South Carolina Legislative Audit Council

LAC

Report to the General Assembly

August 2000

Impact of the South Carolina Family Independence Act: 1998 to 2000

Legislative Audit Council

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Impact of the South Carolina Family Independence Act: 1998 to 2000
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Impact of the South Carolina Family Independence Act: 1998 to 2000

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Synopsis

S.C. Code §43-5-1285 requires the LAC to address three specific questions related to program outcomes of the Department of Social Services' Family Independence Program.

- ❑ Number of AFDC families and individuals no longer receiving welfare (see Chapter 2).
- ❑ Number of individuals who have completed educational, employment, or training programs under the act (see Chapter 3).
- ❑ Number of individuals employed and the duration of their employment (see Chapter 4).

The goal of the South Carolina Family Independence program is to enable families to become economically independent. Finding employment, however, does not mean that recipients will be self-sufficient. About one-third of the employable adults on welfare have at least a part-time job but still qualify for assistance because their earnings are too low to support a family. Only about 5% of all case closures were for income not requiring a subsidy, and, on average, about 20% of the households that had cases terminated due to earned income returned to the program within 12 months.

Our findings include the following:

- As of May 1, 2000, 38% of the cases in overdue sanction status (meaning they should have had their benefits terminated because they were not participating in the program as required) had been recorded in that status for over 100 days. Clients may be continuing to receive benefits for which they are not eligible while using up their federal and state time limits.

- Statutes allow DSS to grant exceptions to the FI time limits. DSS policy also requires these clients to be referred to Welfare-to-Work (WtW). However, DSS client data systems do not code for these activities and DSS staff, therefore, cannot monitor compliance with these requirements without referring to individual case files in the county offices.

- Although the state met federal participation rates, many clients are not meeting requirements of their individual self sufficiency plans (ISSP), and many are not completing employment and training programs. In addition, one-third of the case managers responding to our current survey indicated there were not enough available components.

- DSS minimally assesses the extent to which clients have personal barriers to employment, and does not measure the effectiveness of their training components in moving clients to self-sufficiency.

- Some South Carolina counties have no one performing the job development function. Approximately 27% of the Work Force Consultant (WFC) respondents to our survey indicated there are not enough available local jobs for FI clients, and some counties are experiencing unemployment rates more than twice the state average.

- DSS is not referring all eligible clients to the Employment Security Commission (ESC) for the WtW program. DSS estimated that there were 19,662 eligible clients as of January 1998 who could be referred to WtW; however, only 3,899 clients had been referred as of February 2000.

- DSS no longer performs county-based reviews that can help ensure accountability for end results, and does not use performance goals, as required by law, to guide counties' performance and ensure they are meeting their responsibilities.

- DSS cannot identify, in total, the amount of funds spent for specific services for clients after they have left FI. For the first two years, DSS reported no expenditures, and reported $724,660 for the first six months of the current fiscal year.

- A majority of 16 nonprofits that provide services to poor women and families indicated that better coordination and communication with DSS were needed. One organization providing services to the homeless reported a 55% increase in clients from the first 8 months of 1998 to the first 8 months of 1999. They attributed some of this increase to shrinking resources from DSS for clients.

- Child care continues to be one of the biggest barriers to self-sufficiency. The lack of communication between DSS and DHHS concerning child care services adversely affected the working poor. Services to the working poor declined due in part to DHHS's refusal to accept new applications after November 1998. However, there were substantial fund balances accumulated in each of the child care funding sources.

- Transportation continues to be a barrier to self-sufficiency. Many clients in DSS's closed case survey interviews reported they left the FI program due to transportation problems. DSS cannot readily identify the services funded with its transportation funds. Without more detailed information, DSS cannot adequately evaluate the availability and affordability of services.

- DSS has surpluses from the "Temporary Assistance for Needy Families" (TANF) allocation because welfare caseloads have rapidly declined. South Carolina awarded $22.2 million in surpluses to various contracts; almost one-half was given in support of and/or coordination with the Governor's First Steps program. The General Assembly appropriates all TANF funds, but we found no evidence it was involved in planning for the spending decisions.

Background and History

Scope and Methodology

This review primarily concerns activities occurring from January 1, 1998, to January 1, 2000. Two Department of Social Services (DSS) information systems, the client history and information profile system (CHIP) and the work support tracking system (WNAT), were used to obtain aggregate data on FI clients. We did not perform extensive tests on the reliability of data from CHIP, which is the main system used to administer FI stipends and food stamps. However, CHIP records are monitored by DSS quality control staff and external auditors for data accuracy and error rates.

Also, information used in this report was obtained from the following sources:

- DSS monthly statistical reports.
- DSS quarterly FI reports.
- Data provided by the DSS Statistical Support Unit in the Office of Planning and Research from reports completed by the Budget and Control Board.
- DSS quarterly cost allocation reports and other in-house expenditure reports.
- DSS program reviews and quarterly closed case surveys (October 1996 – March 1998).
- 1996 and 1998 data published by the United States Department of Health and Human Services (DHHS).
- Evaluations of other states’ welfare reform programs.
- Data provided by state and federal departments of Health and Human Services, the Employment Security Commission, the Department of Commerce and Head Start.
- Interviews with DSS and other state agencies’ staff.
- LAC surveys of DSS county staff. Refer to Appendix A for information concerning survey results.

In 1996, we published a process evaluation of welfare reform focusing on how well DSS was implementing the requirements of the FIA. In our 1998 review, and again in this audit, we focused on performance indicators statewide. We did not review the FI program on-site in county offices.

Refer to Appendix B for a glossary of terms used in this report. This audit was conducted in accordance with generally accepted government auditing standards.

State Family Independence Program

In 1996, the United States Congress passed the "Personal Responsibility and Work Opportunity Reconciliation Act" (PRWORA). This act repealed the Aid to Families with Dependent Children (AFDC) program and consolidated funding in a single, capped block grant called the "Temporary Assistance for Needy Families" (TANF) program. TANF sets time limits on welfare benefits, requires nonexempt recipients to engage in work or training activities, and requires states to contribute a specified amount of state matching funds. TANF's goal is to enable families to become economically independent and leave the welfare rolls. Final regulations of the welfare reform act were published by DHHS on April 12, 1999.

The federal government allowed states to tailor welfare programs to individual needs through a "waiver process." DSS obtained approval to implement all the terms and conditions of the FI program that deviated from the AFDC program beginning October 1, 1996. South Carolina's current plan is in effect for FFY 99-00 and FFY 00-01.

South Carolina began statewide administration of the FIA on January 2, 1996. Except as exemptions apply, the FIA limits FI stipends to no more than 24 months out of 120, and no more than 60 months (5 years) within a lifetime. Those determined to be "hardship cases" may be allowed to receive FI benefits beyond these time limits. S.C. Regulation 114-110 gives clients the right to appeal any adverse action taken against them.

Other restrictions and obligations are placed on FI recipients. A participant's failure to meet any of these requirements can result in a loss of FI benefits.

- Parents are required to participate in education, training, and/or employment when their youngest child reaches age one.
- Recipients under age 18 must attend school.
- Minor recipients must live with their parents or guardians (some exemptions apply).
- Adult recipients must enter into an agreement with DSS — the individual self-sufficiency plan (ISSP) — which requires them to take certain steps to become more self-sufficient.
- Recipients must cooperate with DSS in trying to establish paternity and collect child support from absent parents.

DSS staff initially determine whether an applicant's income meets eligibility requirements. The 1999 federal poverty guidelines indicate the poverty level for a family of three is an annual income of $13,872. Before applicants are approved, however, they must engage in a two-week job search. If employment is found during that time, the individual is diverted from entering the FI program. If a job is not found, the individual enters the FI program and signs an agreement (the ISSP) with DSS that outlines employment and training requirements and what services the client will need to become self-sufficient.

In order to prepare clients for work and to help them maintain employment, DSS can provide recipients and former clients with several services, including:

- Education and vocational training.
- Child care, transportation, and Medicaid benefits for up to two years after the family leaves FI.
- Miscellaneous services such as minor car repairs, uniforms, eyeglasses, etc.

DSS is required to coordinate services with other state agencies, including the Departments of Health and Human Services (DHHS), Vocational Rehabilitation (VR), and Alcohol and Other Drug Abuse Services (DAODAS), as well as the Employment Security Commission (ESC).

TANF Block Grant

Through 2002, under the TANF block grant, each state is allocated a certain amount of federal funds for welfare based on historic levels of spending. To obtain the full amount of the TANF block grant, states must maintain at least 80% of FFY 93-94 levels of state spending, 75% if they meet federal work participation requirements.

Regardless of how many current FI recipients it has, South Carolina receives approximately $99.9 million annually, assuming only the minimum state match is spent. The state match has been $35.8 million annually since South Carolina has met federal participation requirements each year. In addition, DHHS announced in December 1999 that 27 states, South Carolina included, would receive high performance bonuses. The state received $1,216,973 in bonuses for performance and improvement in the category of success in the work force. These bonuses were based on performance in 1997 and 1998.

From January 1, 1993 through the end of March 1999, South Carolina reported a 72% decline in welfare recipients, and a 67% decline in welfare families. Nationally, the number of recipients declined by 48% and 46% respectively during this period. Only Idaho and Mississippi exceeded this decline in recipients, and South Carolina was among the top seven states in decline of families on welfare.

Table 1.1 shows expenditures for FI stipends and all direct services that DSS provides to FI recipients. This table does not include child care, which is an important part of the FI program. Child care costs and associated issues are discussed on page 37.

Total expenditures for clients have declined by 65% since the FIA was initiated, and those for training and work activities have increased. While overall FI spending is down, the amount spent per client per quarter was $670 for October through December 1999, an increase of 60% from the 4th quarter of FY 96-97.

Table 1.1: Expenditures for the FI Program — 1996 through 1st Quarter 2000

	FFY 96	FFY 97	FFY 98	FFY 99	FFY 00[2]	TOTAL
Welfare Stipends	$74,710,348	$71,506,296	$53,150,904	$34,458,647	$8,134,347	$241,960,542
Training/Work Activities	$11,215,873	$13,524,563	$17,473,286	$22,049,401	$5,401,456	$69,664,579
Other Direct Costs[1]	$19,959,882	$22,563,601	$32,691,147	$34,916,378	$5,785,399	$115,916,407
Data Processing	$3,475,629	$4,639,291	$4,300,192	$5,914,931	$1,666,957	$19,997,000
Administrative/Overhead	$6,098,606	$11,593,580	$12,563,914	$13,126,565	$3,964,812 [3]	$47,347,477
Emergency Assistance	$6,947,563	$7,997,697	$7,142,949	$9,939,716	$5,100,032	$37,127,957
TOTAL[4]	**$122,407,901**	**$131,825,028**	**$129,357,483**	**$120,855,929**	**$33,856,309**	**$538,302,650**
Federal	$76,781,006	$86,711,746	$84,461,587	$74,726,956	$21,773,040	$344,454,335
State	45,626,894	$45,113,282	$44,895,896	$46,128,973	$12,083,269	$193,848,314

1 Includes some funds allocated from the food stamp and medicaid programs to pay for the amount of time FI staff spend to determine eligibility for these programs.
2 October – December 1999.
3 October 1999 TANF regulations require funds allocated from the food stamp and medicaid programs to pay for the amount of time case managers spend to determine eligibility for these programs to be shown as administrative costs.
4 Includes adjustments for Teen Companion Program and other expenditure transfers.

Source: DSS Office of Cost Allocation and Budgeting Systems.

Welfare Reform Research

Much research has already been performed and more is underway relative to the impact of welfare reform programs. The *1997 National Survey of America's Families* and the 1999 update being conducted by the Urban Institute are considered to be the most comprehensive surveys of America's families. They are part of *Assessing the New Federalism*, a multi-year Urban Institute project designed to analyze the devolution of responsibility for social programs from the federal government to the states. In addition, groups such as the Department of Health and Human Services Administration for Children and Families, the General Accounting Office of Congress, the National Governor's Association, the National Conference of State Legislatures, and the Center for Law and Social Policy are conducting research on the impact of welfare.

The office of program reform, evaluation, and research at DSS is conducting the research on program variables in South Carolina's program. Most of the following studies have not yet been completed:

- From October 1996 through September 1998, DSS surveyed random households from closed cases of 3,000 former clients. The eight-quarter follow-up assesses how well former clients are supporting themselves and their families after their cases were closed. DSS plans to conduct follow-up interviews with these clients to establish long-term data. We have referred to this data in our report. In addition, DSS has contracted for a two-year follow-up study of former FI and food stamp clients.

- DSS is comparing working versus non-working former clients quarterly, through the first year of former FI clients. They plan to update this analysis to cover the most recent groups. Also, DSS is conducting a study of former FI clients with the highest post-FI wages, to identify what factor or factors have helped these clients do well.

- DSS is tracking special issue areas such as child protective services and homelessness, as well as the post-FI progress of long-term versus short-term FI recipients.

- The Urban Institute, under contract by DHHS, is conducting a process study of drug treatment and relocation provisions of the FI program. They are also studying conciliation and sanction procedures, education provided to clients about transitional benefits, and the availability of programs and services relative to client outcomes. The Institute is studying variations as they influence program outcomes by county.

The Number of AFDC Families and Individuals No Longer Receiving Welfare

S.C. Code §43-5-1285 requires the Legislative Audit Council (LAC) to measure the impact of the Family Independence Act (FIA) and report every two years on the success and effectiveness of its policies. The LAC is required specifically to report on the following:

- ❑ Number of AFDC families and individuals no longer receiving welfare.
- ❑ Number of individuals who have completed educational, employment, or training programs under the act.
- ❑ Number of individuals who have become employed, and the duration of their employment.

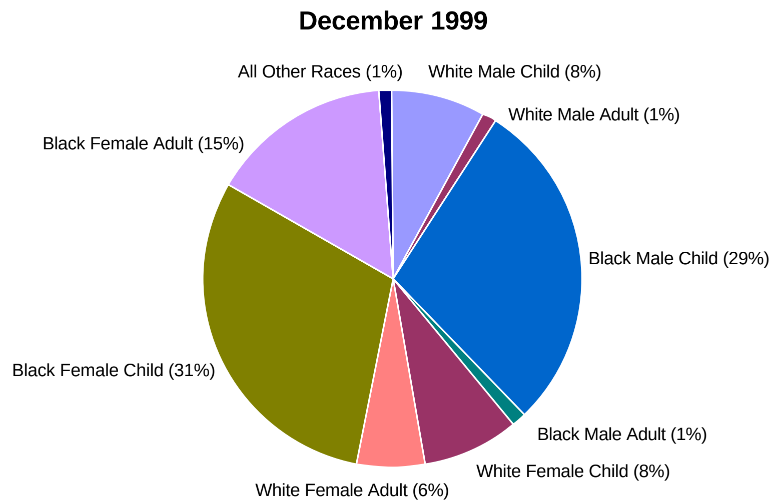
In 1996, the United States Congress passed the "Personal Responsibility and Work Opportunity Reconciliation Act" (PRWORA). This act repealed the Aid to Families with Dependent Children (AFDC) program and consolidated funding in a single, capped block grant called the "Temporary Assistance for Needy Families" (TANF) program. TANF sets time limits on welfare benefits, requires nonexempt recipients to engage in work or training activities, and requires states to contribute a specified amount of state matching funds. TANF's goal is to enable families to become economically independent and leave the welfare rolls. South Carolina began statewide administration of the FIA on January 2, 1996.

Background

According to DSS monthly statistical reports, by January 1998, 26,551 cases remained on the FI rolls in South Carolina. At the end of December 1999, that number had fallen to 16,593 cases or 37,802 recipients. This is a reduction of 38%, and FI payments in December 1999 were 68% lower than in January 1996.

The general demographics of South Carolina's recipient population have not changed significantly from June 1996 when the program began. However, the percentage of recipients that are black female adult has declined from 18% to 15.4%.

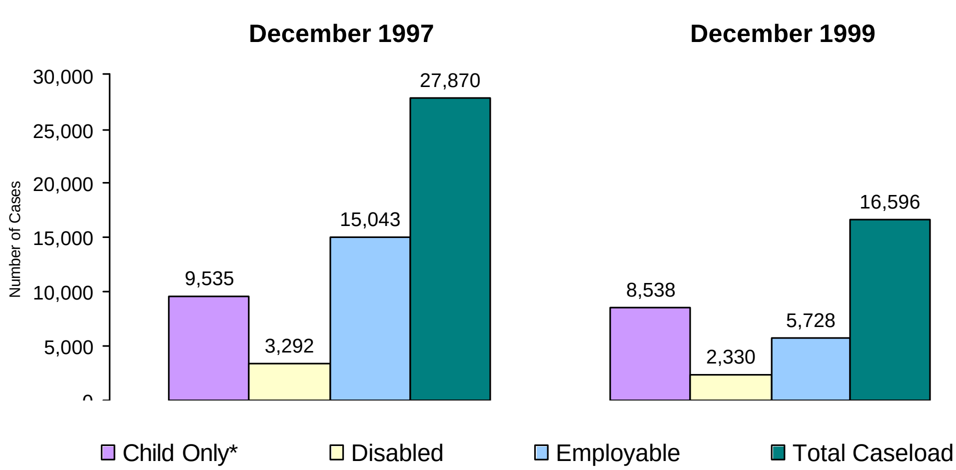
Figure 2.1: Age, Sex, and Race of FI Recipients



Source: DSS Quarterly FI Reports.

While the recipient population has remained fairly consistent, the composition of cases has changed considerably. Child-only cases, which in December 1997 comprised 29% of the cases, two years later were 51% of the cases, and are exempt from participation requirements of the FI program.

Figure 2.2: Composition of FI Cases

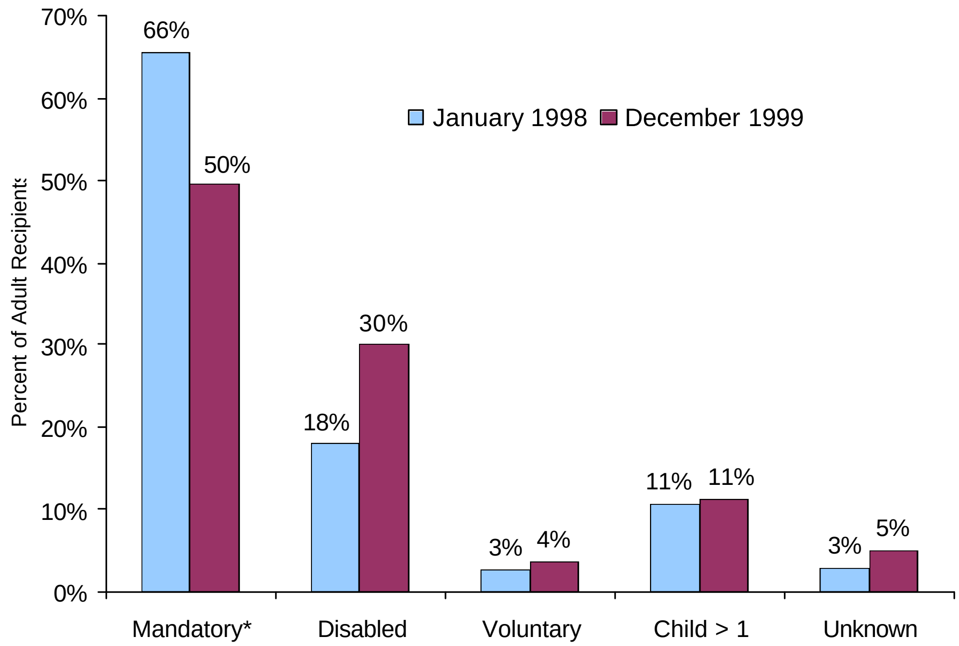


* Child only cases have no adult recipients.

Source: DSS Quarterly FI Reports.

There has also been a substantial decline in the percentage of adults who are required to participate in the FI program (nonexempt adults). Whereas in December 1997, 65% of the adult recipients were required to participate, in December 1999, that percentage had dropped to 50%, as shown in Figure 2.3.

Figure 2.3: Percent of Adult Recipients by Status



* Mandatory adult recipients are nonexempt and required to participate in the program.

Totals may not add to 100% due to rounding.

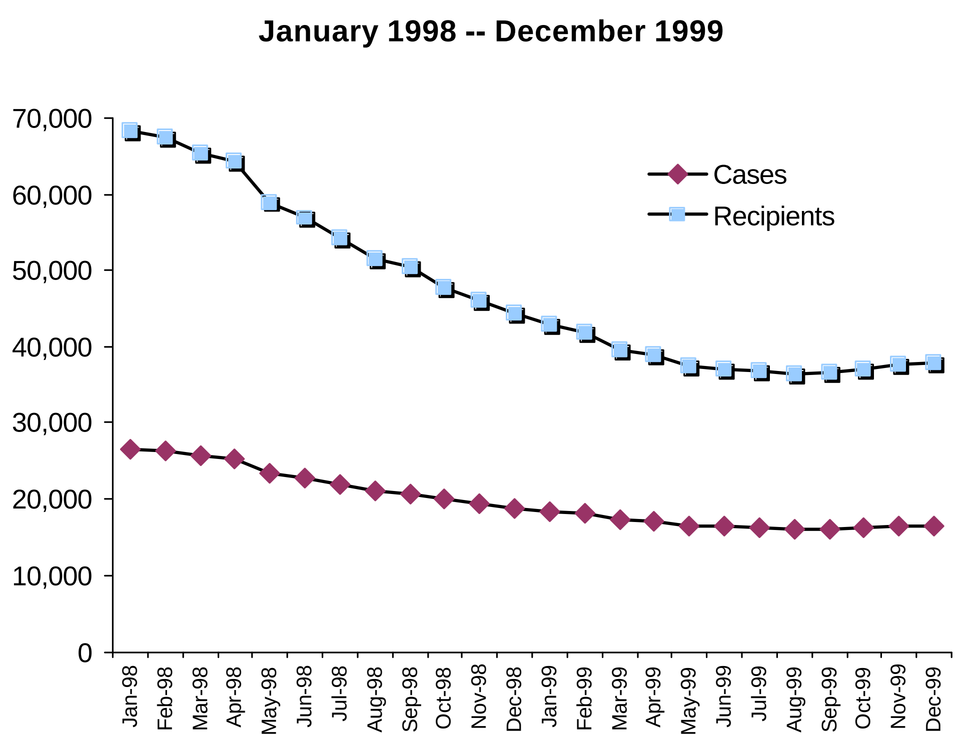
Source: DSS Quarterly FI Reports.

Education levels for the nonexempt adults in November 1999 were slightly higher than those in October 1996, with the greatest increase being those clients with 13 or more years of education. Also there is a clear shift in the nonexempt adult recipients to fewer months in the FI program in the past eight years. In October 1996, 42% of the nonexempt recipients had been receiving FI benefits for 49 or more months in 8 years; in November 1999, only 18% had a similar status. However, child-only cases show an increase in long-term welfare histories.

Factors Influencing the Decline in FI Recipients

Based on a DSS monthly statistical report, since January 1996, about 60,000 fewer children, and about 22,000 fewer adults are receiving FI benefits. However, the rate of decline in welfare cases slowed to 38% from January 1998 to December 1999.

Figure 2.4: Change in Number of FI Cases and Recipients



Source: DSS Monthly Statistical Reports.

The substantial decline in welfare rolls shows that South Carolina is moving to meet the goals of the FI program. However, several other factors should also be considered.

- A great influence on the number of FI recipients may be low unemployment and the availability of jobs. The unemployment rate in South Carolina for January 1998 through March 2000 averaged 4.13%. This is lower than when the program began in January 1996, when the unemployment rate was 5.6%.

- In September 1998, families who had been on FI for 24 months, the time limit for benefits, began to be dropped from the rolls. From September 1998 through December 1999, 2,079 cases were closed due to clients using up months of eligibility toward the 24-month time limit.

- The overall numbers of applications and reapplications are declining. Between January 1998 and December 1999, the annual number of applications approved declined by 12%. Around 43% of all applications are approved. Many people, when the requirements of the program are explained to them, may decide not to pursue their applications. South Carolina’s FI payments are among the lowest in the nation, at $201 for a family of three.

Clients Leaving FI

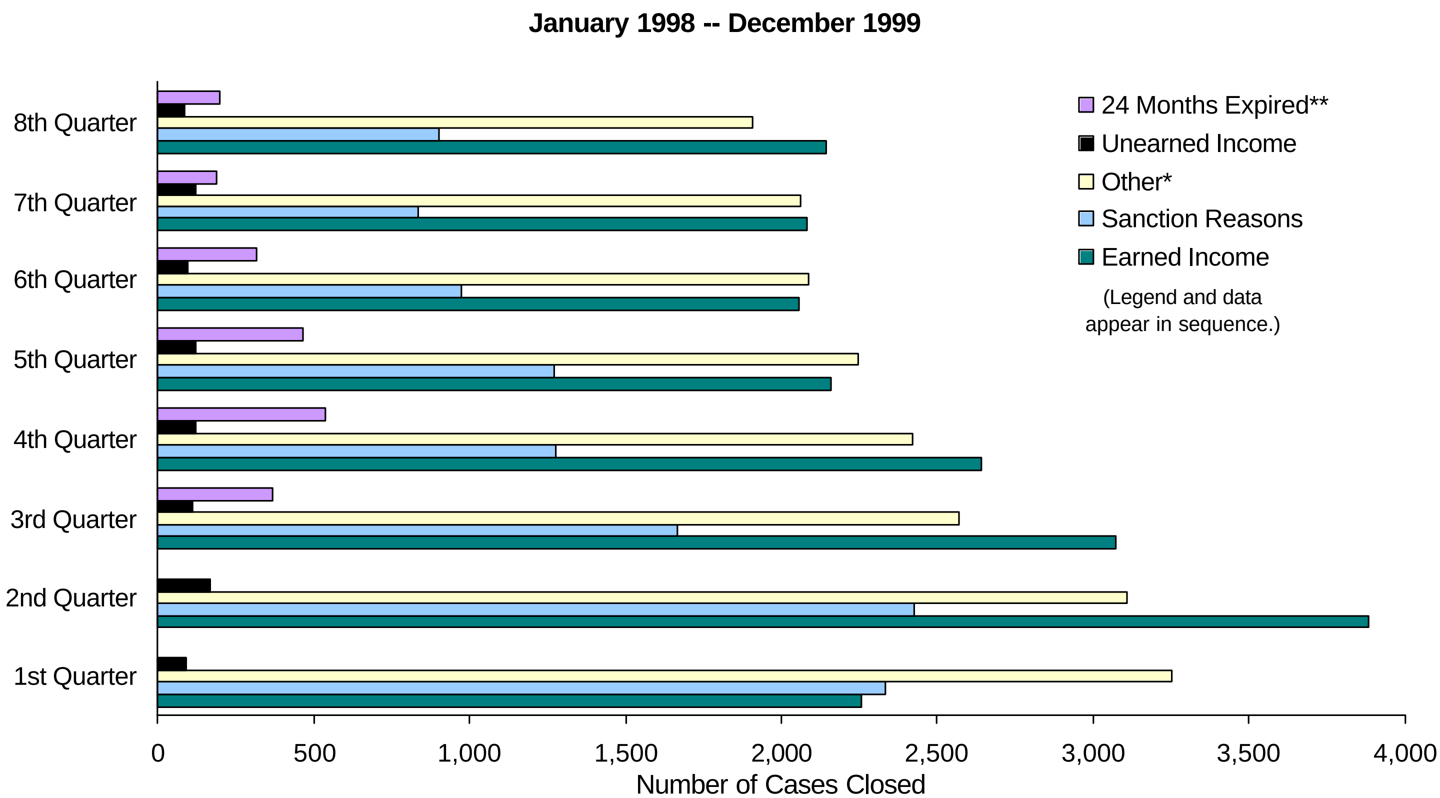
The reasons for closure of cases for January 1998 through December 1999, changed only slightly over those of the prior two years. Figure 2.5 shows for each quarter the number of cases closed by reason.

About 37% of the cases leave FI for the closure reason “earned income.” However, only about 5% of all closures were for income not requiring a subsidy. This figure is substantially the same as we found in the 1998 audit. About 21% of cases were closed because of sanctions for noncompliance with FI work and training requirements and another 27% were closed because of procedural requirements or because they left voluntarily.

From January 1998 to December 1999, the number of two-parent family cases decreased 74% with a total of 99, two-parent families receiving FI in December 1999. Well over half of all closures for two-parent families during this period were for earned income reasons. This exceeds the earned income closure rate for individual recipients.

DSS has conducted seven surveys of former FI clients who left the rolls between October 1996 and September 1998. While many respondents seem to be adapting to "life after welfare," there are indications that some former clients are having problems. We discuss these issues in more detail in Chapter 4.

Figure 2.5: FI Closed Cases



* Other includes other eligibility, procedural and voluntary.
** Listed as closure reason beginning third quarter.

Source: DSS Monthly Statistical Reports.

Reapplications

We reviewed cases of individuals who had received FI benefits since December 1995, but had their cases closed, to determine if former clients are reapplying to the program. Table 2.1 compares the three categories that generated the greatest number of closures. There was a 6% decline overall in these reapplications. However, about 20% of cases closed due to earned income reapply within 12 months.

Table 2:1: Reapplications by Reasons for Closure

1998 and 1999		
Reason for Closure	1998	1999
Earned Income — Extended Medicaid	17%	14%
Earned Income — FI Extended Medicaid	18%	22%
Failure to Comply with Agreement	23%	20%

Source: DSS Statistical Support Unit, Office of Planning and Research.

Sanctions

If a client does not comply with the employment and training requirements, DSS grants up to a 30-day conciliation period for the client to reconsider the noncompliance, during which the client is placed in a pending sanction status. According to DSS policy, within this period, a client must show good cause for failing to participate, or the client will be sanctioned and the client's payment terminated.

As of May 1, 2000, sixty-nine clients were recorded in overdue sanction status, meaning they should have had their benefits terminated. Twenty-six cases (38%) had been in this status for over 100 days. These clients may be continuing to receive benefits without participating in the program as required. We could not verify this due to limitations of the client data system. These individuals also were using months of eligibility toward the 24-month time limit. They had an average of 10 out of the 24 months of assistance counted as used.

In Table 2.2, we compared the reasons why clients were placed in pending sanction status, and compared this information to statistics reported in our 1998 report. A greater percentage of clients are being sanctioned now for not developing or completing their individual self-sufficiency plan (ISSP).

Table 2.2: Reasons for Sanction Status

1998 and 2000		
Reason for Sanction	**1998**	**2000**
Failure to Attend Classes	53%	41%
Failure to Keep Job or Look for Job	22%	19%
Failure to Keep Appointments	20%	20%
Failure to Develop/Complete ISSP	4%	12%

* 1998 totals do not add to 100% due to rounding error. Also, for 2000, we were unable to classify 6 cases, based on available data.

Source: DSS CHIP and WNAT Systems.

If case managers do not close these clients' cases, the clients may continue to receive benefits for which they are not eligible, while using up their state and federal time limits.

24-Month Time Limit

State oversight of compliance with S.C. Code §43-5-1170 is hindered because DSS staff have limited access to information concerning extensions DSS staff granted to clients beyond their 24-month time limit.

S.C. Code §43-5-1170 provides exceptions to the 24-month FI time limit for a number of specific circumstances, such as the physical or mental disability of either the head of household or an individual in the home. In addition, limited extensions are granted for participation in an approved training program that will not be completed by the end of the 24-month limit. Extensions are also granted to recipients that have cooperated fully with state agencies in an effort to become gainfully employed. At the conclusion of these limited extensions, county directors may, under certain conditions, grant clients indefinite extensions.

We were unable to examine clients' extensions to review the basis for granting extensions because the CHIP and WNAT systems do not code for these activities, and provide only summary information. In order to obtain detailed information, one must refer to individual clients' case files located in county offices.

DSS granted 635 extensions to FI recipients from September 1, 1998 (first extension granted) through May 1, 2000.

Table 2.3: Extensions Granted by DSS

September 1998 – May 2000		
Extension Type	**Number of Extensions**	**Percentage**
Fully Cooperating	355	56%
Training[1]	227	36%
County Director Approval[2]	53	8%

1 Extends benefits for up to 6 months while FI clients are participating in an approved training program.
2 Extends the fully cooperating extension, the training extension, or is granted to those who have exhausted their time limits and subsequently qualify for an extension.

Source: DSS CHIP and WNAT systems.

Recommendations

1. The Department of Social Services should monitor cases in overdue sanction status to ensure that, where appropriate, benefits are terminated in a timely manner.

2. The Department of Social Services should provide a mechanism that codes for time-limit extensions, and therefore allows staff to more easily monitor compliance with S.C. Code §43-5-1170.

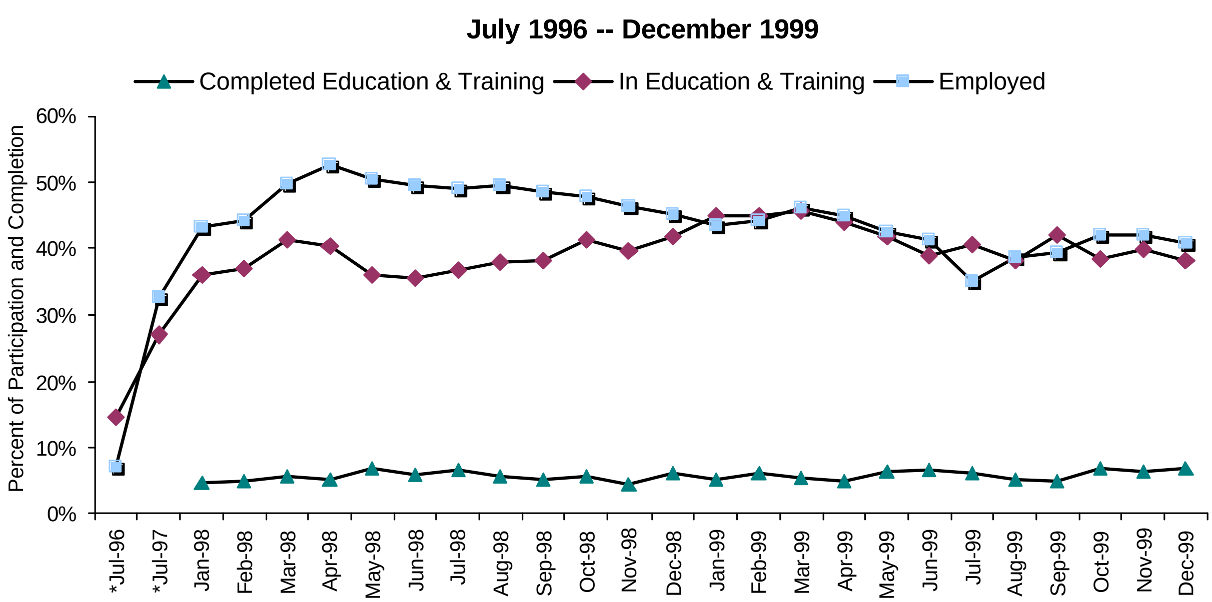
The Number of Individuals Who Have Completed Education, Employment, or Training Programs

Background

The following ten components comprise the FI education and training programs: assessment, educational activity, classroom training, job club, family life skills, post secondary education, job search, on-the-job training (OJT), work experience, and work supplementation. Clients must be enrolled in one of these components or be employed in order to be counted as a program participant.

Figure 3.1 shows the percentage of the active monthly caseload that is employed, participating, and completing education and training programs.

Figure 3.1: Participation and Completion in FI Components



*July 1996 and July 1997 are used to represent the trend since the inception of FIA.

Source: DSS Monthly Statistical Report and the DSS Statistical Support Unit, Office of Planning and Research.

To obtain federal Temporary Assistance for Needy Families (TANF) funds, states must meet federal minimum client participation requirements. South Carolina has exceeded these requirements annually. In FFY 98-99 the participation rate required for all families was 35%, with an average of 25 hours-per-week attendance in the program. For a two-parent family, the requirement was 90% with an average of 35 hours-per-week attendance, except if DSS is providing child care payments, then the requirement was 55 hours per week.

The number of completions in education and training is low relative to the number of clients enrolled per month. Over a two-year period, from January 1998 to December 1999, a monthly average of only 14% of the clients enrolled completed education and training programs.

In our 1998 review of the FIA, we made the following recommendations concerning employment and training programs:

- DSS should ensure that clients participate in work, training, and education activities as mandated by the FIA and federal law.

- DSS, in partnership with the State Board for Technical and Comprehensive Education and other agencies, should develop more ways to promote and fund vocational training programs targeted to FI clients.

- DSS should develop more nonacademic training programs, such as OJT and job-specific/technical training, to ensure these services are available in most counties.

- DSS should consider developing increased motivational and work ethic training for clients.

As discussed in this chapter, DSS needs to continue to focus on these issues.

Client Participation

Although South Carolina has met federal participation rates, many clients are not meeting the requirements of their individual self-sufficiency plans (ISSP), and many are not completing employment and training programs.

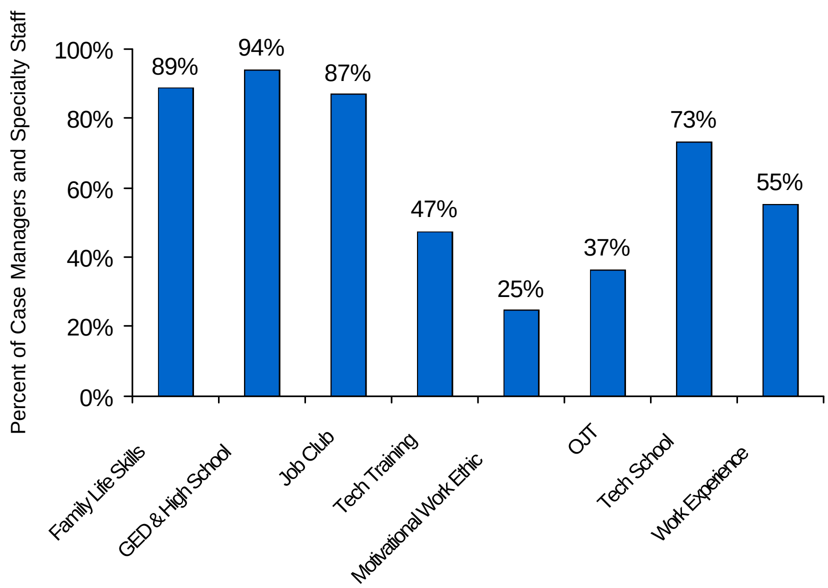
The FIA requires that *each* adult recipient sign and comply with an individual self-sufficiency plan (ISSP), an agreement that describes what the individual needs to do to reach economic self-sufficiency. A client may not comply with this plan and fail to participate for several reasons: clients may not be motivated to follow the agreed-upon plan; case managers may not be placing clients in components in a timely manner; and appropriate components may not be available.

- Clients are not participating in FI employment and training activities as required, and DSS staff are not placing others in employment or training programs within the 30 days required by DSS policy. From January 1998 to December 1999, a monthly average of 502 clients, or 5.37% of the active caseload, were not enrolled in a component for an average of 133 days (over 4 months).

- All programs and components are still not available in every county. In our 1998 report, we recommended that DSS consider developing additional program components. We identified a need for increased motivational and work ethic training for clients. In our current surveys, we again found that lack of client motivation ranked as the most significant barrier preventing FI clients from participating in training and education. However, only 25% (61 of 247) of case managers and specialty staff reported that there were readily available motivational and work ethic classes.

One-third (61 of 181) of the case managers responding to our current survey indicated there were not enough available components. Additionally, more than half (82 of 161) also indicated there was not enough flexibility in placing clients in education and training components. Figure 3.2 shows responses of local DSS staff to our survey regarding the availability of components.

Figure 3.2: Surveys Respondents' Opinions Regarding the Availability of Education and Training Components



Source: LAC's survey of case managers and specialty staff.

A total of 12,520 clients completed the components during the two-year period from January 1998 through December 1999. Approximately one-half (6,316) were in job club and family life skill classes, and approximately one-quarter (3,250) were in classroom training. Classroom training is defined as short-term job skills training classes, such as a class offered by Vocational Rehabilitation, a technical college, or an employer. The job specific programs, including OJT, technical training, work experience, and work supplementation, accounted for only 15% of the total completions. The remaining completions were in developmental education, GED, high school education, and basic reading.

In our 1998 report, we recommended that more nonacademic training programs be developed such as OJT and job specific/technical training. However, less than half of respondents indicated that OJT (91 of 249) or job-specific/technical training (118 of 249) were readily available. Enrollments for all OJT programs have never exceeded 29 clients statewide per month.

Barriers to Employment

DSS minimally assesses the extent to which clients have personal barriers to employment, and does not measure the effectiveness of training components in moving clients to self-sufficiency.

Based on our analysis shown in Figure 3.1, the number of employments exceeded the education and training placements from June 1997 to December 1998. On average in 1999, however, the percentage of clients placed in education and training programs was about the same as the percentage employed, which may indicate that current clients have more barriers to employment.

Barriers to self-sufficiency can be client specific, such as learning disabilities, substance abuse, mental illness, and/or domestic abuse. Barriers may also result from too few or inadequate program resources, such as lack of child care, transportation, or availability of appropriate employment and training components.

Our survey of case managers, specialty staff, and work force consultants (WFC) identified the following barriers to clients' participation:

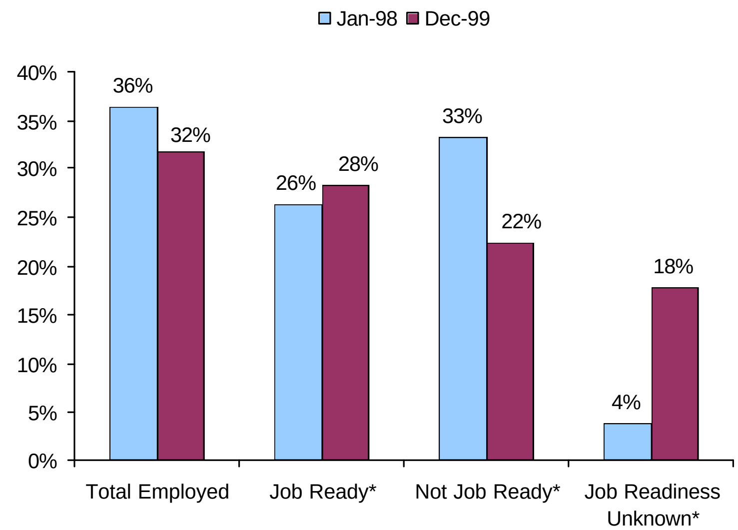
- Lack of client motivation.
- Lack of transportation.
- Lack of child care.
- Not enough classes teaching needed skills.

According to DSS policy, a job ready participant has graduated high school, obtained a GED, or has been employed 12 of the previous 24 months. These clients are, in most cases, enrolled in job club. If a client cannot find a job after the completion of job club, DSS policy requires that a full assessment be conducted. Clients who are not job ready are to be placed in an education and training component in order to build skills needed for gainful employment.

Individual assessment provides valuable information for making broad program planning and resource allocation decisions regarding services that will be provided to clients. An assessment may test a client's reading level, psychological condition, and/or vocational interests and aptitude. However, since January 1998, in spite of the fact that 40% of the mandatory caseload was not job ready or in an unknown job readiness status, and 26% were job ready, but not employed, fewer than 200 clients have been assessed monthly.

As shown in Figure 3.3, more than a quarter of the nonexempt adults are job ready, but not employed. By definition they are ready to work. Since January 1998, the total number of clients employed has declined to approximately one-third of the nonexempt adult clients, and the percentage of clients in unknown job readiness status has grown from 4% to 18%.

Figure 3.3: Job Readiness of Nonexempt Clients



* Not employed.
** Totals may not add to 100% due to rounding.

Source: DSS Quarterly FI Reports.

Client assessment should be the basis for developing effective programs. Without adequate client assessment, eligible clients may be hindered from obtaining needed assistance from DSS and other agencies' programs such as the Welfare-to-Work program (see p. 24).

In addition, DSS staff at the state level develop and approve curriculum for the family life skills and job club programs. However, counties develop and conduct their own vocational programs, where the majority of the job specific training programs are offered. DSS does not analyze the costs and program outcomes of these training experiences to ensure they are effective in moving clients to self-sufficiency.

Following are some examples of job specific training programs developed in some counties:

- Charleston County partnership with construction trade groups to train, place, and monitor clients in bricklaying positions.
- Westinghouse Savannah River partnership with a number of counties to provide one year of training and then re-employment assistance.
- Horry County and state partnership with Hospitality Works Inc. to train, certify, place, and monitor clients in hotel/restaurant positions.
- Richland County partnership with Columbia Urban League to train, certify, place, and monitor clients in jobs requiring keyboarding skills.

Work Force Consultants (WFCs) responding to our survey indicated that after direct employment placement, specialized vocational classroom training and part-time or full-time work experience programs are the most successful. However, not all of them reported having developed specialized vocational classes with employers.

Business Liaison

Some South Carolina counties have no one performing the job development function. S. C. Code §43-5-1120 requires DSS to use “job development specialists” for the development of employment and training opportunities for FI participants. These specialists are the work force consultants (WFC) and the 12 functions assigned to them are critical for developing opportunities for employment placements, and to build and strengthen the education and training components.

According to DSS’s human resources department, as of January 2000, DSS had 25 WFCs. The following is a breakdown of nine counties that either did not have a WFC or had a staff person assigned to other functions as well as the WFC function as of October 1999:

- Six counties had no one performing the WFC function.
- One county had the Program Coordinator act as the WFC.
- At least two of the counties had the WFC also responsible for other major duties

In addition, ten counties shared a WFC with another county, and six shared a WFC with two other counties.

On average, from December 1996 through December 1999, 40% of those not employed have been job ready. However, approximately 27% (4 of 15) of the WFC respondents to our survey indicated there are not enough available local jobs for FI clients. Although these clients may not be working as a result of a variety of factors, one reason may be a lack of training or job opportunities.

Sixty-seven percent of South Carolina's counties are ranked by the Department of Commerce economic development rating as *under developed* or *least developed*. Also, although the state unemployment rate in April 2000 was 3.5%, some counties were experiencing unemployment rates more than twice the state average. Four counties, Dillon, Marlboro, Williamsburg, and Marion, had unemployment rates between 7.2% and 9.4%.

In our survey of work force consultants, 93% (14 of 15) respondents expressed a need for more communication with statewide FI staff. Respondents also cited the need to spend more time making calls to employers and marketing their business plans, as well as assisting clients in developing small business ventures. In addition, respondents indicated a need for more training in career development and employment counseling, as well as client motivation and attitude, human services and job development.

Since the county work force consultant is responsible for marketing the FI program and developing employment and training opportunities for FI clients, DSS needs to focus efforts to build a strong liaison with business and industry through their WFCs.

Welfare-to-Work

DSS is not referring all eligible clients to the Employment Security Commission (ESC) for the Welfare-to-Work (WtW) program which began in April 1998.

DSS estimated that there were 19,662 eligible clients as of January 1998 who could be referred to WtW. However, only 3,899 clients, or an average of 177 monthly, had been referred as of February 2000. We attempted to determine if DSS was abiding by its policy to refer clients who are terminated due to time limits to WtW, but DSS client data systems do not code for these referrals.

South Carolina received slightly over $34.5 million in funding for WtW, but as of April 2000, only 69% of the FFY 97-98 funds and 22% of the FFY 98-99 funds had been spent. Of the 3,899 clients referred, 2,516 have reported to ESC, and 2,218 have been served. Fifty-seven percent of those served are in unsubsidized employment, while less than 1% are in subsidized employment.

Welfare-to-Work (WtW) programs are intended to supplement, not duplicate, Temporary Assistance for Needy Families (TANF) work programs, although the target populations for both programs overlap. A client can be referred to WtW and still receive FI benefits. WtW funds can be used to provide such services as transportation, child care, emergency or short-term housing assistance, or substance abuse treatment if they are not otherwise available. Also, an important facet of WtW is there are no time restrictions once a client is enrolled. Therefore, more services can be offered to a client once he/she is employed.

Effective July 1, 2000, the WtW eligibility requirements became less restrictive. FI recipients are now eligible if they have received assistance for at least 30 months, are within 12 months of reaching their time limit, or have been terminated due to time limits. The Workforce Investment Act (WIA) of 1998, designed to streamline training and employment programs through "One-Stop" service delivery centers, also went into effect. WtW is 1 of 14 required partners involved in the "One-Stop." The expanded requirements, as well as the implementation of WIA, should aid in WtW serving more clients.

Recommendations

3. The Department of Social Services should ensure that clients participate in work, training, and education activities as specified in the individual self-sufficiency plan developed with the client.

4. The Department of Social Services should ensure that clients are assessed to the extent that barriers to employment are adequately identified. Program development should be based on assessment data.

5. The Department of Social Services should consider developing increased motivational and work ethic training for clients.

6. The Department of Social Services, in partnership with the State Board for Technical and Comprehensive Education, should develop more ways to promote and fund vocational training programs targeted to Family Independence clients

7. The Department of Social Services should develop more nonacademic training programs, such as on-the-job training and job-specific technical training, to ensure these services are available in most counties.

8. The Department of Social Services should evaluate education and training components to ensure they are appropriate to client needs, are effective in moving clients to self-sufficiency, and are cost-effective.

9. The Department of Social Services should ensure that counties have appropriate specialists responsible for carrying out the job development function, in order to build a strong liaison with business and industry to develop training and employment opportunities.

10. The Department of Social Services should refer all eligible clients to the Employment Security Commission's work programs.

Oversight of County Performance

After our 1996 audit recommendation, DSS established a county review and evaluation process that collected and analyzed operational and performance information. Reviews of 14 county operations were performed from December 1997 through October 1998. DSS no longer performs county-based reviews that can help ensure accountability for end results, and does not use performance goals, as required by law, to guide counties' performance and ensure they are meeting their responsibilities.

Since DSS permits regional and county managers flexibility in allocating resources and designing service delivery, performance reviews are needed to determine if FI resources are being directed to achieve the best program outcomes.

South Carolina Code §43-5-1130 requires DSS to establish goals for the placement and retention of FI recipients in employment programs for each county, and use them to evaluate the performance of county staff. Until January 1998, county staff evaluations reflected the percentage of their nonexempt adults who were placed in employment and retained jobs, or were enrolled in employment and training.

Since 1998, DSS has shifted its focus to county self-assessments overseen by the division of county operations. According to the director of county operations, the agency no longer has a monitoring function, and is not looking at case records. Instead, its staff now serve in a consulting role to counties. Supervisors are expected to perform the monitoring activity, and find and resolve their own problems.

There is evidence that counties may not be in compliance with laws and regulations, possibly resulting in clients losing entitled benefits. As late as May 2000, DSS data revealed the following:

- Cases where families that may have been eligible for extensions were terminated due to time limits.
- Some 200 clients each month coded as disabled who have their months of disability counting against their time limits.
- Clients whose cases were closed for time limits before the 24 months of eligibility were used up.

While self-assessments can promote more staff involvement and should be a part of the total accountability process, they cannot replace the individual county review that examines case records and measures economy, efficiency, and effectiveness of the program as well as compliance with mandates. Ensuring accountability at the local level is critical to clients becoming self-sufficient.

S. C. Code §43-1-115 requires the state DSS office to:

> . . . conduct, at least once every two years, a detailed performance audit, which must include, *but is not limited to*, the child protective services and foster care programs of every local county office. [Emphasis added.]

These reports are to be distributed to the Governor, Lieutenant Governor, and various legislative entities, as well as the public. DSS could incorporate a review of the FI program as part of this audit.

During our exit with DSS, the director indicated that Family Independence performance measures are almost complete and that county-record reviews will be conducted.

Recommendations

11. The Department of Social Services should, as required by law, establish goals for the placement and retention of Family Independence recipients in employment programs for each county and use them to evaluate the performance of county staff.

12. The Department of Social Services should perform county reviews of the Family Independence program, and develop corrective action plans where needed. Outcomes should be used for ongoing redesign of the program, and for identifying technical assistance needs.

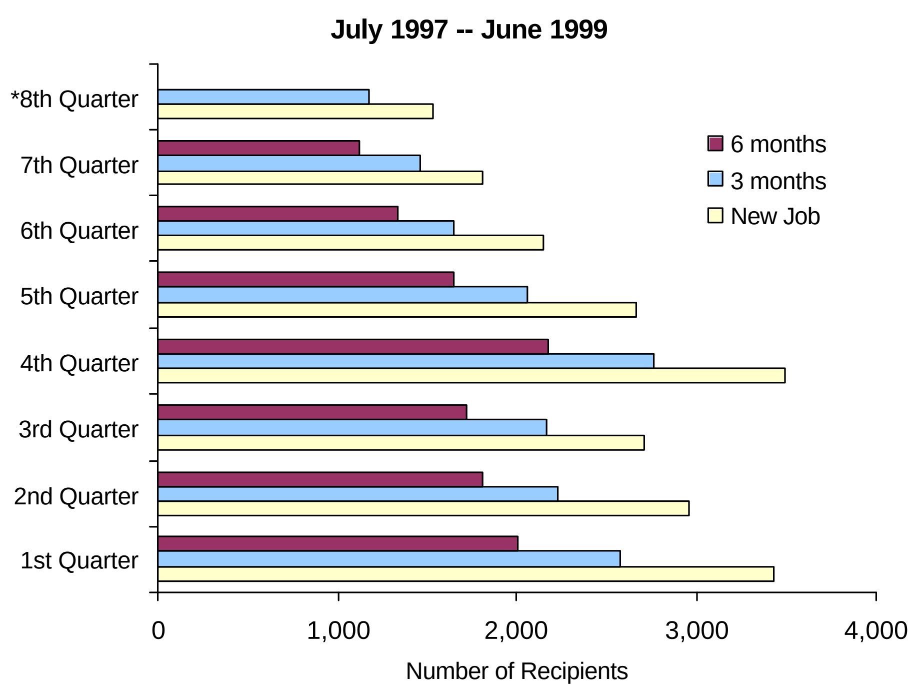
The Number of Individuals Who Have Become Employed, and the Duration of Their Employment

Background

From January 1998 through December 1999, FI recipients have obtained 18,754 full-time jobs and 7,327 part-time jobs. To be counted, an individual must earn an hourly wage greater than or equal to minimum wage, but the jobs do not have to be retained for 30 days or more. Full-time jobs are 30 or more hours per week, and part-time jobs are 15-29 hours per week.

DSS determined the number of recipients who were newly employed during a quarter, and then determined if those same recipients remained employed three and six months later. On average, 78% of FI recipients were employed three months later, and 61% remained employed six months later.

Figure 4.1: Family Independence Recipient Job Retention



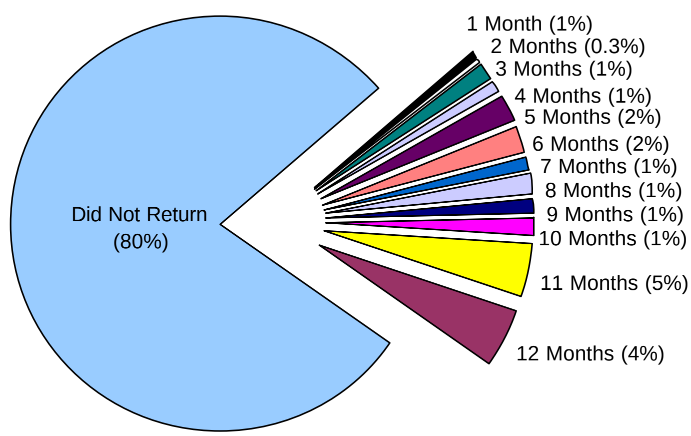
* No 6-months retention figures were available.

Source: DSS Statistical Support Unit, Office of Planning and Research.

From January 1998 through December 1999, at least 19,188 cases were closed in the FI program due to earnings from employment. For calendar year 1999, Figure 4.2 shows the percentage of households who returned to the FI program within 12 months of leaving the program due to earnings from employment.

Figure 4.2: Percentage of Households Returning to FI Program

January -- December 1999

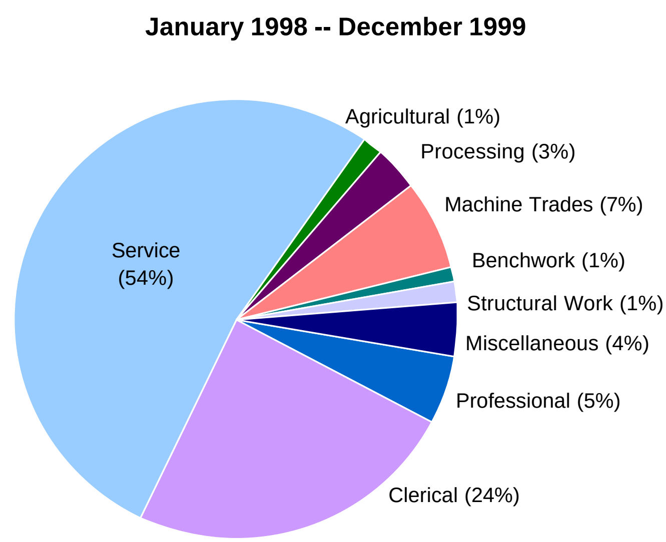


Source: DSS Quarterly FI Reports.

On average, about 20% of the households that had FI benefits terminated due to earned income returned to the program within 12 months. This indicates that approximately 80% of these households were able to maintain employment for at least 12 months, or they had some other means of support so they did not need to return to the FI program.

From January 1998 through December 1999, the average hourly wage for an FI recipient in a full-time or part-time job was $6.12, with a full-time job averaging 36 hours a week, and a part-time job averaging 23 hours a week. The average wage was 19% higher than the minimum wage compared with 16% in our 1998 review. Fifty-three percent of these jobs were in the service industries compared with almost 60% in our 1998 review. FI clients obtained more jobs in the clerical field. The following figure shows the types of jobs obtained by FI recipients.

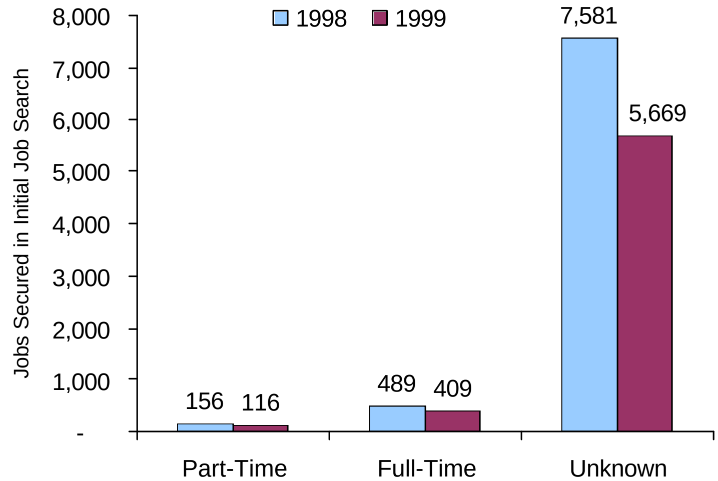
Figure 4.3: Types of Jobs Obtained by FI Recipients



Source: DSS Quarterly FI Reports.

Applicants for the FI program are required by the FIA to complete an initial two-week job search. If an individual is successful in obtaining a job which makes them income-ineligible, they are not enrolled in the FI program. According to DSS, only 2% of applicants conducting an initial job search found a part-time job in both 1998 and 1999. Six percent of applicants in 1998, and 7% in 1999 were successful in obtaining a full-time job. DSS does not track whether the remaining individuals ever secured employment.

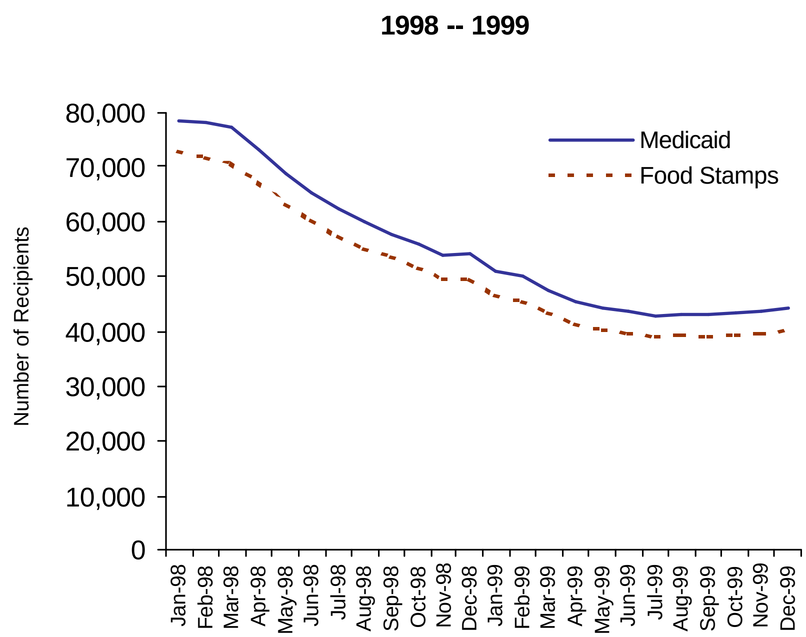
Figure 4.4: Initial Job Search



Source: DSS Statistical Support Unit, Office of Planning and Research.

DSS is required by the FIA to assist clients with services needed to become employed. Some of the services that are available to FI clients include transportation, child care, food stamps, and Medicaid. The number of FI recipients who also receive food stamps or who are eligible for Medicaid has decreased from January 1998, although, in the last six months of 1999, the numbers have generally increased.

Figure 4.5: Number of FI Recipients of Medicaid and Food Stamps



Source: DSS Statistical Support Unit, Office of Planning and Research.

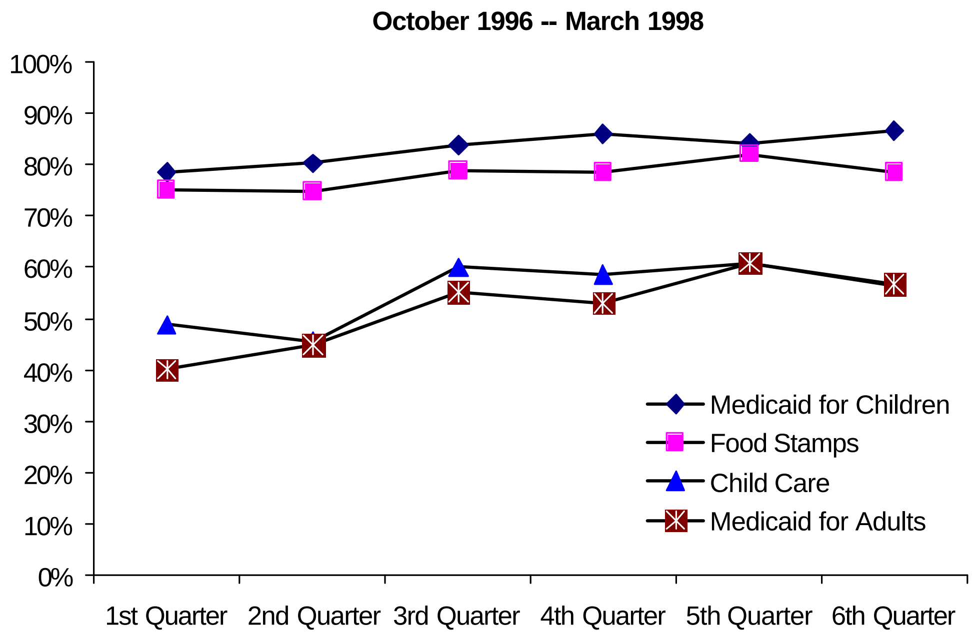
Services Used by Former Clients

DSS cannot identify, in total, the amount of funds spent for specific services for clients after they have left FI. DSS reports expenditures for transitional services to DHHS. For the first two years, DSS reported no expenditures and reported $724,660 for the first six months of the current fiscal year.

Clients whose cases have been closed may be eligible to receive transitional benefits. Most clients are eligible for food stamps, and up to 24 months of Medicaid coverage for their children. S.C. Code §43-5-1240(A) also allows clients who leave the FI program for employment to receive Medicaid for themselves, and child care services for a maximum of two years. Section 3.1.6 of the S.C. TANF Block Grant State Plan allows the provision of transitional supportive services to clients who lose eligibility due to earnings. The services include transportation, uniforms, and prescription glasses.

Awareness of the availability of transitional benefits has increased, according to DSS surveys of former FI clients. However, many respondents still stated they did not know about transitional benefits available to them. This was especially true for adult Medicaid and child care, which are benefits available to clients who left FI for work.

Figure 4.6: Former FI Clients' Knowledge of the Availability of Transitional Benefits



Source: DSS "Survey of Former Family Independence Program Clients."

The above statistics include both former clients who left FI to work and those who did not. For availability of adult Medicaid and child care, awareness of the benefit was higher among those presumably eligible for the benefit. An average of 73% of those who left FI for work, versus 35% of those not working, were aware that Medicaid was available for adults. Awareness of child care was slightly lower among those working, 69%, while 44% of those not working were aware of the availability of child care assistance.

DSS data and respondents to the closed case survey indicated problems with medical care.

- An average of 73% of children of former FI clients received Medicaid, while only 34% of adults did.
- An average of 9% indicated someone in their home had been unable to get medical care after receiving FI.
- From January 1998 to December 1999, the total number of individuals receiving transitional Medicaid increased from 25,407 to 37,517, an increase of 48%.

DSS data and former FI clients also indicated problems obtaining food.

- An average of 13% indicated there was a time after FI when they were unable to buy food.
- From January 1998 to December 1999, the total number of former FI clients receiving food stamps increased from 70,537 to 91,404, an increase of 30%.

DSS has improved the tracking of some funds spent on transitional services. DSS was able to identify over $900,000 spent for transitional transportation for 831 clients from October 1999 to June 2000. Without tracking all the funds spent for transitional services by type of service, however, DSS cannot ensure that clients are receiving these services, or that the services are provided at a reasonable cost.

Impact of Welfare Reform on Community Agencies

DSS's office of program policy and oversight conducted interviews with 16 nonprofit organizations in Charleston, Columbia, and Greenville, that provide services to poor women and families. They found no consensus among the organizations regarding the impact of welfare reform; however, a majority of the nonprofits indicated that better coordination and communication with DSS were needed. One organization providing services to the homeless reported a 55% increase in clients, from 2,445 clients in the first eight months of 1998, to 3,799 during the same period in 1999. They attributed some of this increase to shrinking resources from DSS for clients.

These organizations provide services to the homeless. Nationally, families with children are approximately 40% of people who become homeless and make up the largest percentage of the homeless in rural areas. The national child poverty rate is almost twice as high as the rate for any other age group.

In 1995, South Carolina’s child poverty rate was 24.5% compared with 19.9% for the nation.

These agencies wanted more information about DSS programs and eligibility criteria. For example:

- Staff in one organization did not know that two-parent families were eligible for the FI program.
- Another organization said their clients were unaware of expedited food stamps.
- Another organization inquired and was told, incorrectly, that there was no summer food program for children in their county.

DSS plans to implement a statewide outreach campaign for family nutrition programs to reach the 45% of households potentially eligible for food stamps who are not receiving benefits. This campaign should also advise these individuals about the FI program and other resources.

While few nonprofit organizations serving the poor maintain quantitative data, three organizations offered to collect additional client data if it would be helpful to DSS. DSS should accept these organizations’ offer to collect this data. These arrangements should be formalized into written agreements which specify the data to be reported.

Recommendations

13. DSS should track all the funds spent for transitional services by type of service in order to ensure that clients are receiving these services and that the costs are reasonable.

14. In order to better evaluate the impact of welfare reform on the community, the Department of Social Services should enter into agreements with nonprofit organizations that provide services to poor women and families to collect client data.

15. In order to better serve the community and potential, current, or former Family Independence clients, the Department of Social Services should provide more information to nonprofit organizations about Department of Social Services programs and eligibility criteria.

Child Care

In our 1998 review of the FIA, we made the following recommendations concerning child care:

- ❑ The Department of Health and Human Services (DHHS) and DSS should continue their joint monitoring of the subsidized child care system to ensure that:
    - All FI clients entitled to child care know that this service is available.
    - Child care resources are expanded to ensure availability by type and location.
    - Subsidized child care is available to low-income families not on welfare.
- ❑ DHHS and DSS should jointly track expenditures of child care block grant funds to ensure that available funding is accessed if and when it is needed.

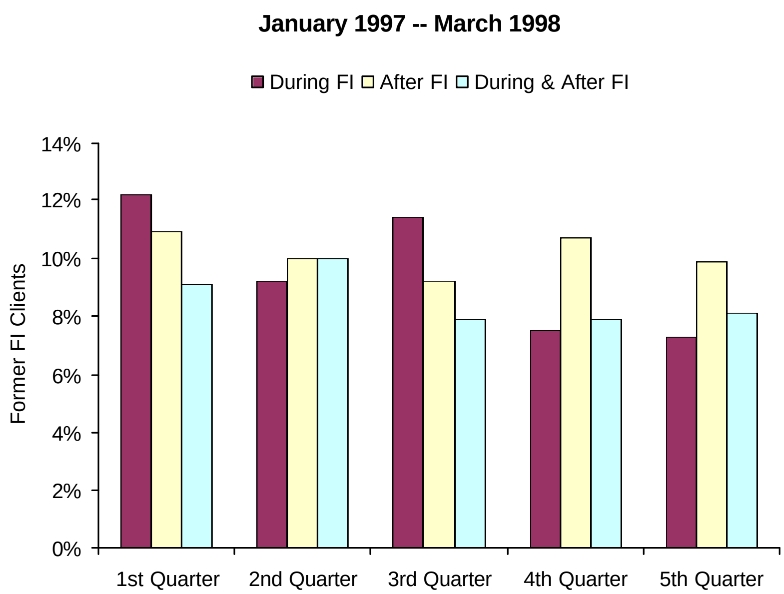
Child care continues to be one of the biggest barriers to self-sufficiency. Between January 1998 and December 1999, there was a 12% decline in the number of working poor children served, due in part to DHHS's refusal to accept new applications after October 1998. There was a 6% decline in the number of FI children served through the voucher system. Services were continued to those children already in the system. Also, child care services have not been made available to all FI families.

In 1990, the Governor designated DHHS as the agency responsible for administering the ABC child care voucher system and payments. DSS determines whether FI clients are eligible for child care services. Federal law requires individuals receiving state assistance to work; however, states cannot reduce or terminate benefits based on a refusal to work, if a single parent cannot obtain needed child care for a child under age six. Child care was previously available for up to 4 years (1 – 24 months while the family was on welfare, in addition to 2 years of transitional child care services). The current DSS Director approved a third year of transitional child care services on March 27, 2000.

Child care is available for children under age 13 from families either in the FI program or with incomes below 175% of poverty. Parents choose the child care provider, and make a weekly co-payment. Only four states have co-payments representing a lower percentage of total income.

DSS's survey of former FI clients revealed an average of 30% who indicated they have needed child care services, but have been unable to pay for them. The following figure shows when these former clients were unable to pay for child care services.

Figure 4.7: Former FI Client's Ability to Pay for Child Care



Source: DSS "Survey of Former Family Independence Program Clients."

According to a DHHS official, the agency stopped taking applications for the working poor in order to make funds available for the third year of transitional child care that had been approved by the DSS director. However, there were substantial fund balances accumulated in each of the child care funding sources. Also, the number of children receiving child care services decreased during FFY 97-98 and FFY 98-99 as illustrated in Table 4.1 below. Proper budgeting for increases in the number of children could provide services to some low income families when funding is stagnant.

Table 4.1: Children Served by the ABC Child Care Voucher System

	Number of Working Poor Children Served	Number of Family Independence Children Served	Total Children Served
FFY 97-98	16,764	25,345	42,109
FFY 98-99	14,758	23,868	38,626

Source: South Carolina Department of Health and Human Services (DHHS).

In addition, there are no DHHS policies addressing whether child care services should be provided to those successful during the initial job search, and DSS and DHHS officials indicated to us that child care services are denied to individuals who are successful in securing employment during the initial two-week job search. We were told that because of this, DSS caseworkers have been discouraging potential FI clients from securing employment during this initial two-week period.

During calendar years 1998 and 1999, a substantial number of FI applicants conducted initial job searches; however, DSS does not know whether most of these clients ever secured employment.

Distribution of Child Care Information Limited

DSS has taken limited steps to ensure that potential clients know about child care services. According to a DSS official, brochures have been placed in DSS and DHEC offices to make individuals aware of available child care services. However, there have been no other steps taken at the state level to ensure public awareness of available child care services.

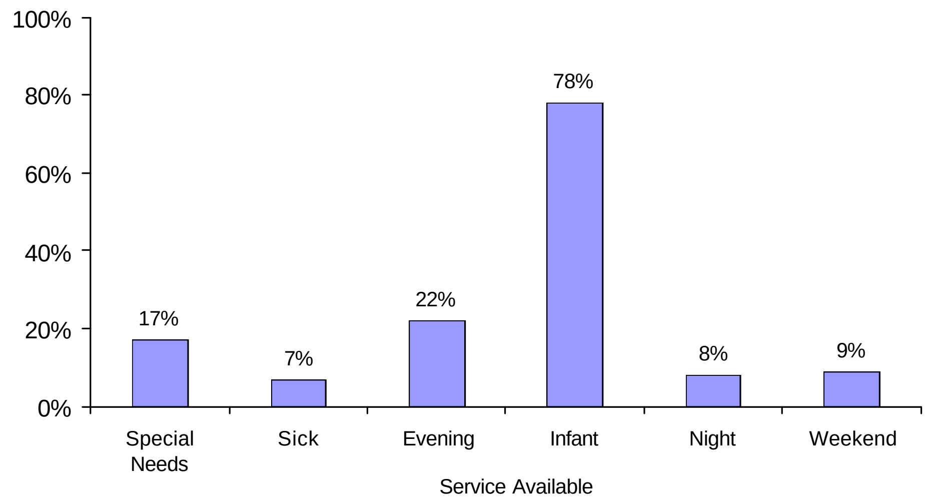
The public could be informed through a number of different means, such as public service announcements and distributing brochures in other state offices, churches, and non-profit organizations. Moreover, distributing information to the public detailing available child care services will ensure increased awareness to those who qualify.

Expanded Head Start Could be a Child Care Option

DSS and DHHS need to explore options for expanding child care services. One option could be to expand the Head Start program.

We surveyed DSS county directors, family independence specialty staff and supervisors, and self-sufficiency case managers regarding the availability of child care. According to the respondents, child care is available for infants; however, it is generally not available for children who are sick or who have special needs. Furthermore, child care is generally not available during the evening, night, or on weekends. See Figure 4.8 for the survey responses, which display the average percentages among the respondents.

Figure 4.8: Availability of Child Care Compared With Number of Clients Needing Services



Source: LAC survey of FI supervisors, specialty staff and self-sufficiency case managers.

We also compared the number of child care providers operating through the ABC Voucher system during our last review, and those in operation as of February 2000. DSS regulates these providers and ensures compliance with all licensing requirements. There was an overall 18% increase in the number of child care providers between 1998 and 2000. However, the most significant increases occurred in self-arranged and in-home care.

Table 4.2: ABC Child Care Voucher System Providers
(See Appendix B for a glossary of definitions.)

	1998[1]	2000[2]	Percent Change
Enhanced Child Day Care Center	760	835	10%
Enhanced Family Day Care Home	269	242	(10%)
Enhanced Group Day Care Home	123	133	8%
In Home Care	363	553	52%
Licensed/Registered Child Care Center	229	249	9%
Licensed/Registered Family Day Care	161	243	51%
Licensed/Registered Group Day Care Home	29	46	59%
National Association for the Education of Young Children (NAEYC) Accredited Center	39	40	3%
Self-Arranged Care	1,217	1,560	28%
TOTAL Providers	3,190	3,901	18%

1 From April 6, 1998 to May 3, 1998.
2 As of February 6, 2000.

Source: DHHS, Community Services Division.

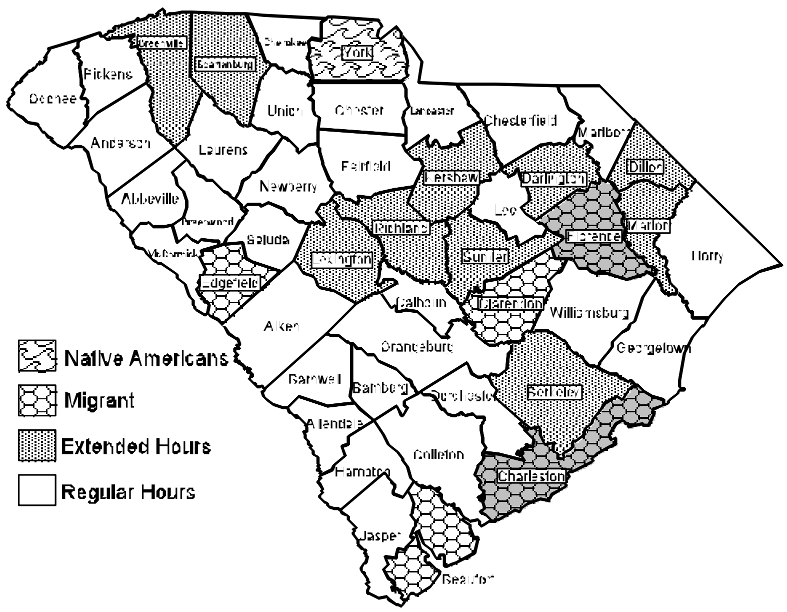
Moreover, according to DSS, from October 1996 to November 1999, there has also been an increase in the number of young children from FI families who need child care. During this period, the percentage of children less than one year old, for whom child care is needed, increased from 6% to 14%, and the increase was 15% to 20% for children ages one to three.

The Head Start program may offer one viable option for expanding child care. There are 14 Head Start programs with 157 facilities in South Carolina which generally provide services to children ages three to five, and are located in all 46 South Carolina Counties. It is a comprehensive school readiness program, providing services to 11,791 South Carolina children.

The bulk of Head Start's funding is received from the federal government. During FFY 98-99, South Carolina's program received $68,737,046 in federal funding, and $1.4 million from the discretionary fund of the Child Care and Development Fund (CCDF). Nutrition, parenting skills, health, and dental services are offered as part of the program. Head Start generally operates from 8 a.m. to 2:30 p.m., although some of the programs have extended their hours until 6 p.m.

The following map illustrates Head Start services in South Carolina.

Figure 4.9: South Carolina Head Start Program



Source: South Carolina Head Start Program.

Communication Between DSS and DHHS

DSS and DHHS have not coordinated decisions on funding or projections on the numbers of children to be served in any given fiscal year. DSS is only minimally involved, and according to DHHS officials, budgeting decisions are made through informal meetings with DHHS management and staff. DHHS officials also state the number of children served through the ABC Voucher System is contingent upon available funding from the federal government.

The main source of child care funding is supplied from the Child Care and Development Fund (CCDF) which has both federal and state matching components. DHHS also administers funds from the Social Services Block Grant (SSBG) and Temporary Assistance for Needy Families (TANF) funds. TANF funds cannot be spent directly on child care services. However, the state may transfer up to about \$30 million of its annual TANF allotment to child care funds. In FFY 98-99, DSS transferred \$4.8 million of TANF funds into the CCDF.

Funds for child care under the SSBG have remained constant at approximately \$6.8 million. Funds available for child care expenditures declined approximately \$10 million since our last review. However, as illustrated in Table 4.3, there were significant balances in each of the three major child care funding sources at the end of FFY 97-98.

Table 4.3: Child Care Funding Sources

Federal Fiscal Year	CCDF	CCDBG[3]	SSBG	TOTAL
97-98 Funds Available	$54,731,145	$21,462,041	$6,838,066	$83,031,252
97-98 Expenditures	$37,352,355	$18,864,082	$5,461,151	$61,677,588
Year End Balance	$17,378,790	$2,597,959	$1,376,915	$21,353,664
98-99 Funds Available	$73,049,172[1]	$2,597,959	$6,838,066	$82,485,197
98-99 Expenditures	$56,522,440	$2,597,959	$2,403,055	$61,523,454
Year End Balance	$16,526,732	$0	$4,435,011	$20,961,743
99-00 Funds Available[2]	$66,397,114	$0	$6,838,066	$73,235,180
99-00 Expenditures[2]	$55,375,505	$0	$2,403,055	$57,778,560
Year End Balance[2]	$11,021,609	$0	$4,435,011	$15,456,620

1 Includes TANF fund transfer of $4.8 million.
2 *Estimated* funds available, expenditures, and year end balance.
3 CCDBG funds were phased out at the end of FFY 98-99.

Source: DHHS.

Large balances were also accumulated at the end of FFY 98-99 in the CCDF and the SSBG accounts. Moreover, there is also an estimated $15,456,620 balance at the end of FFY 99-00. It is unclear why such large balances were allowed to accrue when DHHS denied child care applications for working poor children.

According to DHHS, in November 1998 the agency stopped taking new applications for ABC child care from low-income working parents. These applications were no longer accepted in order to make funds available for the third year of transitional child care approved by the DSS director. Also, DSS transferred TANF funds in the amount of $3.3 million to DHHS during FFY 99-00 to partially pay for the addition which they expected to cost about $6 million. DHHS informed DSS that it refused to adopt the third year of transitional child care, citing “system and administrative obstacles.”

A DHHS official was asked during the course of fieldwork whether DHHS had adequate funds to cover a third year of transitional services. He stated that no formal analysis had been performed by DHHS. According to documentation submitted by DHHS, sixteen months elapsed prior to any system or administrative obstacles being raised to DSS. Viable options, including financing, should have been discussed and documented between the two agencies in these intervening months.

Recommendations

16. The Departments of Social Services and Health and Human Services should coordinate in projecting the number of working poor individuals in need of child care services. The agencies should ensure that funds are available to serve these clients.

17. The Departments of Social Services and Health and Human Services should widely disseminate information detailing the availability of subsidized child care services through such means as public service announcements and distributing brochures in other state offices, churches, and nonprofit organizations.

18. The Departments of Social Services and Health and Human Services should provide child care services equitably to all individuals who participate in the Family Independence program, including those conducting the initial two-week job search and those who secure employment through this activity.

19. The Governor may wish to address communication gaps between the Departments of Social Services and Health and Human Services. The Governor may wish to consider relocating the administration of the ABC voucher system and payments to the Department of Social Services, the agency whose function is closest to the clients served.

Transportation

In our 1998 review of the FIA, we made the following three recommendations concerning transportation:

- ❑ DSS should collect information on transportation assistance. This information should include the funds spent, the number of clients receiving assistance, the types of assistance provided, and the unmet needs for transportation assistance.

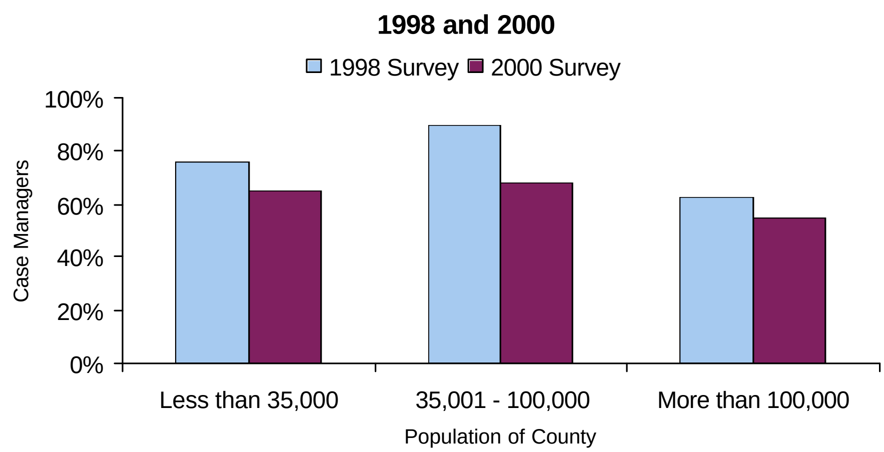
- ❑ DSS should continue to develop options to assist clients who need transportation.

- ❑ The General Assembly may wish to consider appointing the Department of Transportation as a lead agency to coordinate transportation resources throughout the state.

DSS has made progress in these areas, but transportation continues to be one of the biggest barriers to self-sufficiency. FI clients cite lack of transportation as one of the reasons they are no longer employed or participating in the FI program. The FIA [S. C. Code §43-5-1120(C)] directs DSS to provide FI clients with transportation assistance.

Respondents to our surveys indicated there has been improvement in the availability of transportation services since our 1998 audit, although they still cite a problem. Sixty-one percent (111 of 181) of FI case managers compared with 74% in 1998, felt that public transportation services for FI clients were not adequate to very inadequate. When the adequacy of public transportation services is examined by the population of the county, small- to medium-sized counties have a larger problem, although not as serious as in 1998.

Figure 4.10: Case Managers' Survey Responses on Lack of Transportation by Population of County



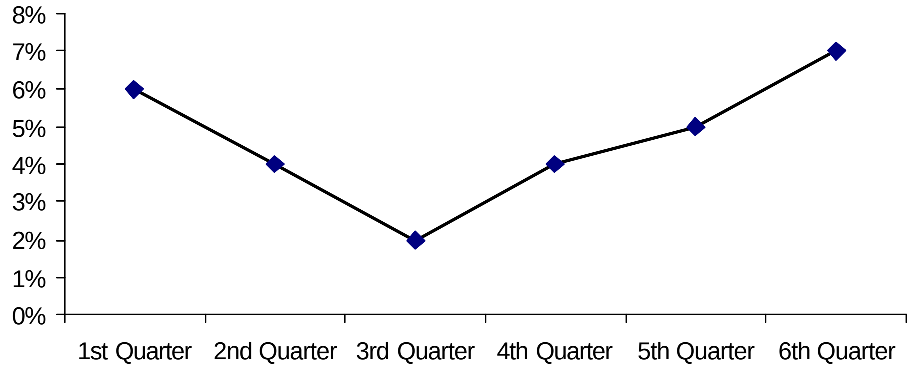
Source: LAC Survey of FI Case Managers, 2000 and 1998.

Transportation was also cited in these same surveys as the second most significant barrier preventing FI clients from participating in training and education, and former FI clients have increasingly cited lack of transportation as a reason for leaving FI.

Additionally, an average of 28% of former FI clients cited lack of transportation as the reason for their current unemployment. Lack of transportation was mentioned more than any other reason for unemployment during the DSS survey of cases closed from January through March 1998.

Figure 4.11: Former Clients Citing Lack of Transportation as Reason for Leaving FI Program

October 1996 -- March 1998



Source: DSS "Survey of Former Family Independence Program Clients."

An average of 45% of clients surveyed by DSS had a vehicle available for use, and an average of 73% without a vehicle rode with a friend or neighbor. The average costs per week were as follows.

Table 4.4: Average Cost for Transportation Per Week for Former FI Clients

October 1996 – March 1998			
	Used a Vehicle	Rode With Friend or Neighbor	Public Transportation
1st Quarter	$17	$15	$11
2nd Quarter	$11	$9	$11
3rd Quarter	$14	$10	$16
4th Quarter	$15	$6	$15
5th Quarter	$9	$14	$15
6th Quarter	n/a[1]	$16	$20

1 This category was not reported in the 6th Quarter closed case survey.

Source: DSS "Survey of Former Family Independence Program Clients."

Information on Transportation Assistance

In our 1998 review of the FIA, we recommended that DSS collect information on transportation assistance. We found that DSS now collects more data on transportation assistance; however, the data that is collected may not be sufficient to adequately evaluate transportation needs. Transportation services are paid from the support services budget in each county. From January 1998 through December 1999, an average of 568 FI clients each month received transportation assistance totaling $2.8 million for the two-year period. This assistance can include bus tickets, taxi fares, and reimbursing individuals who provide transportation. From October 1999 through June 2000, a total of 47,520 bus tickets were purchased for 909 clients at a total cost of approximately $21,000.

The FIA requires DSS to provide or coordinate transportation assistance for clients who need the services. DSS policy states that transportation assistance may be provided for the following:

- An applicant of the FI program participating in an initial job search.
- A participant in the FI program, based on need.
- A participant no longer eligible for the FI program due to excess earned income or the 24 month time limit.

Monthly information on transportation expenditures is obtained by county, and the number of clients benefitting from those payments. However, not all counties have reported transportation payments; for some months, fewer than half of the counties reported payments. For example, in July 1999, only 10 counties reported a total of 21 payments for 21 clients totaling approximately $1,300.

Transportation Options

In our 1998 FIA review, we recommended that DSS continue to develop transportation options. Some transportation options include contracting with transportation providers, paying for minor car repairs, temporary van leasing arranging, and cross-utilization of existing DSS-leased and -owned fleet. Additional resources have also been developed by DSS to assist county staff providing transportation assistance.

- DSS developed a statewide qualified transportation provider directory, listing transportation providers by county with type of service and rates.

- DSS entered into a cooperative agreement with DOT for the Federal Transit Administration (FTA) Job Access and Reverse Commute Program, which is a $3.6 million grant with DSS providing a $1.8 million state match. Twenty-six counties will receive funds to assist FI recipients and low-income families with transportation for job access.

- DSS published "Best Practices in Transportation Coordination for Welfare Reform of County Departments of Social Services" in September 1998, to provide information as to what is working best in a given county to meet customer transportation needs.

DSS also used a National Governor's Association (NGA) grant of $5,000 received in 1998 to develop a plan for welfare reform transportation. This plan has goals, strategies, and timelines to address transportation coordination for welfare reform. This plan was then used to obtain the $3.6 million grant from the FTA.

This grant will be used to assist 10 transit providers in 26 counties to expand old and establish new services for FI recipients and low-income residents. Counties with little or no public transit services in rural and/or urban areas find it particularly difficult to effectively help clients find transportation. These areas mostly include the western part of the state.

Having transportation on a continuous, stable, and affordable basis remains an issue for the working poor and requires more attention. The transportation barrier which DSS assisted the FI client in removing may resurface once the client is off the rolls. Other public and private sector involvement is necessary to form effective partnerships to assist the working poor. The transportation plan developed with the NGA grant includes this as a goal for transportation coordination.

Department of Transportation Coordination

Our 1998 FIA review recommended that the General Assembly consider appointing the Department of Transportation (DOT) to coordinate transportation resources. This has not been done, and the director of DOT has disbanded the Interagency Committee on Transportation Coordination. Additionally, a bill pending during the FY 97-98 legislative session on the sale of state fleet cars to FI clients did not pass.

A committee created by the General Assembly to study the feasibility of creating a mass transportation system for the state, found that all state agencies involved in transportation must improve transportation services. One of the recommendations of this committee, which were included in a joint resolution of the General Assembly, was that all agencies involved in transportation should demonstrate cooperation and creativity in addressing the needs of the public.

The need to coordinate resources and involve agencies in addition to DSS is recognized by the FIA in S.C. Code §43-5-1250:

> To promote independence and assist AFDC families in participating in the Department of Social Services employment and training program and in getting to their place of employment, reliable transportation services are needed. The department in conjunction with the Department of Public Safety shall endorse local efforts to develop a statewide network of mass transit systems.

Provisos in the FY 98-99 and FY 99-00 appropriations acts also direct the Department of Transportation (DOT) to conduct a coordination planning and demonstration process to "improve access and delivery of transportation services, especially in rural areas." DOT has set up demonstration projects in counties, including Beaufort, Chesterfield, and Clarendon, to serve the general public as well as FI clients. DSS has not seen any evaluations of these projects to know if they have been effective in serving FI clients. The LAC is currently conducting a review of the coordination of transportation resources among state agencies which will examine this issue more completely. This review is tentatively scheduled to be published in the winter of 2000.

Recommendations

20. The Department of Social Services should collect more detailed data on transportation expenditures by type of service and location in order to adequately evaluate the availability of services.

21. The Department of Social Services should continue transportation assistance in all counties, and especially target those counties with little or no public transit services.

Decisions Regarding TANF Surpluses

In our 1998 report we made the following recommendation regarding the TANF surpluses:

- ❑ The Department of Social Services should develop a plan to guide decisions on the use of TANF surplus funds. The General Assembly and the Governor's office should be involved in the development of this plan.

DSS staff were involved in the planning, but we found no evidence that legislative members or staff were contacted. According to the DSS director, the Governor established the spending priorities over TANF surpluses.

DSS has surpluses from the TANF allocation because welfare caseloads have rapidly declined. Welfare stipends paid for FY 98-99 were 63% less than those for FY 95-96 when the program began, and stipends are being terminated monthly. For example, between December 1998 and 1999, $3.3 million in stipends were terminated.

States have been permitted to carry forward unspent balances and expend them without regard to fiscal year, as long as the money was used to assist welfare recipients generally in making the transition to permanent employment. However, final federal regulations beginning October 1, 1999, require carryforward funds to be spent on a narrowed definition of assistance that includes cash, payments, vouchers, and other benefits designed to meet families' ongoing basic needs (i.e., food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses). Such payments could be provided to individual recipients.

Table 4.5 shows the $22.2 million in contracts DSS awarded as emergency contracts with sole source providers, between September 28 and September 30, 1999 — the last day before new restrictions on the expenditure of carryforward funds took effect. Almost one-half was given in support of and/or coordination with the Governor's First Steps program. S.C. Code §43-1-240 states DSS "must support, as appropriate" the First Steps to School Readiness initiative.

Furthermore, a review of the accounts shows that funds are being expended slowly. As of June 19, 2000, only 13% of the total had been expended, even though all but one of the contracts end by September 30, 2000. One of the contracts had no expenditures recorded as of that date.

Table 4.5: FFY 98-99 Commitments of TANF Surpluses

FFY	Provider	Date of Award	Dates	Funds Committed	Purpose
98-99	First Steps/Governor	9/30/99	9/99 – 9/00	$5,000,000	Provide TANF funds for grants for *First Steps* partnerships at the local community level, to enable children to reach school ready to learn.
98-99	United Way of South Carolina	9/30/99	9/99 – 9/00	$1,000,000	Grants to local United Ways to implement priorities identified locally through the Success By Six Program. Providers report to *First Steps* on what initiatives have been funded, and must coordinate with *First Steps* projects.
98-99	Prevent Child Abuse South Carolina	9/30/99	9/99 – 9/02	$5,000,000	Healthy Families South Carolina is a community-based home visitation program organized by the Governor's Cabinet and others in partnership with local *First Steps* Councils.
98-99	South Carolina Department of Alcohol and Other Drug Abuse Services	9/30/99	9/99 – 9/00	$3,221,587	Intensive case management, therapeutic, residential services, and employment training programs for recipients in need of substance abuse treatment.
98-99	South Carolina Communities in Schools	9/28/99	9/99 – 9/00	$8,000,000	After school day-care program for middle-school children in 23 counties.
TOTAL				**$22,221,587**	

Source: DSS Offices of Cost Allocation and Budgeting Systems and Procurement contracts.

DSS stated during the award that it was in the best interest of the state to procure services that were not within the new definition of assistance. As justification for awarding the funds without competition, DSS cited "the variety and complexity of the programs DSS administers" and "the breadth of the state's needs" as reasons the administration was kept from using competitive procurement, that could be completed before the new restrictions applied.

DSS should work closely with the Governor's office and the General Assembly to formulate a plan to spend surplus TANF funds. Under TANF, the General Assembly appropriates all TANF funds received. DSS is also a cabinet agency, accountable to the Governor, who certifies the state's block grant plan.

Recommendation

22. The Department of Social Services should involve the General Assembly and the Governor's Office in the development of a plan to guide decisions on the use of TANF surplus funds.

Appendices

Surveys of DSS County Staff

We surveyed the following DSS county staff.

- County Directors
- FI Supervisors
- Self-Sufficiency Case Managers
- FI Specialty Staff
- Work Force Consultants

The results of these surveys are available under separate cover, free of charge, from the Legislative Audit Council. Our offices are located at 1331 Elmwood Avenue, Suite 315, Columbia, SC 29201. Copies may also be obtained from our website at www.state.sc.us/sclac.

Glossary

Mandatory	Nonexempt adult, required to participate in work or training to receive a welfare stipend for themselves and their families; 24-month limit on benefits applies.
Disabled	Disabled or pregnant clients are *not* required by the FIA to participate, and the time limit on benefits does *not* apply. Aged individuals are not excluded unless they are also incapacitated and disabled.
Child >1	Not required to participate, but the time limit on benefits does apply.
Child Only	Cases with no adult recipients.
Voluntary	Exempt from requirement but chose to participate.
Unknown	Missing employment and training code.
In-Home Care	Child is cared for in the client's home.
Licensed / Registered Family Day Care	Describes a provider that renders services to six or fewer children.
Enhanced Group Day Care Home	Describes a provider that renders services to 7 – 12 children.
Self-Arranged Care	Describes a provider obtained by a client to provide child care services outside the client's home.
Enhanced Facilities	Describes a provider which meets the highest rating standards, based on facilities and curricula.
National Association for the Education of Young Children (NAEYC) Accredited Center	Facilities that meet accreditation standards of the National Academy of Early Childhood Programs.

Agency Comments

Appendix C
Agency Comments

SOUTH CAROLINA DEPARTMENT OF SOCIAL SERVICES

Elizabeth G. Patterson, J.D., State Director, P.O. Box 1520, Columbia, South Carolina 29202-1520

August 24, 2000

Mr. George Schroeder, Director
Ms. Cheryl Ridings, Deputy Director
SC Legislative Audit Council
1331 Elmwood Avenue
Columbia, SC 29201

Dear Mr. Schroeder and Ms. Ridings:

We are pleased to have this opportunity to respond to the third review you have conducted of the South Carolina Family Independence Program, and thank you for the professional and productive efforts you and your staff have made to provide a thorough and constructive review.

<u>Program Accomplishments</u>
South Carolina's welfare reform program is one of the most successful in the country, as evidenced by several important national benchmarks. We would like to take this opportunity to highlight the significant accomplishments of the SC Family Independence Program, and to mention some of the gains the state has made in reducing poverty.

- ***Caseload Decline***

Quoting from your report: "From January 1, 1993 through the end of March 1999, South Carolina reported a 72% decline in welfare recipients and a 67% decline in welfare families. Nationally, the number of recipients declined by 48% and 46% respectively during this period. Only Idaho and Mississippi exceeded this decline in recipients, and ***South Carolina was among the top seven states in decline of families on welfare***."

- ***High Performance Bonuses***

SCDSS was awarded an FY'99 High Performance Bonus award of $1.2 million, based on achieving a top ten rating in two of the four work measures related to moving welfare recipients to work and sustaining their success in the workforce. ***Nationally, South Carolina ranked 7th in the 1998 performance of success in the workforce and 4th in performance improvement of success in the workforce.***

- ***Participation in Educational, Training or Employment Programs***

The United States Department of Health and Human Services (USDHHS) reports that ***South Carolina ranks in the top 10 states nationally in the percentage of recipients participating in education and training programs***, and participation rates are 21% higher than the national average.

Since the implementation of welfare reform in October 1996, more than 40,000 individual Family Independence recipients have participated in programs designed to help them get and keep jobs. As a result of these programs, more than 35,000 welfare cases have been closed because the parent became employed.

- ***Provision of Post-welfare Medicaid Benefits***

There is great concern nationally that people who have left welfare for work have not continued to receive the transitional benefits for which they still qualify. In September 1999, the US General Accounting Office (GAO) reported an overall 7 percent decline in Medicaid enrollment nationally between 1995 and 1997, but also found considerable variation among the states. ***South Carolina is one of ten states that actually increased Medicaid enrollment***, while the remaining 38 states (for which comparable data was available) decreased enrollment. Twelve of the 38 states have experienced declines over 10%. The GAO report stated: "South Carolina's Medicaid enrollment increased 2.4% in part because of …significant outreach efforts".

- ***Provision of Post-welfare Food Stamps***

In the July-August 2000 issue of Poverty Research News, The Joint Center for Poverty Research reports (p.17): "A disconcerting finding (nationally) is the drop in Food Stamps. Most states have seen significant declines among eligible populations. ***South Carolina, which has made special efforts to promote Food Stamp use, is one of the few states to record only small declines***", (emphasis added). Based on July 1999 GAO data, only six states had smaller declines than South Carolina's decrease of 14% from 1994 to 1998. (Hawaii alone showed an increase, of 6%).

- ***Surveys of Former Recipients***

SCDSS conducts detailed surveys of former welfare recipients 9 to 13 months after the welfare case is closed. These surveys, linked with administrative data from SCDSS and other state agencies, track the progress of families and provide the agency with feedback critical to continuing success of the Family Independence Program. SC's survey of former welfare recipients has been praised by the Children's Defense Fund, the US House of Representatives Committee on Ways and Means and the National Conference of State Legislatures, among others.

Data from the surveys shows that 80% of parents have worked since leaving welfare and 60% are working at the time of the survey. In answer to a survey question about whether life was better on welfare or off, ***75% of families responded that life was better after leaving welfare.***

- ***Child Poverty***

On page 36, your audit reports the following relative to child poverty: "In 1995, South Carolina's child poverty rate was 24.5% compared with 19.9% for the nation". However, the audit does not present the most recent information available. The picture changes considerably in an examination of 1998 data by the National Center for Children in Poverty (NCCP) that shows that child poverty rates have declined significantly since 1993. Based on 1998 rates, the NCCP cited South Carolina as one of the six states with the largest percentage decreases in their child poverty rates, and notes that five of the six are southern states. ***The child poverty rate for the USA as a whole was 18.7% in 1998. The 1998 child poverty rate in South Carolina was 18.1%, less than the US average.***

<u>Audit Recommendations</u>
We have found the series of LAC audits of the Family Independence Program to be useful in helping us to continually identify areas that need strengthening. LAC recommendations are an important part of our quality improvement process. For example, as a result of your first recommendation we plan to more closely monitor cases in overdue sanction status. Your recommendation that the agency develop more non-academic training programs is right on target, and we are developing an OJT (on-the-job training) program.

We also understand that the audit report cannot be comprehensive. There are several areas where we feel that additional information could help the report to "tell the whole story".

Measuring Self-sufficiency
The report states: "Only about 5% of all case closures were for income not requiring a subsidy". This statement suggests that very few people (5%) who ceased receiving benefits were economically self-sufficient, because the vast majority continued to receive some kind of subsidy. While this is true in a sense, it overlooks the fact that an integral part of the Family Independence program is the continuation of subsidies such as Medicaid and child care during a transitional period after the client is placed in a job and the case is closed. The problem inherent in this statistic is not that most FI clients who are placed in jobs continue to receive subsidies, but that the 5% includes persons who were eligible for these transitional benefits but did not receive them. The agency will continue to ensure that all clients receive the transitional benefits they are due.

Of course, some cases are closed for reasons other than employment, including sanctions for non-participation in training or other required activities, and expiration of statutory time limits for receipt of benefits. The agency continues to assess the circumstances surrounding these case closures and ways to minimize the number of clients whose cases are closed for these reasons.

Oversight of County Performance
Your report states that oversight of county performance has been reduced. Although one form of detailed county reviews was discontinued in December 1998, monitoring of county FI programs has remained in place. For example, state-office reviews are routinely conducted to ensure that FI clients are being served as required by policy and law. These recent studies include analyses to determine if clients obtain all 24 months of benefits, if sanctioning policies are carried out properly, and if disabled clients are receiving proper benefits. Some of these studies were provided during your review.

In addition, the agency has developed qualitative outcomes and performance indicators for the FI program. We provided for your review "Family Independence and Food Stamp Draft Program Performance Indicators, Measures and Standards", dated February 8, 2000, and an explanation of the agency's progress in implementing these performance measures for the counties. These indicators, measures and standards reflect broad-based, sophisticated and thorough approaches to the measurement of county performance. Once completed, independent reviews to verify performance and "look behind the numbers" will begin. Therefore, we have not reduced oversight, but instead have shifted the focus of reviews.

Regarding the measurement of county program effectiveness in moving clients to self-sufficiency, the Urban Institute is completing work on a statistical model designed to measure the FI performance of each of the 46 counties. Contracted for in November 1998, this model controls for factors such as the local economy and unemployment rate, and generates measures of "expected" performance for each county. The goal is to generate information on whether different service strategies, agency structures, and program management characteristics are associated with higher performance, on a county by county basis.

Expenditure of Surplus Funds
I would also like to elaborate on several statements made concerning the expenditure of surplus funds. As suggested by your report, the planning process for allocating surplus TANF funds from fiscal years 1998 and 1999 was not as broadly based as would have been desirable. The agency had just begun to discuss priorities for allocation of funds that remained unexpended as of summer 1999 when we were informed of a new interpretation of federal law regarding expenditure of the funds. Under this new interpretation, the state would lose all flexibility in allocating FY 1998 and 1999 TANF funds unless they were obligated by October 1, 1999.

In order to maximize the benefit of these funds to the people of South Carolina, DSS determined to take the steps necessary to obligate the funds by the October 1 deadline. It took considerable effort by a large number of staff to identify priorities, develop program criteria and accountability mechanisms, identify mechanisms which the federal government would consider "obligating" the funds, coordinate with potential service providers, and draft and execute the necessary documents – all within a two-month period. The agency is proud of this accomplishment, one which a large number of states were not able to achieve.

By meeting the federal deadline, we were able to fund after-school programs, assistance for parents of infants and toddlers, drug and alcohol treatment and transitional services for women with children, and school readiness programs provided through Success By Six, First Steps Partnerships, and other local entities.

In the process of obligating funds prior to the deadline, the agency attempted to give as much consideration as was possible under the circumstances to the priorities of the General Assembly and other interested parties. We were particularly cognizant of the General Assembly's mandate in S.C. Code §43-1-240 that DSS support SC First Steps "in establishing priorities and funding for programs and services which impact on children and families during the first year of a child's life." This is reflected in the allocation of a significant proportion of the funds to developmental initiatives for pre-school children.

Certainly the process was not ideal, but we are proud of what the agency was able to accomplish under the difficult circumstances presented by the federal mandate.

In each session of the General Assembly since AFDC became TANF in 1996, we have presented full and complete information as to the status of TANF funds and surpluses, if any. The General Assembly has been informed as to how TANF funds are being spent and in particular, the appropriate budget subcommittees of Senate Finance and House Ways and Means have been informed as part of the customary budget process.

Thank you very much for affording us this opportunity to comment on this audit. We would again like to commend the work of your conscientious staff and their contribution to making our Family Independence program one of the very best in the country.

Sincerely,

Elizabeth G. Patterson
State Director

EGP:lme

State of South Carolina

Department of Health and Human Services

James H. Hodges
Governor

J. Samuel Griswold, PH.D.
Director

August 18, 2000

Ms. Cheryl A. Ridings, Deputy Director
Legislative Audit Council
1331 Elmwood Avenue
Suite 315
Columbia, South Carolina 29201

Dear Ms. Ridings:

Below are our responses to your request for comments regarding the final draft report entitled *Impact of the South Carolina Family Independence Act 1998 through 2000.* We appreciate the opportunity to reiterate our comments and to have them published as an appendix to the audit report.

Prior to 1999, for some unknown reason, the Governor and the former Director of the Department of Social Services (DSS) decided not to utilize TANF funds for child care. This decision made South Carolina the only state in the Southeastern region that did not utilize TANF for child care services. This placed inordinate demands on the ABC Child Care Voucher System, resulting in decreased services to non-FI clients. Since 1999, that unfortunate decision has been reversed and the two agencies have been working together to provide additional child care services to working families.

1. In reference to page 37, paragraph 2, sentences 2 and 5: "Between January 1998 and December 1999, there was a 12% decline in the number of working poor children served due in part to DHHS's refusal to accept new applications after October 1998." and "Also, child care services have not been made available to all FI families."

Response: These sentences, like many others that follow, are confusing and misleading. Since October 1998, DHHS has continued to accept and fund all applications submitted for FI families and transitional services for FI families. In addition, we continue to fund new children in several non-FI "categories" as follows:

- Head Start extended day and full day summer programs
- Special needs children
- Child protective services cases
- Children in foster care

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- Infant and toddler program
- Before-school and after-school programs.

Since 1998, DHHS has also added three additional client populations; those involving relatives who take care of children, FI families who were sanctioned but later found employment, and FI families who met their two year FI limit but later found employment.

2. In reference to page 37, paragraph 3, sentence 1: "In 1996, the Governor designated DHHS as the agency responsible for administering the ABC child care voucher system and payments."

Response: Although we received verbal confirmation on August 16, 2000, that this correction would be made, we want to reiterate that DHHS was originally designated in 1990 by Governor Carroll Campbell, Jr. as the agency responsible for the administration of the Child Care and Development Block Grant. **(See attached copy of December 6, 1990 letter).**

3. In reference to page 37, paragraph 3, last sentence: "The current DSS Director approved a third year of transitional child care services on March 27, 2000."

Response: The current DSS Director proposed on March 27, 2000, that a third year of transitional services be implemented and that a graduated fee scale, which would change every three months, be included in the implementation. **(See attached March 27, 2000, letter.)** DHHS did reject this proposal by DSS because it would not only require major changes to the current automated payment system for a relatively small number of children, but would also place a huge burden on child care providers who collected the fees.

DSS proposed that the parent would pay the regular fee for transitional child care ($3-$11 per week based on income and family size) the first quarter, 25% of the cost of child care the second quarter, 50% the third quarter and 75% the fourth quarter. The intent of this proposal was that the parent would be able to pay full cost without any State subsidy after the third year of transition.

The cost of care for each child varies depending on the type of provider, location of the care provided (urban or rural county), the age of the child, the provider's charges to all other children, the quality of care provided, and the maximum rate for the care established by DHHS. The provider would be required to re-calculate the parents' fees every three months for each child and then collect the increasingly higher fee from the parents. Because of the rapidly increasing cost, many parents would not be able to pay the new fee in full and would perhaps make a partial payment. This would entail more paper work from the provider to keep track of fees paid and back fees owed. In all likelihood, many parents would fall so far behind that the provider would have to terminate the child(ren) from the program. This would result in many children not getting a third year of transitional child care after all, and many providers being unable to recoup their full cost. Likely, the additional administrative work required by the provider and the loss of income to cover actual costs, would result in providers refusing to continue to serve any subsidized children or at least refusing to participate in the third year of transitional care.

For the reasons stated above, DHHS rejected the third year of transition as proposed by DSS. DHHS judged the proposal unfeasible due to the required system changes, the administrative burden placed on providers, the potential loss of income by providers, and the loss of services by children and their families. DHHS, however, remains open to exploring other options with DSS. **(Refer to attached letter dated April 26, 2000.)**

4. In reference to page 38, paragraph 2, sentence 1: "According to a DHHS official, the agency stopped taking applications for the working poor in order to make funds available for the third year of transitional child care that had been approved by the DSS director."

Response: DHHS's decision to reduce the number of non-FI clients receiving child care services had nothing to do with the proposal for a third year of transitional services for FI clients. DHHS funded an additional 7,600 children of low-income working families during 1998. Ongoing financial analysis during 1998 indicated that expenditures for both working-poor and Family Independence children were increasing at a rate that could not be sustained on a long-term basis within projected recurring annual funding.

Therefore, DHHS decided to fund only a limited number of additional children of low-income working families beyond the 7,600 at that time. **(Refer to Response 1 for a detailed explanation of the categories of children who continue to receive funding.)**

5. In reference to page 39, paragraph 1, sentence 1: "In addition, there are no DHHS policies addressing whether child care services should be provided to those successful during the initial job search and DSS and DHHS officials indicated to us that child care services are denied to individuals who are successful in securing employment during the initial two-week job search."

Response: DHHS policies address client populations that are eligible. There seems to be no need to specify all client populations not eligible. Also, a decision was made not to provide child care assistance for all “job search families” who obtained employment. DHHS determined that those parents who are successful during the initial job search should not be treated differently (i.e., given service priority) from other working poor families who are also struggling to afford child care.

6. In reference to page 40, paragraph 1: “DSS and DHHS need to explore options for expanding child care services. One option could be to expand the Head Start program.”

Response: DHHS has been expanding Head Start programs since 1992. Currently there are 11 Head Start and Early Head Start programs operating 44 facilities with DHHS funded extended day programs to meet the needs of working-poor families. It is expected that many more will expand their child care services in the fall of 2000 because of the incentives offered by DHHS.

However, it should be noted that not all Head Start programs are ideal for expansion. Some programs are in geographical areas where there is no need for additional child care or extended hours.

7. In reference to Page 42, paragraph 3: “Funds for child care under the SSBG have remained constant at approximately $6.8 million. Funds available for child care expenditures declined approximately $10 million since our last review. However, as illustrated in Table 4.3 there were significant balances in each of the three major child care funding sources at the end of FFY 97-98.”

Response: Funds allocated to Child Care in the SSBG State Plan were based on estimated Federal allotments of $33 million per year. However, final SSBG awards for those years were $31.9 million, $26.4 million and $24.7 million, respectively. SSBG services were maintained by using non-recurring SSBG carry-forward from prior years, and by shifting some child care expenditures from SSBG to CCDF. Therefore, it is anticipated that all non-recurring SSBG reserves will have been expended by the end of FY 2000 and there will be no SSBG balance in child care.

At the time of the LAC request, final FY 2000 CCDF and SSBG award amounts were not available. The SSBG figures and projected balances provided to the LAC at that time were based on the SSBG State Plan allocations. **(See attached “Child Care Funding and Expenditures” table for FY 2000.)**

Careful review of the table in the LAC draft report reveals that the balance is not increasing but has been gradually decreasing. DHHS does not have total discretion in the use of the balance because some of these funds are earmarked by Congress for quality expansion and other activities rather than adding additional children. DHHS strives to balance the desire to provide child care to as many children as possible with the need to maintain some reserves to allow for the uncertainties of Federal and State funding and other contingencies beyond the agency's control.

8. In reference to Page 43, paragraph 2, last sentence: "DHHS informed DSS that it refused to adopt the third year of transitional child care, citing 'system and administrative obstacles.'"

Response: The estimated cost for a third year of transitional services is between $9.6* and $10.4* million, not $6 million as stated in the draft report. DHHS's calculations for the third year are based on expenses for current second year transitional families. However, based on the number of children currently being served in first year transition, cost could go even higher in future years. To fully support the DSS request, DHHS would have to reduce funds to poor families outside the welfare system.

(*Transitional Child Care, year 2 (TCC 2) = 3600 children x average cost of $2,892 per year = $10.4 million; or current monthly expenditures for TCC 2 = approximately $800,000 x 12 months =$9.6million.)
(Refer to Response 3 for information related to "system and administrative obstacles" regarding the proposal for a third year of transitional child care services.)

9. In reference to Page 43, paragraph 3, sentences 2 and 3: "He stated that no formal analysis had been performed by DHHS. According to documentation submitted by DHHS, sixteen months elapsed prior to any system or administrative obstacles being raised to DSS."

Response: DHHS's decision to reduce the number of non-FI clients receiving child care services had nothing to do with the proposal for a third year of transitional services for FI clients. As documented by the attached letters, a third year of transitional child care was <u>initially</u> discussed on January 31, 2000. However, the DSS Director made the proposal on March 27, 2000. DHHS responded to that proposal on April 13, 2000, requesting time to formally analyze the implications of the proposal. DHHS informed DSS on April 26, 2000, that the proposal was unfeasible. **(See attached letters dated March 27, 2000, April 13, 2000, and April 26, 2000.)**

10 In reference to Page 44, paragraph 1: Recommendation 16. “The Departments of Social Services and Health and Human Services should coordinate in projecting the number of working poor individuals in need of child care services. The agencies should ensure that funds are available to serve these clients.”

Response: We assume by “working poor” that the draft report refers to those families not associated with the welfare system. According to data furnished to us by the Budget and Control Board there could be as many as 63,950 children from low-income working families who could qualify for child care assistance. The cost for serving the “need” would likely be in excess of $184,000,000** a year. Although the number includes FI and non-FI low-income families, the need obviously exceeds the number of dollars available.

As DHHS seeks to balance the needs of FI clients and other working poor families it seems odd to us that the draft recommendations seem to emphasize a shift of even more resources to support the FI families at the expense of other low-income working families who have the same child care needs.

(**63,950 children at 150% of poverty x average cost of $2,892 per year = $184,943,400.)

11. In reference to Page 44, paragraph 3. Recommendation 18. “The Departments of Social Services and Health and Human Services should provide child care services equitably to all individuals who participate in the FI program including those conducting the initial two week job search and those who secure employment through this activity.”

Response: This paragraph seems unclear. We do offer child care services for applicant job search families so they can pay for child care while they look for employment. However, the draft report is correct in stating that these families do not receive priority for child care services once they are employed.

If you need additional information, please contact Mark Orf at (803) 898-2570.

Sincerely,

Sam Griswold

J. Samuel Griswold, Ph.D.
Director

JSG/jcob
Attachments

DEC 5, 1990 4:46PM #342 P.22

Notes FYI

State of South Carolina

Office of the Governor

CARROLL A. CAMPBELL, JR.
GOVERNOR

POST OFFICE BOX 11369
COLUMBIA 29211

December 6, 1990

Dr. Eugene A. Laurent
Executive Director
Health and Human Services Finance Commission
Post Office Box 8206
Columbia, South Carolina 29202-8206

Dear Andy,

Thank you for your recent letter concerning the Child Care and Development Block Grant Act of 1990 which was recently passed as part of the Deficit Budget Reduction legislation.

I have designated the State Health and Human Services Finance Commission as the lead agency to administer, directly or through other State agencies, the financial assistance received by this state. I feel that your agency's experiences in managing similar programs best qualifies the Finance Commission to administer this important funding for the State of South Carolina.

My staff looks forward to working with you in the development of a State Plan. Please accept my warmest wishes for continued success and do not hesitate to contact me if I can be of any assistance to you in the future.

Sincerely,

Carroll A. Campbell, Jr.
Governor

RECEIVED
DEC 0 6 1990
STATE HEALTH & HUMAN SERVICES
FINANCE COMMISSION
HUMAN SERVICES PROGRAM

SOUTH CAROLINA DEPARTMENT OF SOCIAL SERVICES

Elizabeth G. Patterson, J.D., State Director, P.O. Box 1520, Columbia, South Carolina 29202-1520

March 27, 2000

RECEIVED

J. Samuel Griswold, Ph.D
SC Department of Health and Human Services
PO Box 8206
Columbia, SC 29202-8206

Dear Dr. Griswold:

On January 31, 2000, a meeting was held between members of your staff and our agency to discuss providing a third year of transitional child care for welfare clients who have obtained employment and are transitioning off the welfare rolls. I have enclosed a copy of a proposal which explains the eligibility requirements for extending transitional child care for another year. Projections have been included to indicate the cost for one year of services.

We have transferred $3,328,632 of TANF funds to CCDF to be used for this purpose and understand that additional monies will be required to fully implement. We would like to work together with your staff to implement this policy as soon as possible. If you have any questions concerning the proposal, please contact Ms. Leigh Bolick at (803)898-9394.

Sincerely,

Elizabeth G. Patterson
State Director

EGP:lkb

Enclosure

State of South Carolina
Department of Health and Human Services

James H. Hodges
Governor

J. Samuel Griswold, Ph.D.
Director

April 13, 2000

Elizabeth C. Patterson, J.D.
State Director
South Carolina Department of Social Services
Post Office Box 1520
Columbia, South Carolina 29202-1520

Dear Dr. Patterson:

We received your letter of March 27, 2000, proposing the provision of a third year of transitional child care for welfare clients who have obtained employment and are transitioning off the welfare rolls. In order to give full consideration to this proposal, our staff has requested time to consult with our Bureau of Program Analysis and Networks regarding the system changes which would be needed to implement this policy. We will be able to respond more fully to your letter by April 21, 2000.

If you have further questions, please contact Mark Orf at (803)-898-2570.

Sincerely,

Sam Griswold

J. Samuel Griswold, Ph.D.
Director

JSG/jcob

Office of the Director
P.O. Box 8206 • Columbia, South Carolina 29202-8206
(803) 898-2504 • Fax (803) 898-4515

State of South Carolina

Department of Health and Human Services

James H. Hodges
Governor

J. Samuel Griswold, PH.D.
Director

April 26, 2000

Elizabeth C. Patterson, J.D.
State Director
South Carolina Department of Social Services
Post Office Box 1520
Columbia, South Carolina 29202-1520

Dear Dr. Patterson:

In order to respond to your letter of March 27, 2000, proposing the provision of a third year of transitional child care for welfare clients who have obtained employment and are transitioning off the welfare rolls, we have consulted with our Bureau of Program Analysis and Networks (BPAN). While we are eager to serve this population, we have identified system and administrative obstacles to the proposed graduated fee scale.

Developing and implementing a graduated fee scale requires remodeling our current system to accommodate this new function. BPAN is currently rewriting the ABC Voucher System from DOS to a Windows-based system. This rewrite is expected to take approximately eight months. Implementing the graduated fee scale at this time would not be time efficient or cost efficient, since the rewrite would necessitate developing this function twice.

We have concerns about the implications that the graduated fee scale would have administratively. The system, as proposed, would place a burden on the child care providers to track the frequently changing amount of the parent fee that they are responsible for collecting.

We will be glad to meet with you to explore other options to accomplishing the goal of serving this population. If you have further questions, please contact Mark Orf at (803) 898-2570.

Sincerely,

Sam Griswold

J. Samuel Griswold, Ph.D.
Director

JSG/jcob

Office of the Director
P.O. Box 8206 • Columbia, South Carolina 29202-8206
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SOUTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD CARE FUNDING AND EXPENDITURES

PROJECTED FEDERAL FISCAL YEAR 2000

Carry-Forward	3,519,715		974,736	12,172,084			16,666,535
Current Year Appropriations/Awards	4,407,963	9,867,439	15,467,514	21,216,238		1,573,798	52,532,952
DSS TANF Transfers							0
Other DSS Transfers	5,800,000						5,800,000
Total	13,727,678	9,867,439	16,442,250	33,388,322	0	1,573,798	74,999,487
PLANNED USES:							
CHILD CARE							
Child Care Voucher System	11,075,170	9,867,439	16,442,250	7,673,001		509,841	45,567,701
DDSN Child Care				781,014			781,014
Contractual Agreements				3,848,159		1,063,957	4,912,116
Child Care Quality				3,674,861			3,674,861
Total Child Care	11,075,170	9,867,439	16,442,250	15,977,035	0	1,573,798	54,935,692
ADMINISTRATION				2,628,194		0	2,628,194
TOTAL USES	11,075,170	9,867,439	16,442,250	18,605,229	0	1,573,798	57,563,886
BALANCE	2,652,508	0	0	14,783,093	0	0	17,435,601

NOTES:
1. Carry-foward differences in FFY00 reflect funding used for admin. cost or other services when compared to balance from FFY99.

2. State expenditures include $4,085,269.00 MOE.

This report was published for a total cost of $467.20; 140 bound copies were printed at a cost of $3.33 per unit.