

GAO

Briefing Report to the Honorable  
Ronnie G. Flipppo, House of  
Representatives

August 1989

# WELFARE REFORM

## Alabama's Demonstration Project



**RESTRICTED—**Not to be released outside the  
General Accounting Office unless specifically  
approved by the Office of Congressional  
Relations.



United States  
General Accounting Office  
Washington, D.C. 20548

---

Human Resources Division

B-235216

August 17, 1989

The Honorable Ronnie G. Flippo  
House of Representatives

Dear Mr. Flippo:

In response to your January 11, 1989, request, we are providing information about Alabama's proposed welfare reform demonstration project called Avenues to Self-Sufficiency through Employment and Training Services (ASSETS). You asked us to (1) analyze the procedures used to process the demonstration project proposal, including whether the project complies with current law, and (2) provide information about characteristics of the project. On May 10, 1989, we briefed your office on the results of our work, and your staff requested that we provide you with this briefing report.

To determine whether the demonstration project complies with current federal law, we analyzed the waiver authority provided by applicable federal law that authorizes the federal programs affected by the project. To develop information about project characteristics, we reviewed the project proposal and other related documents, such as the terms and conditions that the state must meet to obtain waivers. We also discussed the project with officials in the Departments of Agriculture and Health and Human Services (HHS) and Alabama's Department of Human Resources.

---

## Briefing Issues

After exploring the possibility of seeking federal legislation to obtain necessary waivers of the requirements of various programs, Alabama officials applied for waivers from the responsible federal agencies for the ASSETS project, without congressional intervention. Both Agriculture and HHS have authority under federal law to grant the requested waivers. The Food Stamp Act of 1977 provides authority for the requested Food Stamp waivers, and the Social Security Act provides authority for the waivers sought for the Aid to Families With Dependent Children (AFDC), Medicaid, and Child Support Enforcement programs. No other waivers were sought.

---

In addition to describing the procedures used in processing the ASSETS proposal and the legal authority for waiving existing requirements (see pp. 14-16), this report provides information on

- project objectives, timing, location, and administrative responsibility (pp. 6-13);
- benefits and changes associated with the project, including new groups of people served, new benefits and services provided, simplified eligibility criteria, and streamlined case-handling procedures (pp. 17-26);
- project effects on future beneficiaries, considering the overlap with certain provisions of the Family Support Act of 1988 (pp. 27-28); and
- Alabama's early costs and savings estimates for ASSETS if implemented in three counties and statewide (pp. 29-33).

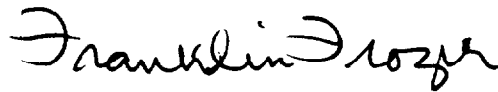
---

As discussed with your office, we did not obtain written comments on this briefing report. However, we discussed it with Alabama, Department of Agriculture, and HHS officials and incorporated their comments where appropriate.

Unless you publicly announce its contents earlier, we plan no further distribution of the report until 10 days from its issue date. At that time, we will send copies to Agriculture, HHS, and the Commissioner, Alabama Department of Human Resources. We will also make copies available to other interested parties on request.

Major contributors to this report are listed in appendix V.

Sincerely yours,



**Franklin Frazier**  
Director, Income Security Issues  
(Disability and Welfare)



---

# Contents

---

Letter	1
Welfare Reform: Alabama's ASSETS Demonstration Project	
Appendix I ASSETS's Objectives	37
Appendix II Proposed Program Waivers	38
Appendix III Statewide ASSETS's Projected Gross Savings (Early Alabama Estimates)	42
Appendix IV Statewide ASSETS's Projected Gross Costs (Early Alabama Estimates)	43
Appendix V Major Contributors to This Briefing Report	44
Tables	
Table 1: Planned Implementation Timetable, by Location	11
Table 2: Number of Waivers Requested, by Program	15
Table 3: Detailed ASSETS Savings and Cost in Three Counties	30
Table 4: Geographic Characteristics of ASSETS's Test and Comparison Counties	35

---

---

**Figures**

Figure 1: Objectives, Scope, and Methodology	7
Figure 2: Project Implementation	10
Figure 3: ASSETS's Goals	12
Figure 4: Waiving Existing Program Requirements	14
Figure 5: Serve New Groups of People	17
Figure 6: Provide New or Expanded Benefits and Services	19
Figure 7: Simplify Eligibility Criteria	21
Figure 8: Streamline Case-Handling Procedures	24
Figure 9: Overlap With Recent Welfare Reform	27
Figure 10: Project Savings and Costs (Early Alabama Estimates)	29
Figure 11: Savings if Implemented Statewide (Early Alabama Estimates)	31
Figure 12: Use of Project Savings	33
Figure 13: Project Evaluation Plans	34
Figure 14: Project Status	36

---

**Abbreviations**

AFDC	Aid to Families With Dependent Children
ASSETS	Avenues to Self-Sufficiency through Employment and Training Services
GAO	General Accounting Office
HHS	Department of Health and Human Services
LIHEAP	Low Income Home Energy Assistance Program

---

Briefing for Congressman  
Ronnie G. Flippo

---

**WELFARE REFORM**

Alabama's Avenues to  
Self-Sufficiency Through  
Employment and Training  
Services Demonstration  
Project

Figure 1

## Objectives, Scope, and Methodology

---

- Determine whether project complies with current law
- Identify selected project characteristics
- Interview federal and Alabama state officials

---

### Objectives, Scope, and Methodology

In January 1989, we were requested by Representative Ronnie G. Flippo to analyze the procedures used by the responsible federal agencies to process Alabama's welfare reform demonstration project proposal called Avenues to Self-Sufficiency through Employment and Training Services (ASSETS). We were also asked to determine whether the project is consistent with current federal law. Further, we were asked to identify selected characteristics of the project, including

- the aspects of present law the project will waive for each affected program;



- 
- what specific changes are planned to increase child support and work and training programs;
  - whether the child support and work and training changes will be implemented before consolidation of certain federal programs into a single cash-payment program;
  - what the planned project costs and benefits will be, and how the state plans to assure that savings are used for expanded benefits and services;
  - what the expected effects on current and future beneficiaries will be; and
  - how the project will be evaluated.

In a subsequent meeting with Representative Flippo's office, we were also asked to obtain additional information, including the project's objectives, timeframe, and status.

To gain an understanding of the project, we reviewed the Alabama Department of Human Resources ASSETS proposal, which included various program waiver requests. We also reviewed the terms and conditions stipulated by the Departments of Agriculture and Health and Human Services (HHS) that Alabama must meet to obtain and retain such waivers. In addition, we reviewed other documents, such as Alabama's request-for-proposal draft, which will be used to solicit a contract to conduct an independent evaluation of the project.

We analyzed the waiver authority of applicable federal law to determine whether the project complies with it. Specifically, we examined (1) the Food Stamp Act of 1977, which authorizes the Food Stamp Program; (2) the Social Security Act, which authorizes the Aid to Families With Dependent Children (AFDC), Medicaid, and Child Support Enforcement programs; and (3) the Omnibus Budget Reconciliation Act of 1981, which authorizes the Low Income Home Energy Assistance Program (LIHEAP).

We also obtained information about the project's compliance with current law and characteristics from officials in Agriculture's Food and Nutrition Service, which administers the Food Stamp Program, and HHS's Family Support Administration, which administers the AFDC and Child Support Enforcement programs. These agencies have responsibility for federal oversight of the ASSETS project, with Agriculture having lead responsibility. In addition, we obtained information about the project from the project director in Alabama's Department of Human Resources, which is responsible for administering ASSETS at the state

---

level. We did not determine the basis or reasonableness of Alabama's estimates of savings and costs. Our review was done in accordance with generally accepted government accounting standards.

Figure 2

---

## Project Implementation (1990-93)

---

- Administered by Alabama Department of Human Resources
- Overseen by Agriculture and HHS
- Demonstrated in Clarke, Limestone, and Madison Counties
- Processed through Interagency Low Income Opportunity Advisory Board

---

### Project Implementation (1990-93)

On January 18 and 25, 1989, the Departments of Agriculture and HHS, respectively, agreed to the concept of the ASSETS proposal, and stipulated the terms and conditions that the Alabama Department of Human Resources must meet to obtain waivers for the project. By July 1989, negotiations between Alabama and the federal departments had not been completed, and no waivers had received final approval.

Alabama's proposed project will last 4 years, and will be implemented in three test counties, as shown in table 1.

**Table 1: Planned Implementation Timetable, by Location**

<b>County</b>	<b>Planned Dates</b>
Limestone	January 1, 1990-December 31, 1993
Madison	April 1, 1990-December 31, 1993
Clarke	April 1, 1990-December 31, 1993

### Role of the Interagency Low Income Opportunity Advisory Board

Alabama processed the ASSETS proposal through the Interagency Low Income Opportunity Advisory Board, which was established in July 1987 as part of the Executive Office of the President. The Board was established to help carry out the President's welfare reform initiatives by providing a focal point for state welfare reform projects that affect more than one federal program. The Board, which is strictly advisory, helps states obtain necessary program waivers.

To be accepted by the Board, a proposal must (1) meet basic needs while reducing welfare dependency, (2) not increase federal costs, and (3) include plans for a sound evaluation. States are not required to process proposals through the Board, but may do so to expedite approval of necessary waivers. Alabama's project director told us that after exploring the possibility of seeking federal legislation to waive selected program requirements,<sup>1</sup> the state decided to seek the Board's assistance. The project director told us the Board was very helpful in facilitating ASSETS.

<sup>1</sup>Waivers for two welfare reform demonstration projects—Washington's Family Independence Program and New York's Child Assistance Program—were specifically authorized by federal legislation.

Figure 3

---

## ASSETS's Goals

---

- Simplify and consolidate administration of federal welfare programs
- Give recipients a greater incentive and ability to succeed in society

---

### ASSETS's Goals

ASSETS is intended to simplify and consolidate the administration of affected federal welfare programs, and give project recipients greater incentive and ability to succeed in society. This project is designed to meet these goals through

- consolidating and simplifying Food Stamp, AFDC, and LIHEAP benefits into a single cash payment to help meet the needs of low income families until they attain self-sufficiency;
- providing recipients a comprehensive education, training, and work program;

- 
- conducting a campaign to help combat teenage pregnancy and out-of-wedlock births; and
  - conducting a public awareness and education campaign to change the public's views of welfare.

Specific proposed objectives include reducing the welfare rolls, reducing administrative costs, and improving service quality. (See appendix I for a detailed list of ASSETS objectives.)

Figure 4

---

## Waiving Existing Program Requirements

---

### **Food Stamp Act of 1977**

- 20 waivers

### **Social Security Act**

- 20 AFDC waivers
- 4 Medicaid waivers
- 3 Child Support waivers

## Waiving Existing Program Requirements

The ASSETS proposal contains 47 waiver requests affecting four federal programs, as shown in table 2.

**Table 2: Number of Waivers Requested, by Program**

Program	Number of Waivers
Food Stamp	20
AFDC	20
Medicaid	4
Child Support Enforcement	3
LIHEAP	0

Section 17(b) of the Food Stamp Act of 1977 authorizes the Secretary of Agriculture to grant the 20 Food Stamp Program waivers requested. Among other things, the Food Stamp waivers would change the income and resources rules, modify the list of allowable deductions, and revise the employment and training opportunities and requirements.

Section 1115(a)(1) of the Social Security Act authorizes the Secretary of HHS to grant the 4 Medicaid, 3 Child Support Enforcement, and most of the 20 AFDC program waivers requested. Medicaid waivers would eliminate the requirement for uniform statewide operations, change income and resource rules for families with dependent children, and extend eligibility for families that lose AFDC benefits due to increased earnings or hours of work. Child Support Enforcement program waivers would eliminate the statewide operation requirement and require non-AFDC beneficiaries to cooperate with child support agencies. Among other things, the AFDC waivers would eliminate the statewide operations requirement; change the rules of recipient unit membership; change the disregards, deductions, and other rules for treatment of earnings and assets; and revise the requirements for participation in employment-related activities.

The Secretary of HHS has authority to permit the activities proposed in the rest of the AFDC waiver requests. The Secretary has broad authority to approve demonstration projects. And, in addition to the waiver authority, the Secretary has authority under section 1115(a)(2) of the Social Security Act to permit federal matching of demonstration project costs that, because they do not represent expenditures under an approved state plan, would otherwise not be matched. Furthermore, at least one requested waiver may be unnecessary because the activity



---

proposed is consistent with current law. Among other things, these proposed changes would expand the range of employment and training program opportunities.

Figure 5

## Serve New Groups of People

- Two-parent families may receive AFDC benefits
- All parents must receive child support enforcement services, if necessary
- Parents of children 3 years old and older must receive employment and training

### Serve New Groups of People

ASSETS will serve new people. AFDC benefits will be extended to unemployed two-parent families in the test counties—a group that the state does not currently serve. Also, AFDC benefits will be provided to children living with nonrelated caretakers; currently, the caretaker has to be a specified relative. Further, AFDC program waivers will allow an absent parent who is under a court order to make support payments for an AFDC child to participate in the ASSETS employment and training program if such parent is unemployed or significantly underemployed.

---

ASSETS recipients, including Food Stamp recipients who are not AFDC eligible, will be required to participate in the federal Child Support Enforcement program. This program was established in 1975 to strengthen state and local child support efforts, which include locating absent parents, establishing paternity, obtaining child support orders, and collecting payments. Currently, only AFDC recipients are required to participate in the program.

The demonstration project will require universal work registration of all applicants and recipients and, with certain exceptions, mandatory participation of all registrants in the employment and training program. Most significantly, the project expands the AFDC and Food Stamp Program work requirements to include parents/caretakers of children 3 years old or older (currently 6 years old or older). Participation in the employment and training program will be required to the extent that such necessary support services as child care are available.

Figure 6

---

## Provide New or Expanded Benefits and Services

---

- Extend Medicaid
- Broaden employment and training opportunities, including work experience, vocational training, and remedial education
- Expand support services, such as child day-care and counseling

---

### Provide New or Expanded Benefits and Services

ASSETS will provide new or expanded benefits and services. These include:

- Continuing Medicaid eligibility for up to 12 months (currently 4 months) when a family becomes ineligible for AFDC benefits due to increased earnings or hours of work.
- Offering a broad range of employment and training opportunities. For AFDC households, such opportunities will not be limited to Employment Search, Work Supplementation, and Work Experience, as is currently the case. Work Supplementation may involve an on-the-job placement

---

activity designed to result in permanent employment. The current restriction limiting Work Supplementation for AFDC households to publicly funded agencies will be eliminated. The project also will allow Food Stamp recipients to participate in Work Supplementation projects.

- Providing expanded support services, including child care, transportation, counseling, and assistance with work-related expenses. Child care will be made available through such means as contracts with facilities that will accept children on a sliding-scale fee based on the income levels of the families. A case manager, who will be responsible for eligibility determination as well as the education and training functions, will provide counseling on all aspects of employment and training and make specialized referrals when counseling would be better handled by another source.
- Developing teen pregnancy prevention projects. Projects will include cooperative arrangements with other agencies, particularly the schools. For example, project staff will speak at schools on the obligations of young men, and young women will be provided expanded parental training.

Figure 7

---

## Simplify Eligibility Criteria

---

- Use Food Stamp definition of recipient units
- Reconcile AFDC and Food Stamp income and resource requirements

---

### Simplify Eligibility Criteria

ASSETS will simplify welfare program eligibility criteria. Some of these changes will increase the number and types of persons eligible for benefits and their benefit levels or both, while others will reduce them.

---

### Definition of Recipient Unit

The project will use a standard definition of recipient unit, based on the Food Stamp household concept, for determining eligibility and benefit levels for all recipients, including AFDC recipients. A Food Stamp household unit includes, with certain specified exceptions, all persons (related or nonrelated) who live together and customarily purchase food and

---

prepare meals together for home consumption. Current AFDC regulations require that the recipient unit include all natural or adoptive parents and blood-related or adoptive siblings if they live in the same household and are otherwise eligible.

---

## Income Requirements

ASSETS will consolidate and simplify existing AFDC and Food Stamp income policies. Countable and excludable income will be defined the same for both AFDC and Food Stamp applicants in determining eligibility and benefit levels, and deductions from wages and salaries will be standardized. For example, like the current Food Stamp Program, ASSETS will disregard a standard 20 percent of earned income in determining AFDC eligibility and benefits. The 20-percent deduction will replace the current AFDC monthly earned-income disregards of (1) \$75 for work expenses and (2) \$30 plus one-third of earnings during the first 4 months on a job.

In determining Food Stamp eligibility and benefits, AFDC benefits and the first \$50 of monthly child support received will be disregarded as income. Current Food Stamp requirements include these items as countable income.

---

## Resource Requirements

ASSETS will redefine and make uniform countable resources for both programs, with emphasis on simplifying the administrative process. In addition, the project will increase the current AFDC resource limit from \$1,000 to the current Food Stamp limit of \$2,000. This limit could be increased to \$3,000 if the recipient unit contains a member 60 years old or older.

The project will define countable resources as (1) liquid resources for which the recipient unit has ownership, such as savings accounts, and (2) the equity value of real property (other than the recipient's residence) for which the recipient unit has sole and clear ownership. The proposed policy change would simplify current burdensome determinations of legal accessibility and proportionate shares of property jointly owned with persons outside the recipient unit. The policy change also provides for counting resources that are readily available to the household, without penalizing for resources that are not readily accessible.

The project would exclude one licensed vehicle per licensed driver, regardless of ownership, and all unlicensed vehicles. Currently, AFDC requirements exclude one automobile per recipient unit up to \$1,500 in

---

equity value, while the Food Stamp Program has complex requirements for vehicles that include a fair market test, an equity test, and certain exclusions for special purposes. The proposed policy not only simplifies the eligibility determination process, but also removes a potential transportation barrier to participation in work and training programs.

ASSETS would disqualify for 6 months any individual in a recipient unit who transfers nonexcluded assets to qualify for assistance. Current Food Stamp policy terminates benefits of the entire recipient unit under these circumstances.

---

## Effect on Recipients

Eligibility changes will affect program participants differently. Alabama's ASSETS proposal indicates that the 20-percent earned income deduction change and the revised definition of the recipient unit would result in significant annual AFDC benefit savings if the project were implemented statewide. Alabama's project director for ASSETS told us that some AFDC families will likely receive reduced AFDC benefits because of the 20-percent deduction change, but that only about 3 percent of Alabama's AFDC families have earned income.

Disregarding AFDC benefits and the first \$50 of monthly child support will increase the number of persons eligible for and levels of food stamp benefits.

Regarding asset changes, the increase in AFDC's resource limits, exclusion of jointly held property, and more liberal vehicle ownership rules will tend to increase the number of persons eligible for benefits.



Figure 8

---

## Streamline Case-Handling Procedures

---

- Cash payment of AFDC, Food Stamp, and LIHEAP benefits
- Single case manager and program/participant agreement
- Simplified budget reporting
- Reconciled overpayment collection procedures

---

### Streamline Case-Handling Procedures

---

#### Single Cash Payment

ASSETS will test the issuance of Food Stamp benefits in the form of cash. AFDC and Food Stamp benefits will be distributed to recipients through two checks per month, with the LIHEAP benefit provided in one check per year.

---

Issuing food stamp benefits in the form of cash has the potential to save the federal government the cost of printing and destroying coupons, monitoring the authorized use of food stamps, and investigating and prosecuting misuse of food stamps. In addition, Alabama and the federal government would realize savings by eliminating the cost of storing, insuring, transporting, and issuing coupons.

---

### Single Case Manager and Formal Agreements

The project will use a single case manager for eligibility determination and employment and training activities. The case manager will assess each program participant's work history, education, literacy skills, employment and training interests, and need for such support services as child care.

Following the assessment, the participant and the case manager will jointly develop an employment and training plan, specifying the responsibilities of Alabama's Department of Human Resources and the participant. This plan will be signed by both parties. Benefits will be reduced or terminated for participant noncompliance with the plan without "good cause," such as illness or injury. The plan will be renegotiated for reasons of good cause or should Alabama fail to meet its plan commitments.

---

### Simplified Budget Reporting

The project will use a streamlined, simplified reporting approach. Alabama's Department of Human Resources will report to the recipient on the benefit check stub such basic information as household/family size and gross income. The reverse side of the check will include a statement attesting to the accuracy of the information provided or that the correct information has been or will be reported, as required. Endorsement of the check will represent the recipient's concurrence with the reporting statement. Currently, recipient units report monthly even if no changes have occurred that affect eligibility or benefit levels.<sup>2</sup> This change will reduce the need for handling numerous pieces of paper that do not affect eligibility or benefit levels. Moreover, AFDC and Food Stamp eligibility and payment amounts will be based on the immediately preceding calendar month information, which should be more responsive to budget changes than the current 2-month retrospective system.

---

<sup>2</sup>Categories of recipient units may be exempt if month-to-month changes in their circumstances that affect eligibility or benefits are unlikely and if less frequent reporting is demonstrated to be cost-effective.

---

---

## Overpayment Collection Policies

Changes to strengthen and merge overpayment collection policies for AFDC and the Food Stamp Program will be made. Policy changes include:

- Recouping overpayments by reducing benefits payable to the recipient unit by 15 percent. Currently, the maximum AFDC recoupment rate is 10 percent, and the maximum Food Stamp rate is 10 percent for inadvertent household error and 20 percent for intentional program violations.
- Allowing collection of overpayments through intercepting federal income tax refunds, subject to Internal Revenue Service approval.
- Allowing criminal prosecution for intentional program violations in addition to administrative program disqualification.

Figure 9

---

## Overlap With Recent Welfare Reform

---

- Provide AFDC for two-parent families
- Extend Medicaid
- Expand employment and training program
- Require child care

---

### Overlap With Recent Welfare Reform

Some features of the ASSETS proposal overlap certain welfare reform changes in the Family Support Act of 1988 (P.L. 100-485) that will be implemented during the ASSETS demonstration period. When the act's provisions are implemented throughout Alabama, test county beneficiaries will no longer receive special treatment with respect to the project changes that are the same as the changes made by the act.

---

Among the major overlapping changes are

- the requirement to provide AFDC to needy two-parent families for at least 6 months (out of any 12) (effective Oct. 1, 1990);
- the extension of Medicaid coverage for up to 12 months for families that become ineligible for AFDC because of increased earnings or hours of work (effective Apr. 1, 1990);
- the requirement that virtually all able-bodied persons whose youngest child is at least 3 years old be required to enroll in comprehensive education, training, and work programs (effective Oct. 1, 1990); and
- the requirement that child care be provided during participation in employment, training, and education programs (effective Oct. 1, 1990).

Figure 10

## Project Savings and Costs (Early Alabama Estimates)

Evaluation costs	\$1,000,000
Child care and other support services	<u>1,913,000</u>
<b>Total new costs</b>	<b>\$2,913,000</b>
Less benefit and administrative savings	<u>546,000</u>
<b>Total net costs</b>	<b>\$2,367,000</b>

Note: Estimated costs and savings are in addition to those that would result if the project did not exist.

### Project Savings and Costs (Early Alabama Estimates)

The ASSETS proposal shows the project will incur \$1 million for evaluation costs and \$1.9 million for child care and other support services costs in addition to the costs that would be incurred without the project. Simultaneously, net savings of \$546,000 are expected in program benefits and administrative costs, as shown in table 3.

**Table 3: Detailed ASSETS Savings and Cost in Three Counties**

Dollars in thousands	
<b>Program benefits</b>	<b>Savings or (costs)</b>
AFDC	\$1,761
Food Stamp	(1,393)
Medicaid	5
<b>Program subtotal</b>	<b>\$373</b>
<b>Administrative</b>	
AFDC	\$(24)
Food Stamp	197
Medicaid	•
<b>Administrative subtotal</b>	<b>\$173</b>
<b>Total net savings</b>	<b>\$546</b>

Under its terms and conditions, the project must not increase federal costs. Any net federal savings, however, may be made available to Alabama to offset the state's additional costs.

Alabama's ASSETS project director told us that the estimates are not current because they reflect an earlier project design and were made before the test counties were selected. Moreover, the estimates were made before enactment of the Family Support Act of 1988, and reflect some savings and additional costs that will vanish when participants no longer receive special treatment, as discussed above. The project director said that revised estimates are being developed based on the three test counties.

Figure 11

## Savings if Implemented Statewide (Early Alabama Estimates)

	<u>Additional costs or savings</u>
Savings	\$61,600,000
Costs	<u>\$30,500,000</u>
<b>Total net savings</b>	<b>\$31,100,000</b>

### Savings if Implemented Statewide (Early Alabama Estimates)

Although overall costs are expected to exceed savings in the test counties during the demonstration period, the ASSETS proposal indicates that savings would exceed additional costs by \$31 million annually if the project were fully implemented statewide. The AFDC, Food Stamp, and LIHEAP program merger will result in administrative savings, but such savings in the tricounty demonstration will not approximate potential statewide savings because, according to the proposal, "... the bureaucracies that administer all three programs at the state level are not appreciably affected by the demonstration." Annual administrative savings statewide—estimated in the proposal to include \$20.9 million from



---

reduced eligibility determination costs and \$4.9 million from reduced food stamp handling, issuing, printing, and destroying costs—comprise the bulk of the estimated statewide net savings.

Estimated statewide benefit savings resulting from certain program changes are substantial, but are largely offset by additional benefit costs resulting from other program changes. Specifically, additional costs, such as those due to changes in Food Stamp income rules, expanded child care services, and extension of AFDC and Medicaid benefits to intact families with unemployed parents will substantially offset benefit savings resulting from expanded employment and training, reduced Medicaid due to loss of AFDC, fewer overpayments, changes in AFDC earned income and recipient unit rules, and increased child support collections. (See appendix III for detailed statewide savings estimates and appendix IV for detailed statewide cost estimates.)

Figure 12

---

## Use of Project Savings

---

- State will use savings to increase benefits and services

---

### Use of Project Savings

The ASSETS proposal and applicable terms and conditions provide assurances that project savings and additional state funds will be used for activities aimed at reducing welfare dependency and for expanded benefits discussed above. For example, expanded child care and other support services designed to increase recipients' training and work opportunities represent a substantial part of project costs. Furthermore, if the state does not abide by the project terms, the federal government has the option to withdraw any or all waivers.

Figure 13

## Project Evaluation Plans

### **Compare counties under ASSETS with other counties:**

- Expansion of AFDC benefits to two-parent families
- Program administration
- Economic dependence, reduction, and prevention

### **Evaluate the project using an independent contractor**

### **Project Evaluation Plans**

The approved ASSETS proposal calls for a formal evaluation. The evaluation will focus on the impact of (1) expanding AFDC benefits to two-parent families; (2) modifying program administration, including issuing food stamp benefits in the form of cash; and (3) implementing initiatives to reduce and prevent economic dependence. Specifically, the evaluation will

- describe how ASSETS was implemented and operated;
- evaluate the effectiveness of ASSETS in promoting client self-sufficiency as indicated by such outcomes as changes in program

caseload size, length of program assistance, job placement, benefit reductions due to recipient earnings, paternities established, and child support collected;

- assess project costs and benefits;
- evaluate the feasibility of expanding ASSETS in terms of administrative requirements and the project's effectiveness in assisting clients and promoting self-sufficiency; and
- assess the impact on household expenditures of issuing food stamp benefits in the form of cash.

The evaluation will compare the following three pairs of counties during the first 3 years of the demonstration.

**Table 4: Geographic Characteristics of ASSETS's Test and Comparison Counties**

Geographic characteristics	Counties	
	Test	Comparison
Urban	Madison	Tuscaloosa
Rural south	Clarke	Butler
Rural north	Limestone	Chilton

The counties were randomly selected from Alabama's 67 counties, and grouped together based on such similarities as population, employment rate, AFDC and Food Stamp caseloads, and incidence of birth to single women. During fiscal year 1987, the three test counties had a combined AFDC caseload of 2,250 families and a Food Stamp caseload of 8,950, contrasted, respectively, with 1,750 and 8,820, in the comparison counties. Statewide, there are about 45,000 AFDC cases and 155,000 Food Stamp cases, according to Alabama's ASSETS proposal.

Figure 14

---

## Project Status

---

- Evaluation plan submitted to Agriculture and HHS for approval on April 6, 1989
- Plan has not been approved
- Project cannot proceed without approval

---

### Project Status

Alabama's Department of Human Resources plans to award a competitive contract for the evaluation of the ASSETS demonstration. On April 6, 1989, the state's Department of Human Resources submitted a request-for-proposal draft to Agriculture and HHS for review. The federal review comments have been provided to the state. In July 1989, the state was revising the request for proposal for formal submission for federal approval. The evaluation contract is expected to be awarded shortly before or concurrently with ASSETS implementation in January 1990.

---

# ASSETS's Objectives

---

Merge AFDC and Food Stamps into a simplified cash assistance program.

Reduce long-term dependency.

Reduce welfare rolls.

Reduce administrative costs.

Reduce erroneous payments.

Improve service quality.

Improve recipients' nutrition.

Strengthen child support enforcement.

Strengthen private- and public-sector linkages.

Increase public awareness of poverty and community involvement in remedial and preventive actions.

Change public image of welfare.

Recognize value of individual and family.

Perform ongoing project evaluation and adjustment.

# Proposed Program Waivers

---

## AFDC

Make program changes only in test counties, not statewide.

Simplify definition of expedited cases that are to be provided assistance within 5 days.

Redetermine eligibility every 12 months or more frequently if deemed appropriate.

Provide benefits for children with nonrelated caretakers.

Provide benefits to two-parent families based on financial need (not 100 hour rule); parents must participate in employment and training program.

Provide benefits for striking workers.

Raise resource limit to \$2000 or \$3000, considering only liquid assets and real property equity.

Standardize deductions.

Require all applicants to register and, with few exceptions, participate in employment and training program; unemployed absent parents with child support orders may participate.

Strengthen overpayment collections process; merge AFDC and Food Stamp procedures.

Base AFDC needs standards on difference between federal poverty level and Thrifty Food Stamp Plan.

Base recipient unit on Food Stamp household.

Do not require statewide automated AFDC system in test counties.

Sanction mandatory work registrants for noncompliance; count income/resources, but give no benefits.

Allow participation in classroom training for over 6 months.

Provide Employment Search in test counties.

Provide Work Supplementation as an on-the-job placement type component.

Do not limit Work Supplementation placement to public agencies.

Allow absent parent with child support order for AFDC child to participate in employment and training program.

Streamline reporting procedures; eligibility and benefits based on 1-month retrospective period.

---

## Food Stamp

Streamline reporting and 1-month retrospective budgeting.

Redefine countable income (e.g., exclude AFDC) and increase net income limit to include \$106 standard deduction for all households.

Base eligibility and benefits on countable income less standard deductions. (Changes include (1) counting all income of ineligible aliens and disqualified persons, (2) using a standard deduction of 40 percent for expenses of self-employed, (3) allowing \$1500 education benefits, and (4) disregarding first \$50 of child support which is now optional.)

Redefine countable resources. (Changes include (1) removing limit on number and value of vehicles, (2) counting only readily assessable resources, and (3) disregarding personal property transfers without "good cause.")

Strengthen claims collections, and merge AFDC and Food Stamp collections processes (e.g., automatically invoke recoupment as a collection method for active cases, establish standard recoupment and retention rates, allow collections through federal tax refund intercept, and prosecute where appropriate).

Require changes affecting eligibility to be reported by the 5th of each month.

Use a nationwide standard benefit amount that increases when Food Stamp benefits increase.

Require Food Stamp recipients to cooperate with child support agencies; participants will retain support, but first \$50 of monthly payment disregarded as income.



Reestablish Food Stamp eligibility annually or more frequently if deemed appropriate.

Suggest applicants apply for other programs.

Refer disabled participants to Vocational Rehabilitation Service.

Simplify definition of expedited cases that are to be provided assistance within 5 days.

Provide combined benefits through one or two checks per month.

Disregard ASSETS cases in determining quality control errors.

Add Work Supplementation as an employment and training component for Food Stamp recipients.

Sanction mandatory work registrants for noncompliance; count income/resources, but give no benefits.

Sanction Food Stamp participants for voluntarily quitting job; count income/resources, but give no benefits.

Require all applicants to register (including parents with children 3 years old and older) and, with certain exceptions, participate in work and training program.

Increase Food Stamp benefits to offset food sales tax.

Exclude cash Food Stamp benefits in determining other program eligibility.

---

## Child Support Enforcement

Make program changes only in test counties, not statewide.

Suspend child support enforcement for "good cause" for non-AFDC ASSETS participants.

Require non-AFDC ASSETS participants, including non-AFDC recipients, to cooperate with child support enforcement agencies.

---

## Medicaid Waivers

Make program changes only in test counties, not statewide.

Allow longer duration of services for individuals in test counties.

Extend Medicaid coverage for persons losing AFDC benefits due to increased earnings or hours of employment from 4 to 12 months.

Categorically link Medicaid eligibility in three test counties to AFDC recipients using ASSETS income and resources rules, instead of regular AFDC rules.

# Statewide ASSETS's Projected Gross Savings (Early Alabama Estimates)

---

Dollars In Millions

Single eligibility determination (35-percent reduction in AFDC and Food Stamp administrative costs, to be reinvested in employment and training)	\$20.9
Estimated 5-percent reduction in AFDC and Food Stamp benefits due to expanded employment and training	16.0
Reduction/recovery of erroneous payments	8.1
Reduction in AFDC benefits due to changes in earned income rules and recipient unit	6.4
Food Stamp handling and issuance	4.2
Reduction in Medicaid benefits due to loss of AFDC	2.7
Savings in benefits due to increased child support collections	2.6
Federal cost of printing and destroying Food Stamps	0.7
<b>Total</b>	<b>\$61.6</b>

---

# Major Contributors to This Briefing Report

---

**Human Resources  
Division,  
Washington, D.C.**

**Franklin Frazier, Director of Income Security Issues,  
(Disability and Welfare), (202) 275-1793  
Daniel M. Brier, Assistant Director  
Byron S. Galloway, Assignment Manager  
Joseph P. Kelly, Evaluator-in-Charge  
Kevin B. Dooley, Evaluator (Computer Specialist)**

# Statewide ASSETS's Projected Gross Costs (Early Alabama Estimates)

Dollars in millions	
Disregard of AFDC benefits as income in computing food needs	\$10.6
Employment and training support services (primarily child care)	8.5
Disregard of first \$50 of child support received for food benefit calculation	2.6
Costs related to unclaimed Food Stamps by eligible household	2.6
Additional Medicaid cost for intact families above AFDC for Unemployed Parents	1.9
Additional benefits for intact families above AFDC for Unemployed Parents	1.6
Other (individual items below \$1 million each)	2.8
<b>Total</b>	<b>\$30.6</b>

Note: ASSETS will provide benefits year-round; the Family Support Act of 1988 requires that Alabama provide benefits for only 6 months out of 12.

---

**Requests for copies of GAO reports should be sent to:**

**U.S. General Accounting Office  
Post Office Box 6015  
Gaithersburg, Maryland 20877**

**Telephone 202-275-6241**

**The first five copies of each report are free. Additional copies are \$2.00 each.**

**There is a 25% discount on orders for 100 or more copies mailed to a single address.**

**Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.**

---

**United States  
General Accounting Office  
Washington, D.C. 20548**

**Official Business  
Penalty for Private Use \$300**

**First-Class Mail  
Postage & Fees Paid  
GAO  
Permit No. G100**

---