# Guidance for Submitting Caseload Reduction Credit Information

This guidance is intended to help States prepare caseload reduction credit information. It is particularly intended to guide States in submitting materials for fiscal year (FY) 1999, before the TANF final regulations apply. For FY 2000 and thereafter, when the final regulations apply, States must use Form ACF-202, the Caseload Reduction Report, to submit caseload reduction credit information. We hope this guidance will also prove helpful in completing that form. The FY 1999 caseload reduction credit reduces a State's work participation rate by the decline in the prior fiscal year (FY 1998) caseload compared to the FY 1995 caseload, disregarding declines due to Federal requirements or changes in State eligibility criteria.

## State Submissions

For a State to receive a credit for FY 1999, it must submit the following information:

1. a listing of each change in eligibility (including Federal requirements related to eligibility) it has implemented beginning in FY 1996;
2. the effective date of each change; and
3. an estimate of the impact on the FY 1998 caseload of each change, whether increasing or decreasing the caseload.

If a State implemented several changes at once and cannot identify the separate impacts of each, it may estimate the combined positive or negative effect on the caseload and include an explanation of its combined estimate as part of its submission.

The State should indicate whether it would like to apply the overall caseload reduction credit to the two-parent participation rate or whether it would prefer separate credits for each rate. If the State opts for separate calculations, its submission must indicate the effect of each change on the FY 1998 two-parent caseload, as well as the effect on the total caseload.

## Federal Requirements

At a minimum, the State should address the impact of the following Federal TANF requirements:

1. parents/caretakers must work after 24 months of assistance or when job-ready, if the State's policy for this requirement affects eligibility;
2. teen parents must live in adult-supervised settings to receive assistance;
3. a State must deny assistance for 10 years to a person found to have fraudulently misrepresented residence in order to obtain assistance in more than one State;
4. a State must deny assistance for fugitive felons, probation violators, or parole violators;
5. a State must deny assistance for certain individuals convicted of drug-related felonies; and
6. non-qualified aliens are ineligible for Federal TANF assistance.

While all six of these may not *require* cases to close because they restrict assistance to individuals rather than to cases, they may nonetheless result in some case closures by removing an individual's needs from the eligibility determination. There may be other Federal requirements that impact a State's caseload. If there are, the State should include these in its submission as well.

## State Eligibility Changes

A State should provide the above information for each eligibility criteria change it has implemented in FY 1996 through FY 1998. It should **not** include changes made in FY 1995 or earlier.

State eligibility changes include **State time limits**. A State should also include changes related to **waivers** (e.g., the State discontinued a waiver policy related to eligibility or it expanded such a policy from a small area to make it statewide) implemented in this time period.

## Methodologies

Impact of an Eligibility Change – Primary Methodology

In determining the impact of each change, States should submit an estimated **month-by-month impact since implementation of the change,** from which they derive an estimated **average monthly impact on the FY 1998 caseload**. All estimated average impacts must take into account the effect of each change over time, i.e., from the date it took effect through FY 1998. In other words, case closures in one month continue to affect the caseload in subsequent months because some or all of those cases remain off the rolls. For example, if a State made an eligibility change in December of 1998 and that change closed 100 cases in that month but did not cause any other cases to close for the rest of the fiscal year, the average monthly impact for the year would be 83.

Table 1 Impact of a Change Over Time (No Adjustment)

| Oct-98 | Nov | Dec | Jan-99 | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | 0 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 1000 |

Average monthly impact = 83

Because we assume that the cases that closed in December would continue to remain off the rolls due to the eligibility change for the 9 months remaining in the fiscal year, the caseload impact in *each* month from December through September is 100. We add those monthly totals (reaching a sum of 1000) and divide by 12, to calculate a monthly average impact for the fiscal year.

We recognize that to assume a case that closes due to a new eligibility rule would otherwise have remained on assistance for the entire time since that change took effect could overstate the effect of the new rule. Some cases might have left the rolls for other reasons had the change not been made; in essence, the effect of that change could decay over time. Therefore, a State may adjust its estimate of the impact of a change over time to account for likely caseload decline that would have occurred due to other factors, such as earnings, not associated with any eligibility change. A State's submission should explain how it has accounted for the continued effects of its eligibility changes and what, if any, adjustments it has made.

Here is an example to illustrate one way a State might make an adjustment. A State made a change to its eligibility criteria by implementing a time limit; the time limit began to close cases in December of 1998. A study of the State's program shows that 10 percent of families leaving TANF in any given month are employed in each subsequent month. The earnings would make them ineligible for TANF. The study shows that these TANF "leavers" reach a steady state – i.e., the number of individuals gaining employment balances the number losing employment – at 32 percent. Thus we can conclude that 32 percent of cases affected by the time limit in this example would have remained on TANF except for the change in eligibility criteria.

In our example, we assume that 100 cases left the rolls due to the time limit in December 1998, the first month it took effect. An additional 60 cases closed for this reason in January, 80 cases in February, and so on (see Table 2 below). To calculate the effect of this change over time, we applied the 10-percent monthly employment rate from the "leavers" study to the number of cases that left the TANF rolls until the reduction reached 32 percent of the case closures for that month. Note that Table 2 shows no further reduction of the December case closures after July, when the reduction reached 32 percent. We then added the impact totals for each month – new closures and impacts from prior months – and divided by 12 to find the average monthly impact for FY 1998.

As we described above, the State could simply report its estimate of the number of closures each month without making an adjustment and assume that those cases would have remained open in subsequent months if it were not for the eligibility change, in this example, the time limit. However, we hope that permitting adjustments will improve State estimates to so that they reflect the most accurate picture possible of the impact on the caseload.

Table 2 Case Closures Attributable to Time Limit

Effect of closures over time

| Closure month | Dec-98 | Jan-99 | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Dec-98 | 100 | 90 | 80 | 70 | 60 | 50 | 40 | 32 | 32 | 32 | |
| Jan-99 | | 60 | 54 | 48 | 42 | 36 | 30 | 24 | 19 | 19 | |
| Feb | | | 80 | 72 | 64 | 56 | 48 | 40 | 32 | 26 | |

| Closure month | Dec-98 | Jan-99 | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Mar | | | | 40 | 36 | 32 | 28 | 24 | 20 | 16 | |
| Apr | | | | | 60 | 54 | 48 | 42 | 36 | 30 | |
| May | | | | | | 40 | 36 | 32 | 28 | 24 | |
| Jun | | | | | | | 80 | 72 | 64 | 56 | |
| Jul | | | | | | | | 75 | 67 | 59 | |
| Aug | | | | | | | | | 50 | 45 | |
| Sep | | | | | | | | | | 30 | Total |
| Total | 100 | 150 | 214 | 230 | 262 | 268 | 310 | 341 | 348 | 337 | 2560 |

FY 1998 Monthly Average = 213

To understand how a State would account for the effects of more than one eligibility change, Table 3 shows data on a second sample change. Below, we will use these sample average monthly impacts to show how to calculate a caseload reduction credit. Table 3 assumes the State implemented a full-family sanction policy that began to close cases at the beginning of the fiscal year, in October of 1998. We calculated the average monthly impact in FY 1998 in the same way that we did for the State time limit, again adjusting the effects over time on the basis of the hypothetical study of TANF leavers.

Table 3 Caseload Reduction Attributable to Full-Family Sanctions

Effect of full-family sanctions over time

| Closure month | Oct-98 | Nov | Dec | Jan-99 | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Oct-98 | 200 | 180 | 160 | 140 | 120 | 100 | 80 | 64 | 64 | 64 | 64 | 64 | |
| Nov | | 40 | 36 | 32 | 28 | 24 | 20 | 16 | 13 | 13 | 13 | 13 | |
| Dec | | | 80 | 72 | 64 | 56 | 48 | 40 | 32 | 26 | 26 | 26 | |
| Jan-99 | | | | 120 | 108 | 96 | 84 | 72 | 60 | 48 | 38 | 38 | |
| Feb | | | | | 100 | 90 | 80 | 70 | 60 | 50 | 40 | 32 | |
| Mar | | | | | | 70 | 63 | 53 | 49 | 42 | 35 | 28 | |
| Apr | | | | | | | 50 | 45 | 40 | 35 | 30 | 25 | |
| May | | | | | | | | 40 | 36 | 32 | 28 | 24 | |
| Jun | | | | | | | | | 25 | 23 | 20 | 18 | |
| Jul | | | | | | | | | | 35 | 32 | 28 | |
| Aug | | | | | | | | | | | 25 | 23 | |
| Sep | | | | | | | | | | | | 20 | Total |
| Total | 200 | 220 | 276 | 364 | 420 | 436 | 425 | 400 | 379 | 368 | 351 | 339 | 4178 |

FY 1998 Monthly Average 348

We would like a State's monthly impacts to reflect application denials as well as case closures for its FY 1999 submission. States should be aware that application denial information is *required* under the final TANF regulations as part of the FY 2000 Caseload Reduction Report.

## Impact of an Eligibility Change – Alternatives

A State may propose an alternative methodology to account for the impact of an eligibility change over time. We will accept plausible alternatives with sufficient documentation to verify the State's methodology.

## Caseload Reduction Credits

We encourage each State to calculate its caseload reduction credit(s) by combining the effects of the average monthly impacts it has already estimated. These calculations are subject to ACF review and approval. If the State does not calculate its caseload reduction credit(s), ACF will calculate the credit using one of the following methodologies.

If the State submits the average monthly impact of each change on the FY 1998 caseload, we will add those impacts together, offsetting the total decreases with the impacts of changes that increased the caseload, to reach a net average monthly impact of all changes in eligibility. We will then subtract this net effect of changes in eligibility from the actual average monthly caseload decline the State experienced between FY 1995 and FY 1998 and divide the result by the FY 1995 average monthly caseload. The resulting percentage is the caseload reduction credit. If the effects of changes that increase the caseload outweigh the effects of decreases, we will grant the State a full caseload reduction credit, i.e., we will base the caseload reduction credit on the actual average monthly caseload decline. *We will not grant caseload reduction credits that exceed actual caseload declines (see discussion below)*.

If a State submits month-by-month impacts for each change, we will calculate the average monthly impacts of each for FY 1998 by adding the monthly totals for a change and dividing that total by the number of months the change was in effect in FY 1998. We will then use the methodology described above to calculate a caseload reduction credit. If the State has not taken into account the effects of some or all of its changes over time (e.g., it shows only an impact in the initial month, with no explanation), we will assume that reductions in the initial month would have continued to remain out of the caseload in subsequent months and will calculate the average monthly impacts accordingly. As we explained above, the State should describe how it has accounted for the continued effects of its eligibility changes and what adjustments it believes are appropriate.

Using the sample eligibility change impacts from above, here is an example of a caseload reduction credit calculation. Assume the State had an average monthly caseload of 125,000 in FY 1995 and 90,000 in FY 1998. In this case, the actual average monthly caseload decline is 35,000 or 28 percent. Let's also assume that the State made an eligibility change to its income disregards that *increased* the caseload by an average of 320 cases per month in FY 1998.

Caseload Reduction Calculation

Average Monthly Impact of All Eligibility Changes

| Change | Impact | FY 95 Caseload | 125,000 | | |
|---|---|---|---|---|---|
| Time Limit | -213 | FY 98 Caseload | 90,000 | | |
| Full-family Sanction | -348 | Actual Decline | 35,000 | As a Percentage of FY 95 | 28% |
| Income Disregard | 320 | Decline – Net Impact | 34,759 | As a Percentage of FY 95 | 27.80% |
| Net Impact | -241 | | | Caseload Reduction Credit = | **27.80%** |

## Unacceptable Methodology

A State receives a caseload reduction credit when the caseload in the comparison year is less than it was in FY 1995. In general, the State may not include as part of the reduction those families that would have received assistance except for eligibility changes implemented since 1995. However, 45 CFR 261.42 of the regulations allows States to offset eligibility change decreases (which otherwise could not be included in the reduction) against eligibility change increases. The regulation only allows the State to cancel out the eligibility change decreases. As discussed above, should caseload increases due to changes in eligibility be greater than decreases due to changes in eligibility, then the remaining increases cannot be added to the reduction. There is nothing in the statutory language nor in Congressional intent to indicate that Congress intended States to be positively credited with increases in caseload as if they were decreases. Thus an interpretation that permits greater reductions than the State's actual decline in caseload is not a reasonable interpretation of the statute. Therefore, we will not allow this approach in FY 1999.

## Use of Form

For FY 1999, States have the option to use the Caseload Reduction Report (Form ACF-202) included in the final TANF regulations. For FY 2000, States must complete and submit the Caseload Reduction Report to receive a caseload reduction credit. For your convenience, we have included the form and instructions for completing it at the end of this guidance.

## Due Dates

The regulations require States to submit the Caseload Reduction Report by the end of the first quarter of the fiscal year (e.g., the FY 2000 report, comparing FY 1995 to FY 1999, is due by December 31, 1999). To avoid confusion and to give States the maximum time possible for submitting materials, the FY 1999 caseload reduction materials are also due on December 31, 1999.

## FY 1999

States should submit all materials for the FY 1999 caseload reduction credit (comparing caseloads for FY 1995 to FY 1998) by **December 31, 1999**.

## FY 2000

As indicated in the final TANF regulations, the FY 2000 Caseload Reduction Report (form ACF-202) (comparing caseloads for FY 1995 to FY 1999) is also due by **December 31, 1999**. We encourage States to discuss these materials with the ACF Regional Office staff and submit them as early as possible.

## Frequently Asked Questions

Below are the answers to some questions we have received, either in the course of calculating the FY 1998 caseload reduction credits or in the rollout meetings on the final TANF regulations. The answers are intended to apply to FY 1999, prior to the effective date of the regulations, and to FY 2000, when the regulations will be in effect.

**Q1**: What should a State do if it has a large number of eligibility changes? Can it bundle those changes for the purpose of estimating their impacts?

**A**: A State should list the impacts of each change separately where it has the data to do so. If a State does not have separate denial codes for each eligibility criterion and cannot develop reasonable estimates of the impact of each eligibility change, the State may submit an estimate of the combined impact of all eligibility changes reflected in the single denial codes. It should include an explanation of any such combined estimates as part of its submission.

**Q2**: What kinds of administrative changes must be captured in the caseload reduction reports?

**A**: States must report all administrative requirements that affect eligibility for benefits, along with estimates of the impact of each. If a change is truly administrative in nature, presumably there will be no impact. Examples of administrative changes that might be reported are waiting periods and additional documentation required as a condition of receiving benefits.

**Q3**: How should a State complete the caseload reduction report if a State does not have the distribution of denials or closures and has no way to construct them (or has some numbers but has no faith in them because they were developed when coding had no significance)? Will ACF accept caseload reduction reports that do not contain such numbers?

**A**: For FY 2000 and thereafter, if a State does not have certain data required by the caseload reduction report, it should explain why it has not submitted those data and how it derived its estimates and include these explanations with the report. We will consider such submissions on a case-by-case basis.

**Q4**: Will ACF grant extensions of the due date for the FY 1999 and FY 2000 caseload reduction report because a State is experiencing Y2K problems?

**A**: Every State should make a concerted effort to submit its caseload reduction credit reports on time to avoid Y2K issues. It is also in the State's interest to submit the FY 2000 report on time so that we can issue the credit and notify the State of its target participation rates before the fiscal year ends. Both reports are due by 12/31/99; however, if a State experiences truly extraordinary circumstances related to Y2K that impede it from submitting a report on time, we will consider granting an extension of the report deadline. A State in this situation needs to request an extension.

**Q5**: Must a State include child-only cases in its caseload figures for calculating the caseload reduction credit?

**A**: Under a reasonable interpretation of the statute, a State may request that we remove the child-only cases in its caseload in calculating the caseload reduction credit. In such a case, we will remove the child-only cases from the base year (FY 1995) as well as the comparison year (FY 1998). States should be aware that under the regulations (i.e., in FY 2000 and thereafter) we will not make this adjustment.

**Q6**: Are full-family sanctions considered to be changes in eligibility criteria?

**A**: Full-family sanctions are considered changes in eligibility criteria under the regulations and must be included in the caseload reduction report. However, in FY 1999 a State may reasonably interpret that such a sanction does not close the case and thus did not affect eligibility.