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# Denver Colorado Works (TANF) Redesign Project
## State Diversion Pilot Interim Report: May 3, 2007

### Background

Phase I of the Colorado Works (TANF) Redesign included the expansion of State Diversion as a strategic alternative to ongoing basic cash assistance for job ready TANF applicants. The Welfare Reform Board approved a State Diversion pilot and requested a summary report prior to considering a full policy revision.

### State Diversion Pilot

The intent of the State Diversion pilot is to provide job ready individuals with short-term cash assistance and job search support to meet immediate needs in order to become employed, stay employed, or return to work.

Key elements:

- Although State Diversion is a voluntary program, job ready TANF applicants are strongly encouraged to consider diversion as an option to long-term cash assistance.
- State Diversion is no longer limited primarily to customers who are employed or can provide verification of pending employment. Instead it is intended for all job ready applicants.
- Job readiness is determined through the TANF orientation and assessment process.

### Interim Findings

This interim report covers the first six months of implementation, September 2006 through February 2007. Monthly statistics are attached.

**Declining Numbers**

The TANF Redesign projected that 10% of Denver TANF applicants are job ready. During the first six months, a total of 229 (10%) of all TANF applicants were referred for State Diversion and 139 (6%) received diversion payments. However, there have been steady declines in both State Diversion referrals and diversion payments. Investigation is in progress to identify the specific causes for the reduction in diversion referrals and authorizations.

**Primary Customer Needs**

The single outstanding need for requesting diversion assistance has been housing. 73% of diversion funds have been authorized for rent, mortgage, and/or deposit assistance. At 21%, "other" is the second most frequent category of diversion assistance. This general category includes, but is not limited to, assistance for car repairs, work tools, and certifications necessary for employment.

**Low Recidivism**

The TANF Redesign identified low recidivism as a primary indicator of a successful State Diversion pilot. Diversion recidivism is determined by the percent of individuals who receive

TANF basic cash assistance subsequent to receiving State Diversion. The average diversion recidivism rate for the first six months has been 10%, as compared to 19% for all TANF applicants since July 2006.

**Employment Data**

A second indicator of a successful pilot is verification that diversion recipients are entering and retaining employment, as well as increasing wages.

Employment data is obtained primarily through unemployment insurance information reported to the Department of Labor (DOL). Employers report wage data quarterly and are often one quarter behind. Therefore, complete DOL wage data is currently available for only one month (September) of the first six months of the pilot.

To date, the pilot appears to target the right group, with over 55% of diversion authorized applicants having some work history within the quarter prior to their application for aid. TANF eligibility criteria require applicants to have little or no household income to qualify. Despite this fact, for the 136 cases where data is available, on average 62% of diversion cases reported earnings within the quarter they received the diversion. The Redesign will continue to track the data to determine if this earnings trend is ongoing, as well as to track post-diversion retention and wages.

**Participation Rate**

A third indicator of success is an increase in participation rate. State Diversion potentially impacts the participation rate in two ways:

- Lowering the caseload denominator of those subject to participation requirements
- Focusing staff and resources to assist less job ready individuals with multiple challenges to participation and employment.

Despite a few dips, the overall participation rate has continued to rise since the implementation of Redesign, from a low of 22% in December, to a high of 32% in March.

## Recommendations and Next Steps

Additional information is needed prior to proposing a full revision of the State Diversion policy. It is recommended that the current pilot be extended for at least one quarter in order to obtain additional baseline information that will inform the policy process, as well as the allocation of resources. The following information will be gathered and analyzed during the extension:

- DOL employment data through the second quarter of 2007. This will provide complete wage data for the first four months of the pilot.
- Determine the cause of declining diversion referrals and authorizations. Specific elements to be evaluated include diversion screening tools and procedures, and initial job ready projections.