on the age of the child and cannot exceed $349 per month for a child from birth through 10 years of age, $392 per month for a child 11 through 14 years of age, and $423 per month for a child 15 through 18 years of age.

payments can be used for needs the family is having difficulty providing, such as orthodontics, school supplies, beds and bedding, respite care, recreational activities, rent, moving expenses, transportation, and clothing. Denver County provides cash assistance to relative heads of household who are also Colorado Works recipients based on the number of relative children for whom they are caring.[11] In cases where the caregiver is not receiving Colorado Works basic cash assistance, Denver County provides cash payments through County Diversion. Rio Grande County provides child-only cases an extra $200 per month if the custodian has documentation of legal custody and if out-of-home placement is pending.

Nine of the 15 field study counties use other assistance payments to provide supportive services to children in child-only cases. These can be used to pay for school-related supplies and activities such as computers, school supplies, clothing, school trips, special classes, summer camp, bus passes, and counseling. Some counties offer respite care and day treatment for children who are at risk of out-of-home placement or expulsion from school.

In Adams County, a program has been designed by the social services office and a contracted provider to prevent Child Protective Services involvement and improve and maintain family stability among child-only cases. This voluntary, short-term program employs two full-time case managers who work directly with participants. Case managers address such issues as mental health, housing, health, adolescence, and parenting resources and support.

In El Paso County, some of the child-only TANF cases come through a collaboration between the TANF and Child Welfare Divisions. Through this collaboration, families in the child welfare system are encouraged to open a child-only TANF case. The goal of this effort is to make additional resources available to at-risk families to avoid out-of-home placements for the children. These resources include additional income and services for child-only TANF cases that would not be available to the family through a child welfare case alone. Further, since these cases are child-only TANF cases, they are not subject to time limits or work requirements. These child only TANF cases are case managed by a TANF case manager stationed in the child welfare division.

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[11]For instance, one child would qualify the caregiver for an additional $313 per month.

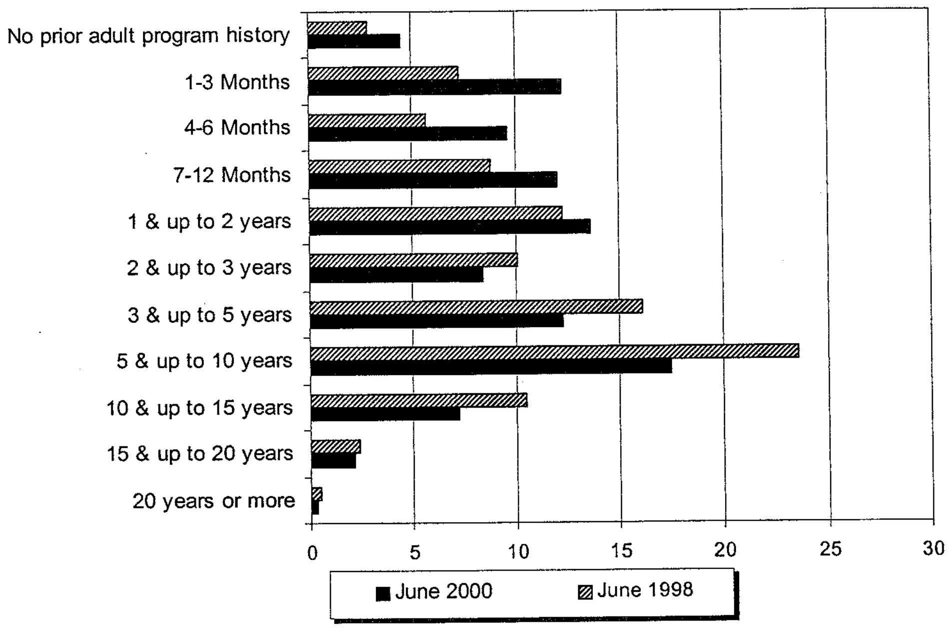
Long-Term Recipients in the Colorado Works Caseload

Ever since welfare reform's inception, policymakers and advocates have expressed concern that–given the rapid decline in caseloads–those remaining on TANF caseloads would increasingly be "hard-to-serve" recipients with multiple barriers, few job skills, and limited work experience. We measure long-term recipiency by looking at total months on assistance, including months spent on AFDC and Colorado Works basic cash assistance as an adult. In this section, we use this data to assess exit rates of long-term recipients. We also examine the anticipated impact of long-term recipiency on Colorado Works' ability to offer hardship exemptions to recipients who exceed the 60-month time limit.

Long-Term Recipients Comprise a Decreasing Proportion of the Colorado Works Caseload

Using the long-term recipiency measurements just described, we find little evidence that the Colorado Works caseload is becoming increasingly comprised of long-term recipients. In fact, the opposite trend is evident. Compared to June 1998, fewer adults receiving basic cash assistance in June 2000 were long-term recipients, as is indicated in Figure 2.7. For example, 10 percent of adults on the caseload in June 2000 had 10 or more years of welfare receipt compared to 13 percent of adults on the June 1998 caseload. Another 18 percent of adults in June 2000 had between 5 and 10 years of welfare receipt compared to 24 percent of adults in June 1998. This indicates that long-term welfare recipients are no more likely to remain on the Colorado Works caseload than other recipients. However, it is still important to note that 28 percent of adult Colorado Works participants receiving basic cash assistance in June 2000 had five or more years of cumulative welfare receipt (including assistance from both AFDC and Colorado Works).

Figure 2.7
Prior AFDC and Colorado Works Program History
of Adult Colorado Works Recipients
June 1998 and June 2000



Note: Program history includes total months of AFDC and Colorado Works assistance back to January 1969, when the recipient was an adult, defined as 18 years or older.

Source: BPA tabulations using COIN-MMIS administrative records, Colorado Department of Human Services.

Colorado Works Is Unlikely to Face Immediate Difficulty with Mandated Limits on Hardship Exemptions

Under federal rules, Colorado Works adult basic cash assistance recipients may not receive TANF assistance for more than five years (60 months) in total over their lifetime. Thus, cumulative time on Colorado Works impacts recipients' continued eligibility for basic cash assistance.[12] However, states can continue to use federal TANF funds to provide assistance beyond the lifetime limit for up to 20 percent of the average monthly caseload, calculated for either the current or the preceding Federal fiscal year, by granting hardship exemptions to recipients who have exceeded 60 months of assistance.[13] Colorado families will begin to reach the 60-month time limit in July 2002. However, our analysis suggests that Colorado will not run an immediate risk of reaching the 20 percent exemption limit.

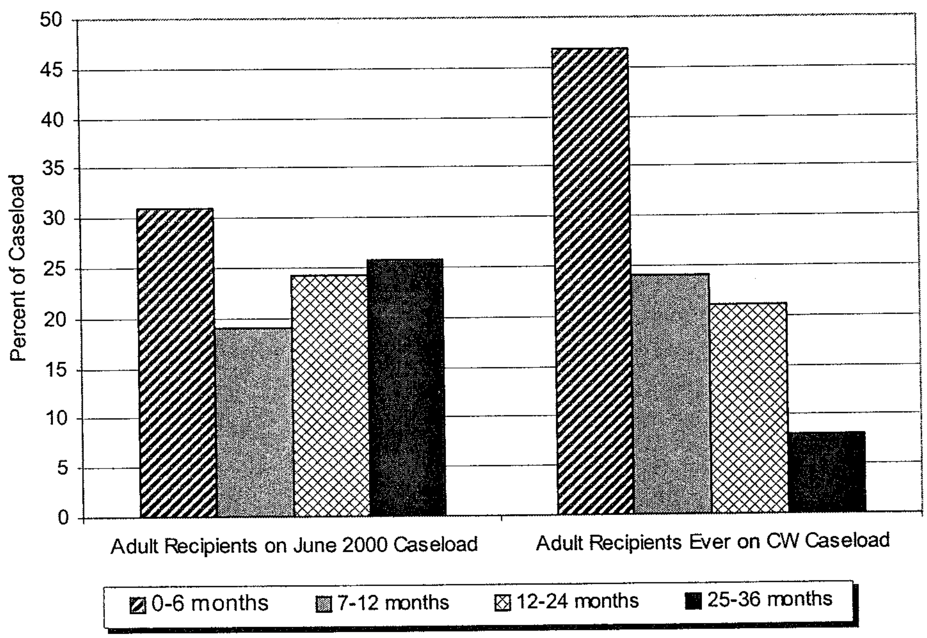
To assess the impact of the 60-month time limit on Colorado Works recipients, we examine total months of receipt of Colorado Works basic cash assistance for adult participants who were on the caseload in June 2000 and for all adult participants who have received basic cash assistance at any point since program inception (Figure 2.8). As of June 2000, 3,877 adult recipients had accumulated between 25 and 36 months of Colorado Works assistance counting toward their 60-month time limit, and of these recipients, 1,848 (48 percent) were on the caseload in that month.[14] If this group of at-risk adults were to receive assistance in every month after June 2000, they would reach the 60-month limit on federally funded assistance between July 2002 and June 2003.

[12]Child-only cases are not subject to the time limit. Months of TANF receipt in any state count toward the time limit, except for months in which a family receiving aid lives in an Alaskan native village or Indian reservation with an unemployment rate over 50 percent.

[13]States can continue to use state funds to provide assistance to recipients with more than 60 months of TANF receipt.

[14]This includes only months that count toward the time limit (i.e., months on Colorado Works). Among adults with 25 to 36 months of Colorado Works receipt, all but 262 (7 percent) had received at least one month of AFDC. Almost half (46 percent) had received AFDC assistance for 60 or more months in addition to their time on Colorado Works.

Figure 2.8
Total Time on Aid for Adult Recipients on Colorado Works
Adults on June 2000 Caseload and All Adult Recipients



Source: BPA tabulations using COIN-MMIS administrative records, Colorado Department of Human Services.

It is unlikely that all of these recipients will reach their 60-month time limit during this period. Even among these long-term recipients, there is turnover as recipients leave the caseload. As noted earlier, less than half (1,848, or 48 percent) of these 3,877 adults were still receiving assistance in June 2000; the rest had left the caseload. More are likely to leave before exhausting their 60 months.[15] Over time, however, more recipients can be expected to accumulate 60 months of benefit receipt.[16] As the absolute number of families exhausting their benefits and requiring exemptions to continue receiving federally funded assistance grows, the 20 percent exemption may become more of an issue. To the extent that these recipients have chronic barriers to self-sufficiency (i.e., long-term disabilities), they may become "permanent" members of the caseload. As these recipients join the rolls, the State will have less flexibility to grant additional hardship exemptions if it wants to remain under the 20 percent cap on such exemptions.

The experience of states with shorter time limits or time limits imposed under AFDC waivers also suggests that Colorado is likely to stay below the 20 percent exemption limit in the first years of time limit enforcement.[17]

Not all families who reach the 60-month time limit will qualify for hardship exemptions, and the departure of non-exempted families from the caseload is another factor that will hold down the proportion of the caseload with 60 or more months of assistance. Colorado plans to exempt families in which a parent or child is disabled, families in which children live with a non-parent and for whom out-of-home

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[15]For example, in May 2000, 164 of the 817 adults who had participated in Colorado Works continuously since implementation were participating in a work activity involving unsubsidized employment. Thus it is probable that they will leave Colorado Works relatively soon and not reach the 60 month time limit immediately.

[16]One report estimates that 13 percent of new recipients will reach the time limit exactly 60 months after entry and 23 percent of new recipients will receive 60 months of benefits within eight years of initial welfare receipt. However, this analysis assumed that time limits did not change the behavior of TANF recipients. See Greg J. Duncan, Kathleen Mullan Harris, and Johanne Boisjoly (1998), *Time Limits and Welfare Reform: How Many Families Will Be Affected?* Working paper, Joint Center for Poverty Research, Northwestern University and University of Chicago, March 1998. Available at http://www.nwu.edu/IPR/publications/nupr.

[17]See Dan Bloom (1999). *Welfare Time Limits: An Interim Report Card.* New York: MDRC.

placement would be necessary if assistance was ended, and victims of domestic violence.[18] Measuring the incidence of these barriers among long-term recipients is difficult, but it is unlikely that all families exhausting their benefits will qualify under these hardship categories.[19]

The State may decide that it wants to exempt from the 60-month time limit some or all of the Colorado Works cases that have reached that limit. If the number of such cases exceeds 20 percent of the average monthly Colorado Works caseload, the State can continue to provide assistance to the families in excess of the 20 percent exemption limit by using state funds.

[18]Because Colorado has adopted the Family Violence Option, the State will not be penalized for failing to meet the 20 percent exemption limit if that failure is based on domestic violence exemptions.

[19]The incidence of domestic violence and physical health barriers in the Colorado Works caseload is discussed in Chapter 6.

Chapter 3: Trends in Employment, Re-Entry Rates and Health Coverage for Colorado Works Leavers

Introduction

In this chapter, we report the employment status of former Colorado Works recipients following their exit from the program. We examine both overall quarterly employment rates for leavers and employment retention, as measured by the number of quarters in which recipients have earnings after exit. Our analysis uses Unemployment Insurance (UI) records maintained by the Colorado Department of Labor and Employment. These records are based on direct reports by employers of their employees' total earnings in each quarter. We count an individual as employed in a quarter if his or her earnings from all employers total at least $100.[1] We also report general re-entry rates for all Colorado Works recipients who have left the program during the second year and discuss variation in re-entry rates by county. The rate of re-entry into the program is influenced by former recipients' attachment to the labor market. Former recipients who experience sporadic employment in the year after leaving Colorado Works are more likely to return to the program than those who work continuously. We conclude this discussion of the post-Colorado Works experience by examining trends in health insurance coverage of program leavers and reporting on Colorado's efforts to help former Colorado Works recipients retain Medicaid benefits as needed.

[1]Employment rates derived from UI wage records are likely to somewhat understate the actual employment rates of former recipients. Certain types of employers are exempt from coverage by the Unemployment Insurance system and thus do not report wage information to the state. These include very small businesses, some agricultural employers and federal agencies. In addition, UI wage records will not capture earnings information for those who are self-employed or are engaged in off-the-books employment. Employment information for former recipients who are employed out-of-state is also not available from Colorado UI records.

Important findings from this chapter are cited below:

- **Upon exit from Colorado Works, more than half of recipients are employed.** Unemployment Insurance records indicate that, on average, 54 percent of former recipients are employed in the first quarter after leaving aid. These employment rates have not changed during the first 30 months of the program.

- **At least one-third of former recipients exhibit sporadic unemployment patterns after exiting Colorado Works.** This weak labor force attachment suggests that many former recipients experience difficulty in making a transition to stable employment.

- **Statewide rates of re-entry to Colorado Works have increased for adults who left the program during its second year.** Re-entry rates were below 20 percent for all but one month during the first program year. For leavers during the second year of Colorado Works, re-entry rates have been above 20 percent for most months. However, this increase is largely due to Colorado Works cases reinstated by Denver and Adams counties as part of a court settlement.

- **Colorado Works leavers with sporadic employment patterns have high rates of re-entry to the program.** Re-entry rates were 40 percent or higher for those leavers employed for only one or two quarters in the year after exit from Colorado Works.

- **Medicaid enrollment among Colorado Works leavers continues to increase.** Colorado has been effective at putting in place mechanisms that help Colorado Works leavers continue Medicaid coverage. Among those who exited Colorado Works during the first quarter of 2000, 61 percent of adults and 68 percent of children were enrolled in Medicaid.

Employment Rates of Colorado Works Leavers

In this section we examine the extent to which Colorado Works recipients find and retain employment after exiting the program. We discuss factors that affect exit into employment and also compare post-Colorado Works employment rates to that of comparable populations, including leavers from other states' TANF programs. We also discuss Colorado Works leavers' sporadic employment and low workforce attachment following program exit.

More than Half of Colorado Works Recipients Leave the Program for Employment

The majority of recipients who leave Colorado Works are employed in the first quarter after their exit. Among those who left Colorado Works between the third quarter of 1997 and the third quarter of 1999, the average employment rate in the first post-exit quarter was 54 percent (see Figure 3.1).[2] Employment rates for the first quarter after exit have remained stable during the first two years of the program.

Respondents to the 1999 Colorado Works Participant Survey who were no longer on Colorado Works cited employment as the primary reason for leaving the program. Forty-one percent of these respondents indicated they stopped receiving assistance because they began working, and an additional 14 percent indicated they left the program because they began earning too much to remain eligible.[3]

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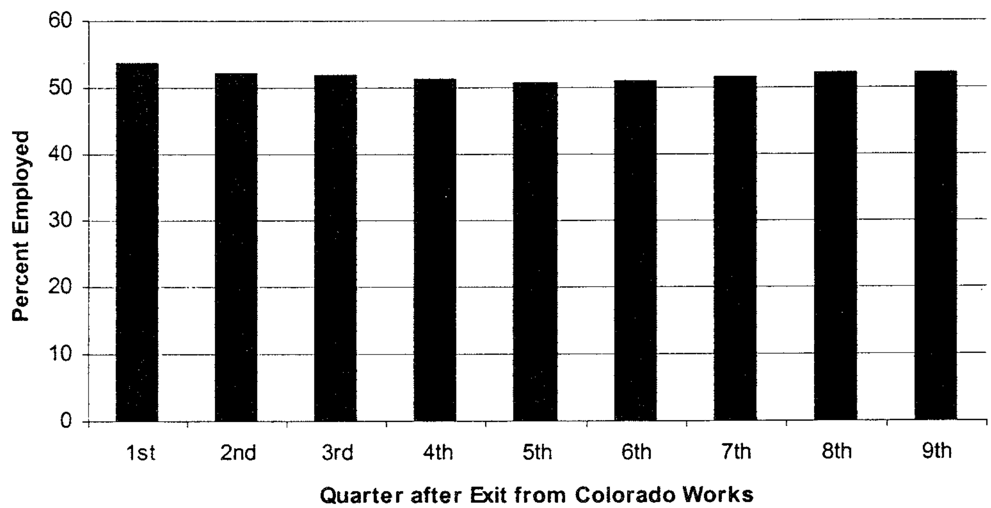
[2]The employment rates in Figure 3.1 are average employment rates for recipients exiting in different calendar quarters. We observe each recipient's employment status in each quarter after exit, for up to nine post-program quarters. For example, the average employment rate for the first quarter after exit is based on employment rates of recipients who exited Colorado Works during the third quarter of 1997 through the third quarter of 1999. For each successive quarter after exit, we have data for one less exit group. Quarterly employment rates for former recipients are reported separately by quarter of exit in Appendix A.

[3]Among other reasons cited for leaving, 11 percent said they left the program because they were no longer eligible (for an unspecified reason), 8 percent left because of a change in their household (for example, a child left the home), and 7 percent said they left because they did not want to be in the program anymore.

As is evident in Figure 3.1, employment rates for Colorado Works leavers are highest in the first quarter after exit and then decline slightly for several quarters before increasing. After eight quarters, 52 percent of former recipients are employed, approximately the same proportion as in the initial quarter after exit. As will be discussed in a later section, re-entry to Colorado Works is an important factor that holds down the quarterly employment rates of leavers over time.

Figure 3.1
Average Employment Rates by Quarter After Exit
Colorado Works Recipients Exiting in
1997, 4th Quarter through 1999, 3rd Quarter



Source: BPA tabulations using Unemployment Insurance records, Colorado Department of Labor and Employment.

Various Factors—Including Education Level, Marital Status, and Time on Aid—Affect the Likelihood of Exit into Employment

Several individual characteristics of Colorado Works recipients are correlated with the likelihood of exit from the program into employment.[4] For example, recipients with a high school diploma, GED, trade or technical certificate, or some college are more likely to exit into employment from Colorado Works, compared to those without a high school diploma. Being married is correlated with the likelihood of leaving Colorado Works and not working.

The time limits associated with assistance under Colorado Works have a strong impact on the likelihood of exit into either employment or unemployment. The greater the number of months a recipient has been on Colorado Works, the more likely he or she is to exit. Men are also more likely to exit the program at a faster rate than women.

Employment Rates of Colorado Works Leavers Are Similar to That of TANF Leavers Nationwide, Though Lower Than for Single Mothers Overall

The quarterly employment rates of Colorado Works leavers are comparable to those reported by several other states and large counties across the country, although limited comparison data is currently available. Among the leavers studies funded by the U.S. Department of Health and Human Services, reported quarterly employment rates for TANF leavers generally fall between 50 and 60 percent for any one quarter and remain relatively stable over a one-year period.[5]

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[4]We used standard statistical methods to estimate the likelihood of a recipient leaving Colorado Works for employment or unemployment, using demographic, household, and education measures as explanatory variables. Details are provided in Appendix ?.

[5]*"Leavers" and Diversion Studies: Summary of Research on Welfare Outcomes Funded by ASPE,* Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, 1999, available at http://aspe.hhs.gov/hsp/leavers99/ombsum.htm.

It is also useful to compare the employment rates of Colorado Works leavers to those for single women in the U.S. overall. For a variety of reasons, not all women in the general population are active participants in the labor force at any given time. Accordingly, we would not expect that all former Colorado Works recipients, who are mostly single mothers, would be continuously employed after exiting the program. A recent study using U.S. Bureau of Labor Statistics data reported that the employment-to-population ratio for single mothers (including those who were divorced, separated, or never married) was 66 percent in 1997 and had increased to 71 percent by 1999.[6] For married mothers in households where the spouse was present, the employment-to-population ratio was 69 percent in 1997 and 68 percent in 1999.[7] Finally, a representative sample of low-income single parents in Colorado between the ages of 25 and 54, found that 70 percent were employed part-time or full-time in 1999.[8]

The employment-to-population ratios for single mothers in the general population suggest that an appropriate benchmark employment rate for former Colorado Works participants should be 65 to 70 percent.[9] Even taking into account that UI

[6]These data are reported by the U.S. Bureau of Labor Statistics and are based on the Current Population Survey (CPS), a monthly survey of 50,000 representative households. A person is counted as employed in the CPS if he or she worked for pay any time during the week that includes the 12th day of the month *or* who worked unpaid for 15 or more hours in a family-operated business. Workers who were temporarily absent from their jobs during the sample week due to illness, vacation, or related reasons are also counted as employed.

[7]Gary Burtless, "Can the Labor Market Absorb Three Million Welfare Recipients?" Brookings Institution, March 2000.

[8]See Shelia R. Zedlewski, *1999 Snapshots of America's Families II: Family Economic Well-Being*, National Survey of America's Families, Urban Institute, Washington, DC, available at http://newfederalism.urban.org/nsaf/family-wellbeing.html. In this survey, low-income families were defined as those with incomes below 200 percent of the federal poverty level.

[9]Employment-to-population ratios derived from the CPS and UI records are not strictly comparable. UI records effectively measure any employment that occurs over a three-month period whereas the CPS is looking at employment only within a one-week period within any given month, or three weeks over the course of a quarter. Accordingly, all else equal, because UI records span a larger time frame, they should generate higher employment-population ratios than the CPS.

data most likely underestimate employment rates for former Colorado Works recipients, we still observe unemployment rates that are at least 5 to 10 percentage points below this standard, suggesting that the transition into the labor market has been difficult for some Colorado Works participants. We provide further evidence on the difficulty of this transition in the following section.

Many Former Recipients Do Not Maintain Stable Employment

For most Colorado Works recipients, ongoing participation in the labor market after program exit will be a key determinant of economic self-sufficiency. In our *First Annual Report*, we found that many former recipients exhibited patterns of sporadic employment after exiting Colorado Works. We find no substantive change in this pattern when we incorporate an additional four quarters of UI wage records data. To measure employment stability, we count the number of quarters in which former recipients are employed after exiting Colorado Works. At least one-third of former recipients exhibit sporadic unemployment patterns after exiting Colorado Works. This weak labor force attachment suggests that many former recipients experience difficulty in making a transition to stable employment.

In Figures 3.2a and 3.2b, we report total quarters employed after program exit for two groups of former recipients: those who exited Colorado Works during the fourth quarter of 1997 and those who exited during the fourth quarter of 1998.

For the former group, we have eight post-program quarters of earnings data; for the latter group, four quarters. Figure 3.2a shows that 32 percent of recipients in the 1998 exit group were employed in all four quarters after exit, and 70 percent were employed in at least one of the four quarters after exit. At the same time, 22 percent of recipients were employed sporadically in only one or two quarters in the year after exiting Colorado Works.

Figure 3.2a
Total Quarters Employed One Year after Exit
Colorado Works Recipients Exiting in 1998, 4th Quarter

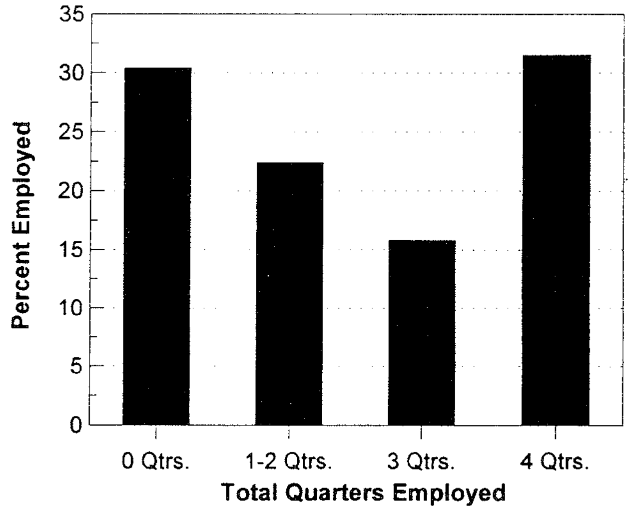
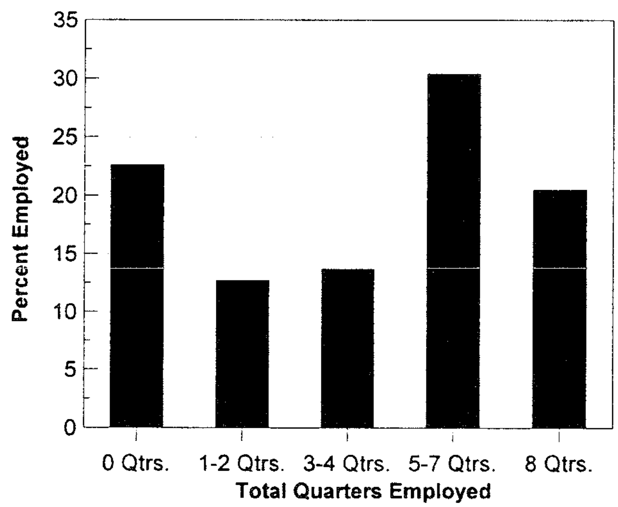


Figure 3.2b
Total Quarters Employed Two Years after Exit
Colorado Works Recipients Exiting in 1997,4th Quarter



Source: BPA tabulations using UI records, Colorado Department of Labor and Employment.

Among recipients in the 1997 exit group (Figure 3.2b), 21 percent worked in all eight quarters after exit, and 77 percent worked in at least one quarter after exit. The share of former recipients with at least some employment experience in this exit group is larger than for the 1998 exit group. This should be expected, since over time more former recipients will acquire some work experience. However, 27 percent of recipients in the 1997 exit group worked for only one to four quarters during the first two years after exit, indicating that a substantial proportion of former recipients continues to have sporadic attachment to the labor market.

Some Unemployed Colorado Works Leavers Do Not Participate in the Labor Force

As noted earlier, not all former Colorado Works recipients choose to participate in the labor force.[10] Because the number of former recipients with no employment experience likely includes some former recipients who are not in the labor force, this number overstates the proportion of former recipients who are actually unemployed (that is, available and looking for work but not employed). Data from the 1999 Colorado Works Participant Survey can be used to estimate the proportion of former recipients who are not labor force participants—that is, who are unemployed but not looking for work. Among former recipients who had received cash assistance in the fourth quarter of 1999 but were not receiving assistance at the time of the survey (May–July of 2000), 65 percent were employed, 18 percent were unemployed but looking for work, and 17 percent were not in the labor force (i.e., unemployed but not looking for work).[11] In other words, about half of the survey respondents who were not employed were not looking for work and therefore not in the labor force; the other half were looking for work and thus were active labor force participants. The Colorado Works

[10]The Bureau of Labor Statistics defines a participant in the labor force as someone who is working or actively looking for work.

[11]Among this latter group of non-participants, federal statisticians will distinguish those not actively seeking work because they were discouraged by lack of success in finding employment during a previous job search. [add survey estimate of discouraged workers.]

Participant Survey results also indicate that a high percentage of former recipients (83 percent) were participating in the labor force, although not necessarily employed, during the spring of 2000. This participation rate is slightly higher than the 78 percent participation rate for unmarried mothers found by previous research.[12]

Colorado Works Re-Entry Rates

While not easy to interpret, re-entry rates of former Colorado Works recipients can help shed light on how effectively the program moves recipients off of aid on a sustainable basis. In this section, we discuss re-entry rates for Colorado Works leavers as well as the relationship between re-entry and sporadic employment.

Re-Entry Rates to Colorado Works Have Increased

Statewide re-entry rates to Colorado Works have increased for those adults who exited the program during its second year. In Figure 3.3, we show the rates of re-entry to the program within 6 months and within 12 months for adults who exited Colorado Works between July 1997 and December 1999.[13] For adults exiting the program during its second year (July 1998–June 1999), 12-month re-entry rates have been above 20 percent for most months. In contrast, re-entry rates were below 20 percent for all but one month during the first program year.

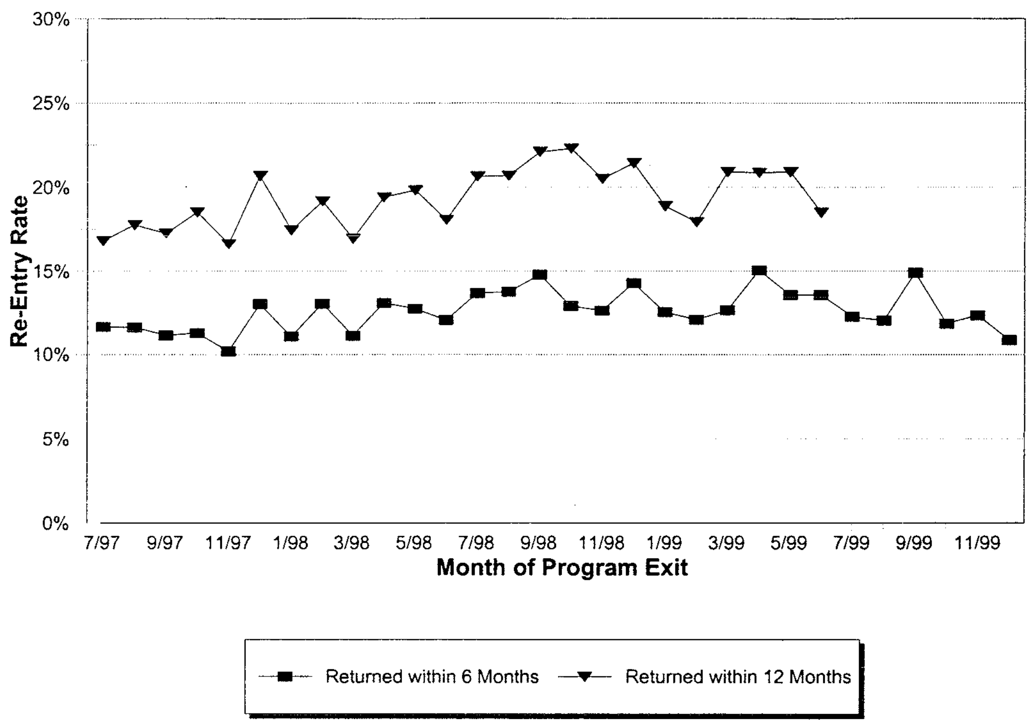
Comparable national data on return rates to TANF are not widely available. Re-entry rates for eight states covering TANF leavers in late 1996 and 1997 have been reported by the U.S. Department of Health and Human Services. Twelve-month

[12]Gary Burtless, "Can the Labor Market Absorb Three Million Welfare Recipients?" Brookings Institution, March 2000.

[13]Only six-month re-entry rates are available for adults exiting after June 1999. We do not include recipients of diversion payments in our re-entry rate calculations. We do not count individuals who left the caseload for only one month as exiting the program. Such one-month exits are typically the result of late filing of monthly status reports or for other administrative reasons.

re-entry rates for these states ranged from 13.4 to 23 percent. During the last six months of 1997, Colorado's average statewide re-entry rate of 17.9 percent places the state in the middle of that range.

Figure 3.3
Statewide Re-Entry Rates to Colorado Works
Adult Former Recipients, July 1997–December 1999



Source: BPA tabulations using COIN-MMIS administrative records, Colorado Department of Human Services.

As we noted in our *First Annual Report*, interpretation of return rates is difficult for several reasons. First, local labor market conditions will have a significant effect on the re-entry rate, and—as discussed above—these conditions vary by region in the state. Differences in program features, such as in the availability and types of services offered to TANF recipients, will also influence re-entry rates. In addition, some level of re-entry by recipients to Colorado Works is to be expected. Many recipients lack extensive work experience or education, and their initial jobs may be unstable part-time or temporary positions. Under these conditions, recipients may return to the program one or more times until they acquire additional skills and experience to develop a more stable attachment to the labor market.

County trends in re-entry rates vary significantly. Some counties have experienced steady increases in their re-entry rates while others have seen re-entry rates remain stable or slightly decline. Twelve-month re-entry rates for ten large counties are presented in Figure 3.4. To calculate re-entry rates, we identify the number of recipients who have left the caseload in a given month in a county and determine how many have returned within a twelve-month period.[14] For example, in August 1997, 413 recipients left the Colorado Works caseload in Denver. Within 12 months, or by July 1998, 83 cases had returned to the Colorado Works program in Denver or another county in the state, resulting in a twelve-month re-entry rate of 20.2 percent. The rates presented for August 1997, June 1998, and May 1999 are three-month average rates. The re-entry rates for Denver and Adams Counties have increased since June 1998, while those in most other counties have remained relatively stable or declined. However, the increase in the Denver and Adams re-entry rates is largely attributable to those counties' participation in a court settlement in which they agreed to reinstate Colorado Works cases that had closed during the transition from AFDC to Colorado Works.

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[14]To calculate county re-entry rates for those who exited from one county and returned to another, we assigned returning recipients to their county of exit rather than their county of return. For example, if a recipient exited from Colorado Works in Denver County and returned in Adams County, that recipient was counted in the calculation of Denver's re-entry rate.

Figure 3.4
Re-Entry Rates for Adults in State of Colorado and Ten Largest Counties
August 1997, June 1998, May 1999

	Re-Entry Rates			**Number of Exits**		
	Aug 1997	**Jun 1998**	**May 1999**	**Aug 1997**	**Jun 1998**	**May 1999**
Denver	20.2%	19.0%	25.1%	413	421	262
El Paso	17.5%	20.7%	18.2%	213	238	227
Adams	9.0%	16.6%	28.8%	208	114	71
Arapahoe	15.8%	16.3%	17.0%	156	125	98
Jefferson	11.6%	12.3%	13.4%	116	91	77
Weld	18.4%	25.6%	20.5%	114	68	55
Larimer	18.5%	19.2%	16.2%	97	69	52
Mesa	15.1%	16.8%	15.3%	90	69	67
Boulder	18.5%	20.9%	18.3%	77	55	45
Fremont	24.7%	21.8%	20.6%	43	41	37
Statewide	17.3%	19.5%	20.1%	2070	1764	1338

Note: Re-entry rates are based on three-month average rates. August 1997 return rates are based on rates from July, August, and September 1997. June 1998 return rates are based on rates from May, June, and July 1998. May 1999 return rates are based on rates from April, May, and June 1999.

Source: BPA tabulations using COIN-MMIS administrative records, Colorado Department of Human Services.

Sporadic Employment Is Associated with Re-Entry to Colorado Works

We find a strong relationship between a pattern of sporadic employment after exit from Colorado Works and the likelihood of re-entry to the program within 12 months. In Figure 3.5, we report 12-month re-entry rates to Colorado Works for the group of recipients who exited the program in the fourth quarter of 1998. Recipients in this exit group are categorized by the total number of quarters employed during the year after exit. Re-entry rates were 40 percent or higher for those employed for only one or two quarters in the year after exit. Re-entry rate patterns for other exit groups were similar. These patterns indicate that a significant fraction of recipients exit Colorado Works and find employment but cannot sustain it over a longer period of time and thus re-enter the program. This raises the possibility that some recipients leave the program prematurely—that is, before having adequately addressed barriers and obtained sufficient skills to enable them to have a reasonable probability of success in the labor market.

Figure 3.5
Re-Entry Rates for Former Colorado Works Recipients by Total Quarters Employed in the Year After Exit
Former Colorado Works Recipients Exiting in 1998, 4th Quarter

Number of Recipients	Total Quarters Employed	12-Month Re-Entry Rate
1,148	0	19.2%
469	1	43.1%
461	2	39.5%
438	3	17.1%
639	4	8.0%
621	5[a]	1.0%

[a]It is possible for recipients who are employed during their quarter of exit to be employed for five quarters during the first year after exit—i.e., the quarter of exit plus the first subsequent quarters.

Source: BPA tabulations using COIN-MMIS record, Colorado Department of Human Services, and UI Wage records, Colorado Department of Labor and Employment.

The re-entry rate for recipients with no quarters of employment is significantly lower than for those with one, two, or even three quarters of employment during the year. If all of these recipients were actually looking for work but unemployed, the re-entry rate for this group should be as high or higher as for other groups with sporadic employment. That it is not as high suggests that a majority of recipients in this group are either (a) not participating in the labor market and have other means of support, such as from a spouse, or (b) are employed but in jobs not covered by the UI system.[15]

Employment and Re-Entry Patterns of Former Recipients Indicate Many Face a Difficult Transition to Work

The employment experiences of Colorado Works recipients after they leave the program indicate that many are not successful in establishing stable employment and end up returning to the program within a relatively short period. At least one-third of recipients who exit Colorado Works experience low rates of employment retention after leaving the program. Moreover, the trend of increasing re-entry rates for more recent Colorado Works leavers suggests that more recent recipients face difficult transitions to work at the same or an increasing rate as earlier recipients. As we will discuss in the following chapters, one or more barriers to employment that are present for current as well as former recipients are likely to be important factors contributing to this pattern. We make several recommendations to address this issue in the following chapters.

Post-Colorado Works Health Insurance Coverage

In this section, we examine the availability of health insurance coverage—including Medicaid—among Colorado Works leavers. Preserving access to health care was an important issue during the 1996 welfare reform debate. Changes were made to the Medicaid program to ensure that modifications to the welfare system would not negatively affect low-income families' access to

[15]In addition, some of these recipients may have moved out of the state.

Medicaid. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 severed the link between Medicaid and welfare, while maintaining access to Medicaid for many low-income families.[16] PRWORA created a "Section 1931" eligibility category for Medicaid, which includes all families who would have qualified for Medicaid under AFDC rules in effect on July 16, 1996, or under a less restrictive set of criteria, regardless of whether the family is receiving TANF assistance. Eligibility for one program should not affect eligibility for the other, and families leaving TANF for whatever reason should not automatically lose their Medicaid benefits.[17]

In Colorado, Medicaid and the TANF program continue to be closely related. Colorado chose to increase the resource limits for Section 1931 Medicaid to match those for Colorado Works so that all families who receive cash assistance are also eligible to receive Section 1931 Medicaid benefits. Families leaving Colorado Works can continue to receive several types of public health insurance:

- Families losing Colorado Works eligibility for reasons other than income can often continue to qualify for Section 1931 coverage as a Medicaid-only case.

- Families who lose Medicaid eligibility because of increased earnings are eligible for Transitional Medicaid Assistance for up to 12 months. Transitional Medicaid offers six months of Medicaid regardless of income

[16]The main group that lost Medicaid coverage under PRWORA was incoming legal immigrants. Legal immigrants in the country before the passage of PRWORA can still access Medicaid, but legal immigrants who have entered the country since PRWORA was passed cannot receive Medicaid benefits. They can, however, receive emergency services paid for by Medicaid.

[17]States have the option of terminating Medicaid for failure to comply with work requirements. Colorado has chosen not to exercise this option.

and an additional six months for families whose incomes remain under 185 percent of the federal poverty level.[18]

- Children may still be covered under either the Baby Care/Kids Care Medicaid category or under the Colorado Child Health Program (CHP+). Baby Care/Kids Care Medicaid is available to children ages one through five in families with incomes up to 133 percent of the federal poverty level and CHP+ is available to children 18 and under in families with incomes up to 185 percent of the federal poverty level.

Colorado made changes to its COIN administrative data system to help avoid improper Medicaid case closures. Effective August 14, 2000, COIN was changed to allow cash assistance cases to close without closing the Medicaid case. This will allow closing cases to keep Medicaid benefits until a redetermination action can be scheduled to review eligibility for other Medicaid categories.[19]

Use of Medicaid Among Colorado Works Leavers Continues to Increase

In the *First Annual Report*, we reported that post-program Medicaid enrollment rates were increasing. This trend has continued in the most recent months examined. Figure 3.6 shows that Medicaid enrollment rates among individuals leaving Colorado Works have more than doubled, from 26 percent of adults and 32 percent of children who exited in the third quarter of 1997 to 61 percent of adults and 68 percent of children who exited in the first quarter of 2000.

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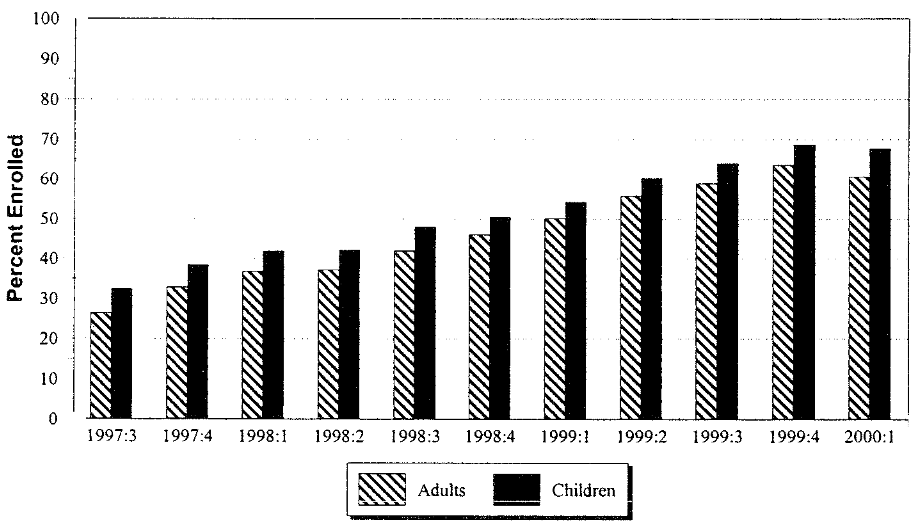
[18]Before PRWORA, families who lost *welfare assistance* because of increased earnings were eligible for Transitional Medicaid Assistance (TMA). Because of the de-linking of Medicaid and welfare, eligibility for TMA now depends on the effect of income on *Medicaid* eligibility, which may still be the same as welfare eligibility in some states, like Colorado. Working families who were eligible for Medicaid (and Colorado Works) in three of the previous six months can also receive TMA. Four months of TMA benefits are available to families losing Section 1931 coverage because of child-support income.

[19]Colorado Department of Health Care Policy and Financing, Agency Letter MA-00-15-P, August 2, 2000.

As noted in the *First Annual Report*, there was a backlog in processing Medicaid applications in the first few months of Colorado Works, lowering enrollment in that early period. That report also noted improvements in dissemination of information about Transitional Medicaid. The increase in coverage seen in the administrative data and the information from the county site visits suggests that this trend toward increased awareness on the part of recipients and case workers has continued.

Figure 3.6
Post-Colorado Works Medicaid Enrollment
Adults and Children
Enrollment Two Months After Exit, 1997, 3rd Quarter to 2000, 1st Quarter



Source: BPA tabulations from COIN-MMIS data, Colorado Department of Human Services.

Compared to other states, Colorado's Medicaid coverage rates for leavers are about average, based on a recent review of 12 state-level leaver studies.[20] In the 10 states that reported adult Medicaid coverage rates, coverage among adult leavers ranged from 19 to 85 percent, with six states reporting adult coverage rates between 50 and 60 percent. In most states, Medicaid coverage among children was higher than coverage for adults and ranged from 35 to 86 percent. Of the 11 states reporting child coverage rates, 4 were lower than Colorado's reported rate, and 6 were higher.

Medicaid Enrollment Is Higher Among Employed Leavers Than Among Non-Employed Leavers

Employment is a factor in access to Medicaid after Colorado Works case closure. Recipients who leave Colorado Works and lose eligibility for Section 1931 Medicaid because of increased earnings can access Transitional Medicaid benefits; families who lose Colorado Works because of other reasons may still be eligible for Section 1931 benefits. Figure 3.7 shows that 63 percent of employed leavers from the third quarter of 1999 were enrolled in Medicaid within two months after their exit from Colorado Works, compared to 51 percent of non-employed leavers.[21] This differential is likely the result of broader coverage allowed under the Transitional Medicaid program for those who are employed.

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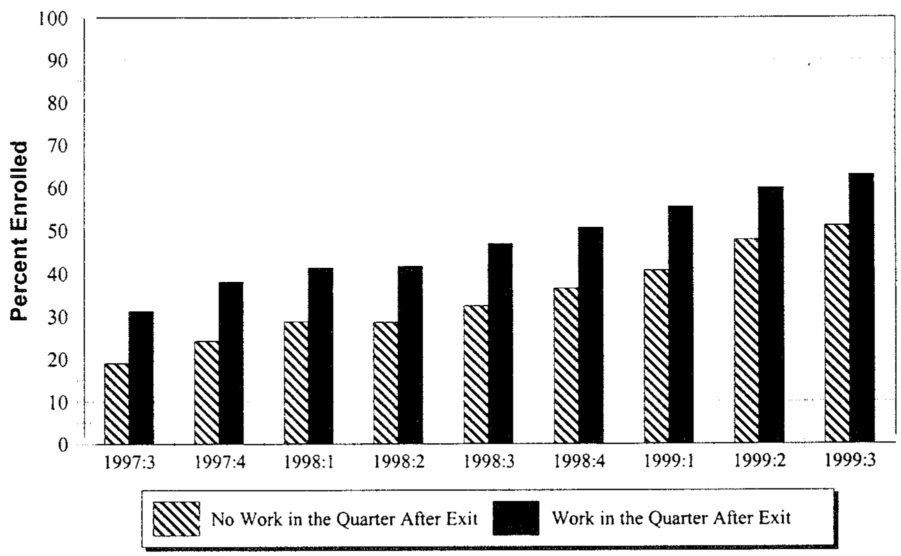
[20]See Guyer, Jocelyn, *Health Care After Welfare: An Update of Findings from State-Level Leaver Studies*, Center on Budget and Policy Priorities, August 16, 2000. The state studies reviewed examined leavers from various time frames (ranging from mid-1997 to early 1999) and had various follow-up lengths (1 to 18 months). The Colorado Medicaid coverage information used in this report was taken from the *First Annual Report*. In that report, 54 percent of adults and 60 percent of children were covered by Medicaid in the quarter after their exit from Colorado Works.

[21]Employment is defined as Unemployment Insurance (UI) wages over $100. The latest cohort used in this analysis is the third quarter of 1999 because UI data are not available for 2000. Receipt of Medicaid is measured two months after exit from Colorado Works.

Figure 3.7
Post-Colorado Works Medicaid Enrollment
Working and Non-Working Adults
1997:3 to 1999:3



Source: BPA tabulations from COIN-MMIS data and UI wage records, Colorado Department of Human Services, and Colorado Department of Labor and Employment.

Both groups have seen increases in their enrollment rates over time.. Medicaid enrollment after exit among employed leavers doubled in the two-year period examined, from 31 percent for third quarter 1997 leavers to 63 percent of third quarter 1999 leavers. Among non-employed leavers, who should continue to have access to Section 1931 Medicaid, enrollment rates more than doubled, increasing from 19 percent to 51 percent over the same time period.[22]

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[22]The COIN-MMIS database gives enrollment in Medicaid, without making distinctions between the various categories in which leavers might be enrolled. We use receipt of Medicaid by working adult leavers as our estimate of Transitional Medicaid receipt. Because Transitional

Thirty-seven percent of employed former recipients are not covered by Medicaid. Some employed leavers might have been ineligible for Medicaid because of earnings. In each of the quarters examined (third quarter 1997 to third quarter 1999), roughly 90 percent of working leavers had earnings that would make them eligible for Transitional Medicaid benefits using our estimate of annual income.[23] This suggests that the failure to access Medicaid among most employed leavers who are not enrolled is not due to income ineligibility. Some of these employed leavers may be using private health insurance. Receipt of private health insurance among employed leavers is examined in the next section.

About Half of Employed Leavers Have Access to Private Health Insurance Coverage through Their Employers

According to the 1999 Colorado Works Participant Survey, about half of employed former Colorado Works recipients have the option to obtain health insurance from their employers, either as an employee benefit or through paid contributions. About one-quarter of working former recipients (or half of those with insurance available) were covered by employer-provided health insurance.[24] This suggests a gap in insurance coverage for about 13 percent of employed former recipients (that is, the proportion of employed leavers not covered by Medicaid *or* employer-provided insurance). The gap is likely to be even larger for non-employed former recipients who have lower Medicaid enrollment rates

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Medicaid is only available to leavers with earnings, and because few leavers with earnings would qualify for benefits under Section 1931, we assume that working leavers with earnings below 185 percent of the poverty level are receiving Transitional Medicaid.

[23]Earnings in the first quarter after exit were multiplied by four to get an estimate of annual earnings. If anything, basing annual income on earnings in one quarter may overestimate the number of leavers with incomes over 185 percent of the poverty level, since, as shown in Chapter 3, only one-third of leavers from the fourth quarter of 1998 were employed continuously for four quarters after their exit. If working leavers do not work continuously, then the proportion of working leavers who are eligible for Transitional Medicaid would be higher and the take-up rate would be lower.

[24]Access to employer-provided health insurance was higher among survey respondents who were employed full-time (54 percent) compared to respondents employed part-time (30 percent).

and no access to employer-sponsored insurance except through family members' plans.

Counties Provide Access to Medicaid after Colorado Works Case Closure

In all of the 15 field study counties, procedures are in place to change Colorado Works Medicaid cases to Transitional Medicaid cases for employed leavers, without a gap in coverage. In most of the counties we visited, the process is automatic, and all cases closed because of increased income are rolled over into Transitional Medicaid. In counties with smaller caseloads, closing cases are monitored individually by case workers, who enroll all eligible leavers. In most of the site visit counties, there is also an automatic process for reviewing cases for eligibility for Section 1931 Medicaid and enrolling former Colorado Works participants. Increases in both Transitional and Section 1931 Medicaid enrollment among former Colorado Works recipients suggest that these automated processes are working as intended and, even more broadly, that the national and statewide focus on this issue has indeed led to increased coverage among the low-income population in Colorado.

Chapter 4: Earnings and Income of Former Colorado Works Recipients

Introduction

A principal goal of Colorado Works is to help recipients attain self-sufficiency. To assess the extent to which this goal is being achieved, in this chapter we examine the earnings and family incomes of former Colorado Works recipients, with a particular emphasis on how both earnings and family income compare to the federal poverty level. This chapter presents some general earnings trends for Colorado Works leavers as well as earnings trends within specific industries. We use data from Unemployment Insurance (UI) wage records to examine earnings of former recipients and draw on state tax information to study family income and usage of federal and state earned income credits. We calculate several expanded measures of income to examine the effects of receipt of tax credits and child care subsidies on family self-sufficiency.

Key findings from this chapter are cited below:

- **About 20 percent of former Colorado Works recipients have earnings that exceed the federal poverty level one year after exit.** Median quarterly earnings immediately after case closure ranged from $2,071 to $2,436.

- **Colorado Works leavers on average experience growth in earnings over time.** Earnings were 15 percent higher four quarters after exit, 23 percent higher six quarters after exit, and 37 percent higher eight quarters after exit.

- **Employed Colorado Works recipients concentrate in the lower-paying industries of services and retail/wholesale trade.** During the fourth quarter of 1999, 46 percent of employed former Colorado Works recipients were working in the services sector and 30 percent in retail/wholesale trade. Furthermore, Colorado Works recipients earn less than other Colorado employees in aggregate, as well as within these two industries.

- **Using a measure of total family income, we find that 35 percent of former Colorado Works families have incomes above the federal poverty level.** Family income is a broader measure of income than earnings because it includes the earnings of other family members, child support, and alimony.

- **Half of former Colorado Works recipients used the federal Earned Income Tax Credit.** Additionally, 42 percent used the state Earned Income Credit in 1999, the first year this credit was available. We recommend that the Colorado Department of Human Services work with counties to ensure that all program participants are provided with tax forms and technical assistance to enable them to file and claim these tax credits.

- **Earned income tax credits add nearly $2,500, on average, to annual family income.** When family income is combined with these tax credits and child care subsidies, we find that 51 percent of former one-parent Colorado Works recipients have incomes above the federal poverty level.

Overview of Key Earnings Trends

Because many Colorado Works recipients who transition into the workforce have limited prior labor market experience, low skills, or both, their initial earnings are likely to be low. In addition, recipients' earnings may be held down by other barriers, such as inadequate transportation or lack of child care, which make full-time employment difficult or impossible. (We report on the prevalence of these barriers among the Colorado Works caseload in Chapters 5 and 6.) Consistent with findings in the *First Annual Report*, earnings levels for former recipients in the initial quarters after exit are low but show significant growth after one and two years of work experience. This indicates that over time, many former Colorado Works recipients are increasing their hours worked and their hourly wage level.

Earnings Alone Are Not Sufficient to Lift Most Former Recipients Out of Poverty

After one or two years of labor market participation, a majority of former Colorado Works recipients still have earnings that leave them below the federal poverty level for their family size. Figure 4.1 shows that among leavers in the fourth calendar quarter of 1998, 28 percent of those who were employed during the subsequent year had total earnings of $3,000 or less (the last column of the table). Only 6 percent had earnings above $20,000. In each of the four exit groups reported, less than a quarter of those employed during their first year of exit recorded earnings above $12,000.

At these levels of earnings, between 17 and 20 percent of former recipients had earnings above the poverty level one year after Colorado Works exit.[1] After two years, the proportion with earnings above the poverty level increased to between 25 and 28 percent. Of course, total household income may also include income sources beyond individual earnings, such as other household members' earnings and child support payments. Accordingly, use of individual earnings as a proxy for household income is likely to understate the extent to which former Colorado Works recipients have achieved self-sufficiency. We return to the issue of household income later in the chapter.

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[1]Poverty calculations take into account former recipients' family sizes. For a family of one adult and two children, the poverty level was $13,423 in 1999.

Figure 4.1
Annual Earnings Levels
Employed Former Colorado Works Recipients

Annual Earnings	Colorado Works Exit Group (by Quarter of Exit)			
	1997:3	1997:4	1998:2	1998:4
Earnings at or above Poverty Level–Year 1	20.2%	17.6%	16.7%	19.3%
Earnings at or above Poverty Level–Year 2	27.6%	24.9%	-	-
$100 – $3,000	28.3%	28.2%	32.2%	27.9%
$3,001 – $5,000	13.0%	13.7%	13.8%	13.2%
$5,001 – $8,000	17.6%	17.3%	16.2%	15.3%
$8,001 – $12,000	17.3%	18.2%	16.0%	18.1%
$12,000 – $16,000	11.8%	11.5%	10.6%	11.6%
$16,001 – $20,000	6.5%	6.5%	5.9%	7.7%
Above $20,000	5.5%	4.7%	5.4%	6.3%

Source: BPA tabulations using Unemployment Insurance records, Colorado Department of Labor and Employment.

Earnings of Colorado Works Leavers Increase Over Time

Figure 4.2 displays median quarterly earnings for Colorado Works leavers for up to eight calendar quarters after their case closure. Median earnings for former recipients ranged from $2,071 to $2,436 in their first quarter after exiting Colorado Works and increased over time. Across all exit groups, median earnings were, on average, 15 percent higher four quarters after exit, 23 percent higher six quarters after exit, and 37 percent higher eight quarters after exit.[2] Because UI earnings records do not contain information on hourly wages or hours worked, we cannot

[2]We also calculated changes in average earnings of former recipients over time and the increases were similar: 17 percent after four quarters, 24 percent after six quarters, and 37 percent after eight quarters.

determine the relative contributions of increased hours worked and increased hourly wages to the overall growth of earnings over time. However, increases in hours worked are almost certainly an important reason for former recipients' earnings growth, given the magnitude of the earnings increases observed for one- and two-year periods.

Limited data is currently available on the earnings experiences of TANF leavers from other states. Even when direct comparisons can be made, they may be misleading because of differences in economic conditions and the cost of living across states. Several states included among the nine TANF Leavers Studies funded by the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, have reported UI earnings for early TANF leaver groups (i.e., those who left in late 1996 or 1997). The quarterly earnings levels and earnings growth of employed TANF leavers in two of these states, Arizona and Illinois, match the Colorado experience quite closely. In two other states, Georgia and New York, earnings patterns are different. In Georgia, initial earnings levels are comparable, but the one-year earnings growth rate is much lower than in Colorado. In New York, initial earnings are approximately 40 percent higher, but the earnings growth rate is much lower than in Colorado.[3] Based on this limited comparative information, it would appear that the earnings patterns of early Colorado Works leavers did not qualitatively differ from the patterns observed in several other states.

[3]Illinois reported initial median quarterly earnings of $2,162 and one-year earnings growth of 23 percent for TANF recipients who exited the program in July 1997; Arizona reported initial earnings of $2,371 and earnings growth of 16 percent; Georgia reported initial earnings of $2,051 and earnings growth of 8 percent; and New York reported initial earnings of $3,393 and earnings growth of 6 percent. See *"Leavers" and Diversion Studies: Summary of Research on Welfare Outcomes Funded by ASPE*, U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, 1999, available at http://aspe.hhs.gov/hsp/leavers99/ombsum.htm.

Figure 4.2
Median Earnings by Number of Quarters After Exit
Colorado Works Leavers

	Number of Quarters After Exit							
Quarter of Exit	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
1997:3	$2,400	$2,325	$2,400	$2,603	$2,905	$2,704	$2,895	$3,103
1997:4	$2,201	$2,228	$2,437	$2,758	$2,586	$2,768	$2,828	$3,203
1998:1	$2,172	$2,254	$2,495	$2,370	$2,504	$2,647	$2,854	
1998:2	$2,071	$2,333	$2,278	$2,401	$2,559	$2,728		
1998:3	$2,355	$2,271	$2,396	$2,503	$2,734			
1998:4	$2,165	$2,399	$2,433	$2,758				
1999:1	$2,168	$2,406	$2,594					
1999:2	$2,241	$2,431						
1999:3	$2,436							

Source: BPA tabulations using Unemployment Insurance records, Colorado Department of Labor and Employment.

A Majority of Employed Former Recipients Report Working Full-Time for an Hourly Wage Above Minimum Wage

Respondents to the 1999 Colorado Works Participant Survey were asked about their employment status, hours of work, and earnings. Of the 336 survey respondents who were not receiving cash assistance at the time of the survey, 219 (65 percent) were employed. The majority of these employed former recipients (79 percent) had permanent employment status with an employer (see Figure 4.3). More than two-thirds of these employed former recipients reported working full-time or more than full-time (defined as 35 or more hours per week). Only 6 percent of survey respondents reported working fewer than 20 hours per week.

Survey respondents were also asked to report their earnings and were given the option to report their earnings on an hourly, daily, weekly, or other basis. Among the 74 respondents who reported hourly wages, the median hourly wage was $8.

Figure 4.3
Employment Characteristics and Hours Worked
Reported by Survey Respondents
1999 Colorado Works Participant Survey

	Number	Percent
Employment Status		
Permanent[a]	173	79.4%
Temporary[a]	25	11.5%
Self-Employed	20	9.2%
Number of Jobs Held		
One	206	94.1%
Two	13	5.9%
Weekly Hours Worked in Primary Job		
Less than 20	13	6.0%
20 to 34	48	22.1%
35 to 40	125	57.3%
41 or more	32	14.7%

[a]One response missing.
Source: BPA tabulations from the 1999 Colorado Works Participant Survey.

Earnings Levels Are Linked to Individual Education Level and Regional Rates of Unemployment

To examine the factors that affect earnings for Colorado Works recipients during the first year after exit, we estimated a standard multivariate statistical model of earnings.[4] As shown in Figure 4.4, we find a strong association between education and earnings. Former Colorado Works recipients with a high school diploma, GED, or some college education had earnings that were significantly higher–between 16 and 46 percent–than those who did not finish high school. Education levels are likely to be a proxy for other employment barriers. For instance, lack of education may be correlated with a learning disability, which might lead to both low educational attainment and low earnings. Nonetheless, this finding suggests that among Colorado Works recipients, lack of education may be an indicator of significant barriers or skills deficits that need to be addressed. We discuss the interaction between education and employment in more detail in Chapter 5.

Local labor market conditions, as measured by the unemployment rate, also affect former recipients' earnings levels. We find that a one percentage point increase in the county unemployment rate will decrease annual earnings by 5 percent. Higher unemployment rates could lead to lower earnings if former recipients lose their jobs partway through the year, or if they are forced to work fewer hours than they desire. The finding that higher unemployment rates negatively affect earnings levels indicates that many former recipients may have difficulty maintaining earnings when economic conditions weaken.

It should be noted that neither the number of months on AFDC as an adult nor the number of months on Colorado Works has a large impact on earnings. Once someone has left Colorado Works, the amount of time they spent on assistance, as either a long-term recipient or a short-term recipient, does not affect earnings.

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[4]The model examines the effects of demographic and household characteristics, education, time on welfare, and industry on total first-year earnings after leaving Colorado Works. We do not include policy variables in this model because of the difficulty of accurately measuring all of the factors that determine how particular Colorado Works policies affect recipients. Complete estimates of the model are reported in Appendix B.

Figure 4.4
Effects of Various Factors on Former Colorado Works Recipients' Earnings

Education

Relative to those without a high school diploma or GED:

- A high school diploma is associated with 31 percent higher earnings.
- A GED is associated with 16 percent higher earnings.
- Some college or a college degree is associated with 47 percent higher earnings.

Regional Unemployment Levels

- One percentage point increase in regional unemployment rate is associated with a 5 percent decrease in annual earnings.

Industry of Employment

Relative to those who work in the service industry:

- Working in retail trade is associated with 16 percent lower earnings.
- Working in manufacturing is associated with 14 percent higher earnings.
- Working in public administration is associated with 26 percent higher earnings.
- Working in transportation is associated with 29 percent higher earnings.
- Working in finance, insurance, and real estate is associated with 48 percent lower earnings.

Note: Former Colorado Works Recipients are defined as those who are not on Colorado Works during 1999, but were on Colorado Works during July 1997-December 1998. Annual income is income for the year of 1999.

Source: BPA tabulations from Unemployment Insurance Records, Colorado Department of Labor and Employment.

Industry-Specific Employment and Earnings Among Former Colorado Works Recipients

Consistent with findings from the *First Annual Report*, former Colorado Works recipients continue to be employed mainly in the services and retail/wholesale trade industries, which tend to have relatively low earnings levels. We used UI data to examine specifically how industry of employment affects earnings and, moreover, to indicate how earnings of Colorado Works leavers compares to other employees within given industries.

The Services and Retail/Wholesale Trade Industries Are the Main Employers of Former Recipients

As Figure 4.5 illustrates, 46 percent of employed former Colorado Works recipients were working in the services sector during the fourth quarter of 1999, compared to 37 percent of all Colorado employees. The services sector includes a mix of high-skill/high-wage, and low-skill/low-wage jobs. These include jobs in business and repair services (including computer and data processing services, and automotive services), personal services (lodging and beauty/barber shops), entertainment services, and professional services (medical, legal, educational, research). The retail/wholesale trade sector employed 30 percent of former Colorado Works recipients compared to 26 percent of all Colorado employees. In this industry, jobs are concentrated in various types of stores and eating and drinking establishments.

Industry of employment has a sizeable effect on earnings,[5] as shown in the list of major factors that impact earning levels among Colorado Works leavers (see Figure 4.4). Relative to those employed in the service sector, individuals employed in the retail sector earn 16 percent less. Industries with higher earnings relative to services include manufacturing (14 percent higher), public administration (26 percent higher), transportation (29 percent higher), and finance, insurance, and real estate (48 percent higher). Like education, industry earnings differentials may be generated at least partly by underlying attributes of individuals (which we cannot measure), which lead to employment in industries with higher earnings. Nonetheless, the results call attention to the extremely low earnings prevalent in the retail trade sector and call into question job search or job skills training programs that focus on jobs in this sector.

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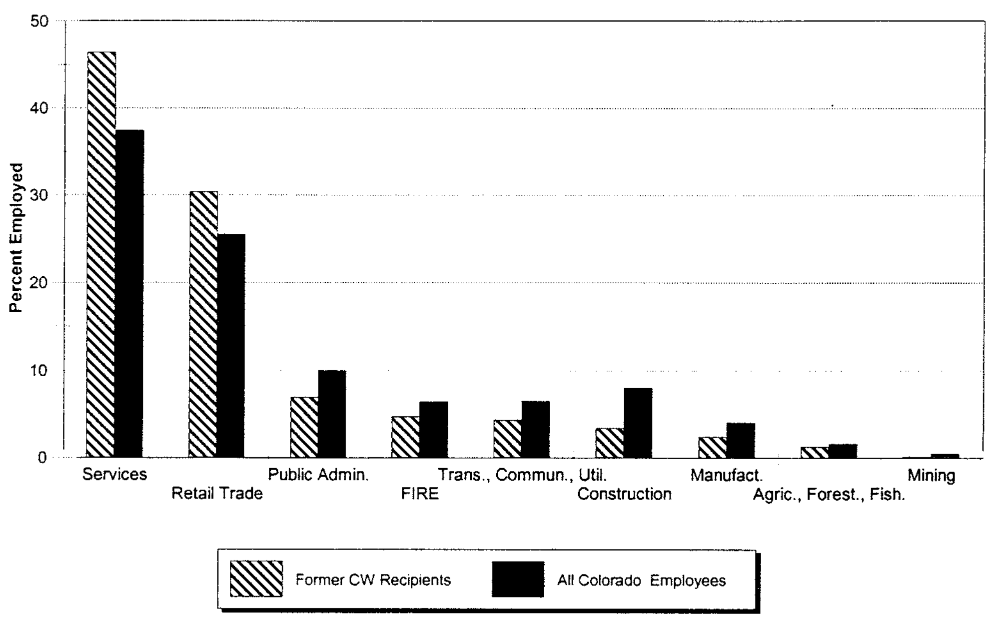
[5]Industry of employment is measured in the first quarter of earnings.

Figure 4.5
Employment by Industry in 1999, 4th Quarter
Former Colorado Works Recipients and All Colorado Employees

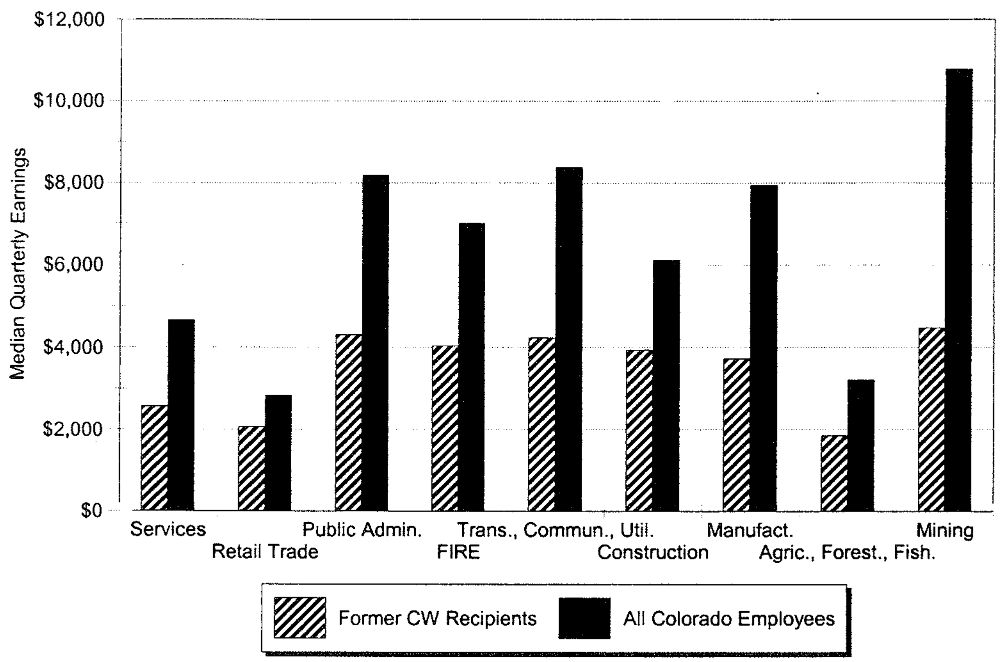


Source: BPA tabulations using Unemployment Insurance records, Colorado Department of Labor and Employment.

Earnings Are Low for Former Colorado Works Recipients in All Industries

Compared to that in other industries, median quarterly earnings in the services and retail/wholesale trade sectors were relatively low for both former Colorado Works recipients and all Colorado employees, as shown in Figure 4.6. But even within these industries, former Colorado Works recipients' earnings were substantially lower than the median earnings for all industry employees. This suggests that former recipients find employment near the bottom of industry job ladders, even in relatively low-skill industries.

Figure 4.6
Median Quarterly Earnings by Industry in 1999, 4th Quarter
Former Colorado Works Recipients and All Colorado Employees



Source: BPA tabulations using Unemployment Insurance records, Colorado Department of Labor and Employment.

In retail/wholesale trade, median quarterly earnings were $2,833 for all employees in the state and $2,068 for former recipients. Median earnings were higher in services, at $4,667 for all employees and $2,563 for former Colorado Works recipients. Both these earnings levels were lower than those found in the public administration, transportation/communications/utilities, and manufacturing sectors, where median quarterly earnings ranged from $7,900 to $8,300 for all employees in Colorado, and from $3,900 to $4,300 for former Colorado Works recipients.

The lower earnings levels of former Colorado Works recipients in all industries indicate that they tend to have lower skill levels and work experience than the average Colorado employee. These earnings profiles also suggest that at least some former recipients continue to face barriers that make working full-time difficult or impossible. We discuss barriers related to job skills and other issues in more detail in Chapters 5 and 6 of this report.

Impact of Tax Credits and Income Supports on Household Family Income

As discussed previously, earnings alone are not sufficient to determine the extent of poverty faced by former Colorado Works recipients. Other family members' incomes and other sources of income, such as child support or alimony, are critical in determining the extent of hardship among former recipients. Using data from the Colorado Department of Revenue, we were able to examine total family income for current and former Colorado Works recipients who filed a Colorado state tax return for the 1999 tax year. In addition, we can use this data to demonstrate the substantial impact that earned income credits—both federal and state—and other income supports can have on family income.

Tax records are an excellent source of information on family income for those who file taxes. However, many low-income families are not required to file tax returns. Indeed, we were able to obtain tax records for only 53 percent of those who participated in Colorado Works between July 1997 and December 1999.[6] We surmise that most of the remaining 47 percent of adults with missing income return data for 1999 probably recorded no or very low income for 1999.[7]

[6]Recipients of state and county diversion payments as well as those receiving basic cash assistance were included.

[7]A number of other factors may cause income information to be missing for some recipients, including moves out of state by former recipients, incorrect social security numbers in our match file, and problems in identifying joint filers. Given that the majority of this population would be eligible to receive tax credits (refunds) by filing a return, tax evasion should not be a major factor contributing to the missing tax return information.

Figure 4.7
1999 Family Income and Earned Income Credits
Current and Former Colorado Works Recipients

	Colorado Works Recipients	Former Colorado Works Recipients
Family Income		
Mean Adjusted Gross Income	$6,710	$12,163
Median Adjusted Gross Income	$5,437	$10,787
Households Reporting Zero Adjusted Gross Income (percentage)	9.7%	5.7%
Earned Income Credits		
Received State Earned Income Credit (EIC) (percent)	77.1%	76.8%
Median State Earned Income Credit (EIC)	$174	$197
Median Federal Earned Income Tax Credit (EITC) (estimated)	$2,047	$2,249
Number of Recipients	11,141	14,570

Note: State tax returns do not contain information about Federal tax credits claimed. We therefore estimate the amount of the Federal Earned Income Tax Credit for those who claimed the State Earned Income Credit.

Source: BPA tabulations from the state tax file, Colorado Department of Revenue.

Household Income Is Below the Federal Poverty Level for a Majority of Former and Current Recipients

Figure 4.7 shows the adjusted gross income (AGI) and earned income credits for current and former Colorado Works recipients who filed 1999 state tax returns.[8] As

[8] AGI is the sum of all sources of income (wages, salaries, interest, dividends, alimony, capital gains or losses, unemployment compensation, and taxable social security benefits) after a set of deductions for IRA contributions, medical savings accounts, other retirement savings contributions, moving expenses, self-employment tax, student loan interest and alimony paid. For low-income households, AGI is a good measure of actual income because such households are unlikely to have significant income other than wages and, therefore, are not likely to have sizeable deduction amounts.

would be expected given the income limits for Colorado Works eligibility, AGI for households on Colorado Works in 1999 was lower, on average, than for households formerly in the program. Far more 1999 Colorado Works recipients (90 percent) had household incomes below the federal poverty level compared to former recipients who had left Colorado Works prior to 1999 (65 percent). At the same time, the poverty rate among former Colorado Works recipients is substantially higher than national rates. In the U.S. as a whole, the poverty rate was 10 percent in 1999. For female-headed families, the U.S. poverty rate was 30 percent.[9]

About Half of Eligible Recipients Applied for State and Federal Earned Income Credits

Receipt of the state and federal earned income credits is an important benefit that significantly increases the family income of current and former Colorado Works participants. On average, receipt of the federal and state credits increases the income of 1999 Colorado Works participants by 33 percent. For former Colorado Works families, these tax credits increase family income by 20 percent.
As shown in Figure 4.7, about three-quarters (77 percent) of both current and former Colorado Works recipients for whom we had tax records claimed the Colorado Earned Income Credit (EIC), which was first introduced in the 1999 tax year.[10] Given that the Colorado EIC is available to taxpayers who claimed the federal Earned Income Tax Credit (EITC) on their federal tax return, we can infer that at least this same proportion of participants (that is, 77 percent) claimed the federal credit. The Colorado EIC amounts to 8.5 percent of the federal EITC.

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[9]Based on data from 1997 to 1999 combined, the overall poverty rate in Colorado was about 9 percent. Data provided by the U.S. Bureau of the Census at http://www.census.gov/hhes/www/povty99.html.

[10]House Bill 99-1383 established a state earned income credit for any year in which the state fiscal year ends with a surplus of at least $50 million that must be refunded under section 20, Article X of the state constitution (the Tabor amendment).

We also examined earned income credit receipt for Colorado Works recipients and former recipients who were employed at any point in 1999, using Unemployment Insurance records to determine employment (see Figure 4.8). Among those employed, 66 percent of 1999 Colorado Works recipients filed a state tax return and 54 percent received the state earned income credit. Among former recipients who were employed in 1999, state tax filing rates and EIC receipt was somewhat lower, at 62 percent and 50 percent, respectively. This indicates that among employed current and former recipients, approximately half of those eligible are actually receiving the EIC.

Findings from the 1999 Colorado Works Participant Survey confirm that about half of eligible current and former recipients receive the state and federal earned income credits. Survey respondents were asked about federal and state earned income credit receipt. About half (51 percent) of employed respondents indicated they had received or would receive the federal EITC.[11] Fewer respondents indicated that they had received or expected to receive the state EIC (42 percent), suggesting a lack of awareness about the state EIC by respondents who had claimed the federal EITC. This relative lack of awareness concerning the state EIC is not unexpected, given that the state EIC was first implemented in the 1999 tax year. Moreover, use of the state EIC still appears to be high among those who filed returns.

Receipt of the EITC among Colorado Works recipients is similar to that reported in other states. For example, in several states that have surveyed TANF leavers, EITC use ranged from 41 percent to 55 percent.[12] In Washington state, reported EITC use by former TANF recipients was 67 percent in 1999. This relatively high usage level followed an outreach campaign that included direct mail, newspaper advertising, public service announcements, and a toll-free information hotline.

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[11]Respondents were first asked if they had received or were expecting to receive a federal or state tax refund for 1999. We then asked those who indicated they were expecting to receive a refund if they had received the federal or state earned income credit.

[12]States that have reported EITC use among former TANF recipients include Arkansas, Massachusetts, New Mexico, and Washington.

Figure 4.8
Earned Income Credit Receipt Among Employed
Current and Former Colorado Works Recipients

	CW Recipients in 1999	Former CW Recipients
Number Employed	14,454	18,066
Percent of Employed Filing State Tax Return	65.7%	62.0%
Percent of Employed Receiving State Earned Income Credit	54.1%	49.9%

Source: BPA tabulations from the state tax file, Colorado Department of Revenue and Unemployment Insurance records, Colorado Department of Labor and Employment.

Note: Former Colorado Works Recipients are defined as those who are not on Colorado Works during 1999, but were on Colorado Works during July 1997-December 1998. Employment is defined as earnings of $100 or more in at least one quarter of 1999.

The Rate of Receipt of State and Federal Earned Income Credits Can Be Improved

Our analysis suggest that as many as half of eligible current or former Colorado Works participants who are probably eligible for the EITC and EIC do not claim these refundable tax credits.

The Colorado Department of Human Services already has taken steps to promote the use of the EIC and EITC among Colorado Works participants. Counties are required by statute[13] to help participants apply for and receive the federal EITC. In addition, the Department reminded county Departments of Human Services about the rules for claiming these tax credits and provided materials that counties could use for outreach

[13]CCR 9-2503-1, Section 3.617.4

efforts.[14] The Department of Revenue mails tax forms to every one who filed a return in the previous year. Tax forms are also available in libraries, grocery stores, and county buildings. However, given the substantial effect receipt of these tax credits has on income for working families, we believe that additional action should be taken to assist Colorado Works participants in claiming these tax credits.

Recommendation 1:

The Department of Human Services should work with the Department of Revenue and county departments to systematically provide Colorado Works recipients with state and federal tax forms each year. The Department should provide assistance as needed to counties to ensure that Colorado Works recipients have access to technical assistance to apply for and receive the federal and state earned income tax credits.

Department of Human Services Response:

Agree. In March of every year the Department sends Agency letters to all counties to remind them of the need to inform Colorado Works recipients about claiming the tax credits. The latest such transmittal was Agency Letter TCW-00-6-1, dated March 17, 2000. The Department will continue to issue Agency Letters to county directors during the tax season. The Department will also continue to work with counties to design effective strategies to assist Colorado Works recipients to claim federal and state earned income tax credits.

In addition, the Department will meet with the Department of Revenue in January 2001 to explore the possibility of Revenue distributing tax forms to counties to facilitate Colorado Works recipients' access (similar to current arrangements with other public entities such as libraries). We will also meet with counties to provide them technical assistance to develop strategies to improve Colorado Works Participants' awareness of the availability of federal and state income tax credits to supplement their income, beginning March 2001.

[14] Colorado Department of Human Services, Agency Letter TCW-00-6-1, March 17, 2000.

Income Supports and Subsidies Reduce Poverty Levels of Former Recipients

In addition to taking advantage of earned income tax credits, low-income families may add to their available income through the use of various publicly funded subsidies and vouchers, such as Food Stamps, housing assistance, and the Colorado Child Care Assistance Program (CCCAP), which provides low-income working parents substantial savings in child care costs. Since we do not have data about former Colorado Works recipients' participation in Food Stamps and housing assistance, only CCCAP is included in our model.

As is evident in Figure 4.9, receipt of a child care subsidy increases the proportion of one-parent families with incomes above the federal poverty level by almost 6 percentage points, to 39 percent of households. The effect of child care subsidies on joint filers is less dramatic, adding only one additional percentage point to the share of families above the poverty level. Far fewer two-parent households in our sample actually receive a child-care subsidy. The median subsidy amount for all households who received a subsidy was $2,191.

Receipt of the federal and state earned income tax credits has a far greater effect on household income, boosting the proportion of single-filer households above poverty by 13 percentage points, and joint-filers by 10 percentage points. When the effects of these two additional programs are combined, the income of 51 percent of single-filer families and 61 percent of joint-filer families exceeds the federal poverty level. This analysis underscores the significant impact that receipt of the federal and state earned income credits can have on the income of working poor households.

Figure 4.9
Impact of Tax Credits and Child Care Subsidies on Annual Income
Former Colorado Works Recipients

Sources of Income	Percent With Income Above Federal Poverty Level	
	Single Filers	Joint Filers
Adjusted Gross Income	33.6%	50.5%
Adjusted Gross Income + Low Income Child Care	39.2%	51.5%
Adjusted Gross Income + Federal and State Earned Income Credits	47.0%	60.6%
Adjusted Gross Income + Low Income Child Care + Federal and State Earned Income Credits	50.9%	60.8%
Number of individuals	10,858	1,103

Source: BPA tabulations from the state tax file, Colorado Department of Revenue.

Note: Former Colorado Works Recipients are defined as those who are not on Colorado Works during 1999, but were on Colorado Works during July 1997-December 1998. Annual income is income for the year of 1999.

Public Assistance Can Supplement Earnings and Help Participants Move Out of Poverty

A complete assessment of the relationship between participants' income and the poverty level takes into account not only the benefits accrued through various public programs, but also the impact of family expenditures, such as out-of-pocket child care and work-related costs, and state and federal taxes. Figure 4.10 shows a hypothetical budget for a single-parent family with two children under various assumptions about hours worked and wages earned. Included as income for the family are earnings from work, Colorado Works benefits, Food Stamps and the EITC.[15] Deducted from these income sources are taxes paid (Social Security,

[15]Note that Food Stamps are provided as electronically transferred vouchers for the purchase of specific goods and as such are not equivalent to other income sources.

federal and state) and child care and work expenses. Child care expenses are calculated as they would be for the Low-Income Child Care Program. Work expenses, including transportation and clothing, are assumed to be 10 percent of earnings, capped at $100 per month.[16] Some individuals, particularly those receiving Colorado Works benefits, may receive assistance for these types of expenses. The second to last row in Figure 4.10 shows the family's take-home budget amount, net of taxes and expenses.[17] The last row shows the ratio of this take-home budget amount to the federal poverty level of $13,650 for a family of three.[18]

The purpose of this exercise is to examine the extent to which low-income families in Colorado are able to combine work with available public assistance programs to meet the goal of self-sufficiency. We caution the reader that the poverty calculations presented here do not reflect poverty calculation methods used by the U.S. Bureau of the Census in reporting poverty rates nationwide. Official poverty statistics utilize a measure of income that includes gross family earnings and income from social programs that provide cash benefits. Income and benefits from the EITC and Food Stamps are not included. Deductions for taxes paid, child care and work expenses are also not taken into account in official poverty statistics.[19]

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[16]The work expense assumption is based on data provided in U.S. House of Representatives, Committee on Ways and Means, *1998 Green Book*, U.S. Government Printing Office, 1998, Table 7-3.

[17]Families may receive income from other sources not included in this figure, such as child support and alimony. Child support owed to a Colorado Works recipient is assigned to the state. In addition, individuals may receive other types of assistance, such as transportation, medical care, counseling, or job training, the value of which is not included in this budget. We do not include the Dependent Care Tax Credit in these calculations because most families are not required to pay federal taxes and would therefore not be able to claim the non-refundable credit.

[18]The federal poverty levels utilized in this chapter refer to the U.S. Department of Health and Human Services guidelines that determine eligibility for public assistance programs. The U.S. Bureau of the Census also publishes annual poverty thresholds that are used for statistical purposes.

[19]The official poverty guidelines have been widely criticized for limiting the types of income included and for not taking into account variations in living costs nationwide. The National Academy of Sciences recently commissioned a study of the measure of poverty. The findings were reported in *Measuring Poverty: A New Approach*, C. Citro and R. Michael (eds.),

The first column of Figure 4.10 shows the income a single-parent family would receive if the parent did not work. This family would receive the maximum Colorado Works and Food Stamp amounts, totaling $8,220, which is 60 percent of the poverty level for a family of this size.

Working part-time at minimum wage moves the family considerably closer to the poverty level. The combination of higher earnings and the EITC offsets both taxes and the expenditures associated with working, moving the family to 86 percent of the poverty level. Full-time work at the minimum wage brings the family's accrued take-home budget amount just barely above the poverty level. This family is no longer eligible for Colorado Works, but is able to retain Food Stamp benefits and receive the maximum EITC amount. In addition, it receives subsidized child care and pays no state or federal taxes. Note that this family is not required to file a federal tax return and therefore may not receive the EITC. Without the EITC, a family with full-time employment at minimum wage would have a take-home budget at 74 percent of the poverty level.

Full-time work at wage levels at or higher than $7.50 per hour all result in take-home budgets that are above 111 percent of the federal poverty level, assuming the family files taxes to receive the EITC. However, note also that working full-time at minimum wage provides approximately the same take-home budget as working part-time at $7.50 per hour. The same is true when the parent works full-time at $7.50 per hour and part-time at $10.00 per hour. This occurs because most of the programs included in this figure are based on sliding scales tagged to income or earnings, so that benefits are reduced as earnings increase.

National Academy Press, 1995.

Figure 4.10
Effects of Public Assistance Benefits, Taxes, and Earnings on Annual Household Income
For a Single Parent with Two Children

Income Sources, Expenses and Other Deductions	No Work	Part-Time $5.15/hr	Full-Time $5.15/hr	Part-Time $7.50/hr	Full-Time $7.50/hr	Part-Time $10.00/hr	Full-Time $10.00/hr
Earnings	$0	$6,438	$10,300	$9,375	$15,000	$12,500	$20,000
Colorado Works	$4,272	$516	$0	$0	$0	$0	$0
Food Stamps	$3,948	$3,564	$2,400	$2,736	$828	$1,608	$0
EITC	$0	$2,570	$3,756	$3,756	$3,174	$3,700	$2,121
Gross Income	$8,220	$13,088	$16,456	$15,867	$19,002	$17,808	$22,121
Social Security Tax	$0	($493)	($788)	($717)	($1,148)	($956)	($1,530)
Federal Income Tax	$0	$0	$0	$0	($99)	$0	($851)
Colorado Income Tax	$0	$0	$0	$0	($33)	$0	($283)
Child Care	$0	($212)	($824)	($361)	($1,355)	($550)	($2,010)
Work Expenses	$0	($644)	($1,030)	($938)	($1,200)	($1,200)	($1,200)
Take-Home Budget	$8,220	$11,739	$13,814	$13,851	$15,168	$15,102	$16,247
Share of Federal Poverty Level	60%	86%	101%	101%	111%	111%	119%

Source: BPA tabulations using information from (1) Colorado Department of Human Services Agency Letter FA-98-34-I; (2) Title XXI State Plan (Colorado Child Health Plan); (3) Colorado Department of Human Services Agency Letter CC-98-3-P; (4) Conversations with the Colorado Department of Human Services; and (5) IRS Form 1040 and Instructions; and (6) Colorado Department of Revenue Form 104.

Notes: Part-time work is assumed to be 25 hours per week. Full-time work is assumed to be 40 hours per week. Individuals are assumed to work 50 weeks per year. Parentheses denote deductions from budget.

Colorado Works recipients can access support from a number of other programs designed to supplement the incomes of the working poor. However, these sources of support are only available to families that are aware of their eligibility and take appropriate action to secure the program benefits. Informing participants of these programs, particularly for the EITC and DCTC with which Colorado Works recipients may be most unfamiliar, is of key importance in helping them meet their goals of long-term self-sufficiency.