

# Understanding the Supplemental Poverty Measure (SPM) and Developing Differential Metrics to Strengthen the Effectiveness of TANF Programs

National Association of Welfare Research and Statistics (NAWRS) Annual Workshop

Vail, Colorado  
September 13, 2011

## EXECUTIVE SUMMARY

The 2011 *Understanding the Supplemental Poverty Measure and Developing Differential Metrics to Strengthen the Effectiveness of TANF Programs* was funded by the United States Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance and managed by ICF International for Contract No. HHSP23320095636WC, Task Order HHSP23337005T "TANF Training and Technical Assistance."

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## Background and Introduction

In recent times, in part due to the economic recession, a focus on accountability and performance measurement has become more important across government agencies and programs. State and local Temporary Assistance for Needy Families (TANF) programs and researchers have shown an interest in the use of alternative/supplemental measures or differential metrics for measuring TANF program success and an interest in strategies for better understanding rates of poverty among families. In keeping with these salient foci, the National Association of Welfare Research and Statistics (NAWRS) Annual Workshop committee and the Colorado Department of Human Services submitted a joint technical assistance request to the U.S. Department of Health and Human Services, Administration for Children and Families (ACF), Office of Family Assistance to convene a session at the workshop entitled *Understanding the Supplemental Poverty Measure and Developing Differential Metrics to Strengthen the Effectiveness of TANF Programs*. The session took place on September 13, 2011 and included representation from ACF leadership, TANF policy experts, and State representatives.

The technical assistance request merged the two topics in order to maximize resources and to provide the attendees the opportunity to collectively engage in discussions on strategies to tailor recommendations on the TANF program that are (1) more responsive to the economic self-sufficiency, poverty reduction, and employment needs of low-income families; and (2) better measure States' performance in achieving greater employment and poverty reduction objectives for low-income families based on a more clear understanding of who is indeed in poverty.

## Welcome and Opening Remarks

**Mark Greenberg, Deputy Assistant Secretary for Policy, Administration for Children and Families, U.S. Department of Health and Human Services**

Mr. Mark Greenberg from ACF opened the session. He referenced the recent work conducted by the Center on Budget and Policy Priorities related to the impact of the American Reinvestment and Recovery Act (ARRA) funding on poverty measures. Although the research has shown that there are limits of the official poverty measure on determining the exact percentage of Americans living in poverty, there are many policy considerations that must be made with regard to using supplemental poverty measures. ACF is interested in hearing more feedback from stakeholders on supplemental measures for measuring poverty and how they can more effectively influence policy and programming.

Although the existing Federal measure for the TANF program, the Work Participation Rate (WPR), is not a measure of outcomes by its nature, but of process and engagement, it does, however serve many practical purposes. Currently, several States are using alternative measures to track additional outcome-related data for clients and there is a strong interest among States and counties across the United States on creating outcome measures that can work within or supplant the current WPR structure. Although there is no perfect way of determining appropriate measures, stakeholders are interested in more than just counting the numbers of activities and are more focused on the importance of capturing client employment outcomes. ACF is looking forward to continuing these discussions with States and counties on the work that States do around outcomes and are important to the larger discussion that will be had with Congress once TANF Reauthorization is taking shape. Mr. Greenberg concluded his remarks by stating that he believes States' work around outcomes and performance measures is extremely valuable and that the Federal government and other stakeholders can learn from it.

## Overview of the Supplemental Poverty Measure

During this session, participants received an overview of the U.S. Department of Commerce's new Supplemental Poverty Measure proposed by the Obama Administration that will be released in fall 2011. Additionally, presenters provided an overview of New York State's supplemental poverty measure and discussed recommendations and strategies on how States can design and produce a National Academy of Sciences-type measure for better assessing poverty at the State and local levels.

**Dr. Kathleen Short, Social, Economic, and Housing Statistics Division, U.S. Census Bureau**

Dr. Kathleen Short from the U.S. Census Bureau provided an overview of the Official Poverty Measure (OPM) which was established in 1965 the Office of Management and Budget (OMB) Statistical Policy Directive Number 14. Based on observations from the Interagency Technical Working Group that met on March 2, 2010 as well as the 1995 recommendations from a National Academy of Sciences (NAS) panel, the new Supplemental Poverty Measure (SPM), will not replace the official poverty measure and will not be used for resource allocation or program eligibility.

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**Table 1**

Threshold Adjustment	Official Poverty Measure (OPM)	Supplemental Poverty Measure (SPM)
Shelter Type	No adjustments	Adjust by distinguishing differences in shelter expenditures by renters, owners with a mortgage, and owners without a mortgage
Family Size and Composition	Separately developed thresholds by family type; lower thresholds for elderly singles and couples	Reference family threshold adjusted by use of a three parameter equivalence scale, which assumes children need less than adults and economies of scale for larger families
Geographic Area	No adjustments	Adjust for housing cost differences using five years of ACS data on rental costs, Make adjustments by MSA and non-MSAs in each State, Continue to research inter-area price indices

In comparing the OPM and SPM threshold concepts, Dr. Short explained that the OPM threshold is based on the cost of a minimum

food diet for a two-adult, two-child family in 1963, multiplied by three to cover all other expenses. The SMP, on the other hand, is based on expenditures over the most recent five years on food, clothing, and shelter, including utilities and all mortgage expenses from the Consumer Expenditure Surveys. It is based on the 33rd percentile and all family units with exactly two children which is adjusted, when needed, to be equivalent to a two-adult, two-child family unit. The measure then involves adding 20 percent to cover all other expenses. She then described the differences between the two measures in terms of threshold adjustments – see Table 1.

Dr. Short followed this overview with several charts that demonstrated how the SPM threshold can change based on which elements, such as the Supplemental Nutrition Assistance Program (SNAP), Earned Income Tax Credit (EITC), and Child Support, are included in the calculation.

**George Falco, Commissioner’s Office, New York State Office of Temporary and Disability Assistance**

Mr. George Falco from the New York State Office of Temporary and Disability Assistance followed the presentation by Dr. Short with an overview of New York State’s SPM. New York is the only state that has developed its own SPM with its own resources. Other States have done similar work with outside research firms, but New York is unique in its development of this measure. New York’s poverty measure is based on the Center for Economic Opportunity’s (CEO) poverty measure, and is essentially the same but it also measures the impact of housing subsidies. Looking for an accurate way to measure housing subsidies is important to New York because housing is expensive and impacts poverty. In the creation of their SPM, leadership in New York figured out a method of analyzing housing subsidies using data from the U.S. Department of Housing and Urban Development (HUD). The State combined administrative data files from HUD to determine the exact number of housing subsidies and household make-up in the State of New York.

Mr. Falco provided recommendations to other States interested in developing SPMs. States should engage HUD, the Census Bureau, or CEO to develop local poverty measures because it is important to use data-sets that are common, public knowledge. States can also refer to resources on the NAWRS Web site as well as the HUD method of measuring poverty.

**States’ Use of Supplemental Poverty Measures and Differential Metrics**

During this session, participants were provided with an overview of the national context for differential metrics. National TANF experts and researchers presented on differential metrics in TANF programming and how States are using supplemental poverty measures to understand State and local poverty levels. Participants learned about a project being conducted by the

U.S. Department of Health and Human Services, Assistant Secretary for Planning and Evaluation on current State TANF performance measures and heard an overview of States' current use and application of differential metrics.

**Dr. Jeanette Hercik, ICF International**

Dr. Hercik of ICF International explained the connection between the SPM and TANF program metrics. It is all about measurement and what is being measured: income and economic stability, dependency on public benefits, and avoidance of material hardship.

Dr. Hercik described the four purposes of TANF (see Figure 1) because TANF was developed as a temporary assistance program for low-income and working individuals and its main goal was to help move participants into work. The TANF program's success is broadly measured by indicators relating to caseload declines, promoting work, strengthening marriage, and preventing out-of-wedlock pregnancies. Even though many have argued that TANF should have incorporated measures of poverty reduction into broader program measures, the TANF legislation was limited in its focus on poverty reduction and economic self-sufficiency.

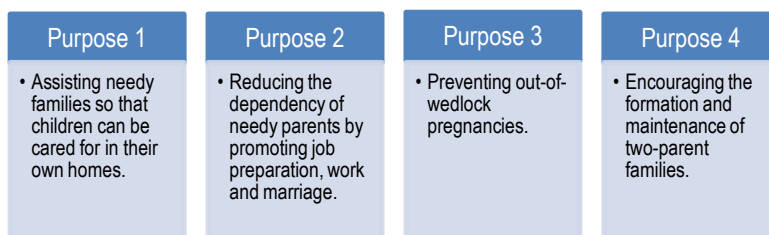
Dr. Hercik explained that developing an outcome-based performance system starts with identifying the goals of the program. Identifying goals beyond those in the legislation is important to improving economic outcomes for families.

Differential metrics are alternative

performance measures. They may include:

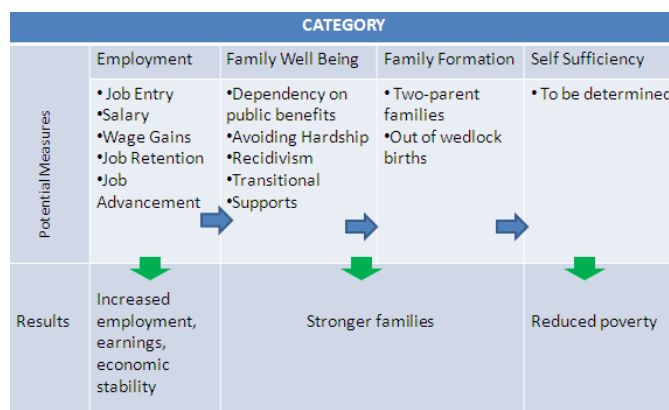
- Longer Term Employment and Wage Gain;
- Reduced Economic Hardship;
- Reduced Reliance on Public Benefits; and
- Addressing barriers to job retention.

**Figure 1: The Four Purposes of TANF**



With the forthcoming reauthorization of the TANF program this session provided an opportunity for TANF stakeholders to learn about alternative measures and see if the TANF program is able to be more responsive to the economic self-sufficiency and employment needs of low-income families, and better measure states' performance in achieving greater employment and poverty reduction objectives for low-income families. Some states such as Minnesota, North Carolina, and Utah have been doing work around alternative measures for their TANF programs and there is growing consensus among stakeholders that differential metrics may allow states to continue to use the flexibility in TANF to develop responsive programs that consider the work readiness levels of each type of TANF participant and potentially provide additional options for TANF programs to more effectively engage participants in activities leading to longer term outcomes.

**Figure 2: Range of Differential Metrics**



According to Dr. Hercik there is a range of differential metrics (Figure 2) that States may use in measuring the effectiveness of their TANF programs. Despite challenges relating to data collecting and management, tracking, and availability, differential metrics provide alternatives to purely WPR-based measures for TANF and allow States the opportunity to think more broadly about cross measures of success such as employment, family well-being, and family stability. Differential metrics in most instances combine both client outcomes and process-improvement measures by capturing

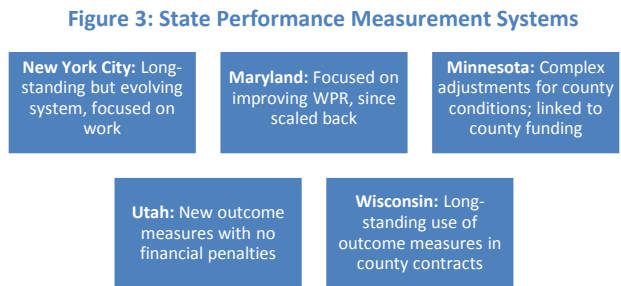


individual circumstances and systems responses and progress into a tiered approach where outcome standards are developed for individuals with more barriers to employment.

**Dr. Heather Hahn, Urban Institute**

Following Dr. Hercik’s overview, Dr. Hahn shared the results of a project being conducted by the Urban Institute, under contract with the U.S. Department of Health and Human Services, Assistant Secretary for Planning and Evaluation. Based on primary data collected from New York City, Maryland, Minnesota, Utah, and Wisconsin; and secondary information collected from Arkansas, California, Florida, Texas, and Washington, the research seeks to understand how well States are doing in attaining the TANF program’s goals and what additional performance measures have been incorporated in states’ efforts to move beyond Federal measurement standards.

According to Dr. Hahn’s preliminary analysis, “performance measurement” means different things in different states and can include managing caseworker performance, measuring important policy indicators, and monitoring data for informational purposes. Performance measurement systems are more than specific measures; they include definitions of measures, goals of measures, and the process of setting targets, reviewing performance, creating incentives or consequences. Dr. Hahn also described the sites’ performance measurement systems – see Figure 3.



States and local agencies using alternative performance measures often look at outcome measures—including employment outcomes such as placement, earnings and retention, educational attainment, positive enrollment closures, such as child support, and Supplemental Security Income (SSI) receipt. Aside from outcomes, sites may also use other measures such as engagement in other activities, timelines and efficiency of processing, and WPR. Most States using performance measurement systems set performance benchmarks or targets and adjust these targets for conditions. The sites also look retrospectively at performance.

The sites studied by the Urban Institute include programs with continuous access to various performance data and establish performance accountability and penalties and incentives. Specific attention is paid to the types of data collected, the types of data analyzed and the specific effectiveness of each performance measure. The constant monitoring and analysis allow for improved service delivery, enhanced service specialization, frequent re-targeting and changes to program components to respond to environmental shifts.

Dr. Hahn found several common keys to success among the sites, including the use of few and clear performance measures, active management of performance, and a commitment to the use of data. In addition, the sites made sure the performance measurement systems were and continue to be a priority of top managers. They are committed to evolution, meaning that they understand the importance of changing the systems to stay relevant.

Concluding her remarks, Dr. Hahn shared information on what State programs want in a potential Federal performance measurement system. The system should include accountability for performance, a focus on outcomes, especially employment, and flexibility to meet client needs. States also made suggestions for improvements to the TANF program. Recommendations include expanding the list of countable activities, increasing flexibility around number of hours of engagement, counting educational activities toward GED or high school diploma as core activities, and reducing the administrative burden of verification and reporting requirements.

## State Representatives Share Lessons Learned from Developing and Implementing Differential Metrics

During this session, participants engaged directly with peers and heard from a panel of state representatives that shared their experiences collecting, implementing, and utilizing differential metrics. Session participants also engaged in dialogue with peer programs about differential metrics developed or utilized across the nation and gained a better understanding of different performance measures for TANF programs and participants.

### **Mark Kleczewski, Program Assessment and Integrity Division, Minnesota Department of Human Services**

Mr. Mark Kleczewski from the Minnesota Department of Human Services provided background information on the Minnesota Family Investment Program (MFIP)—Minnesota’s TANF program. The program is state supervised and county administered and within the framework of the TANF statute, counties design distinct approaches to employment services and Minnesota has 87 counties and five Tribal providers.

In 2001, the Minnesota Legislature required that the Department of Human Services (DHS) develop a method to assess “...county performance using a methodology that controls for demographic, economic, and other variables...” and as a result DHS established alternative performance measures for the MFIP with a revised definition of “success” that called for clients to be “working an average of 30 plus hours per week or off cash assistance three years after baseline.” Additionally, an individual that leaves the program due to a time limit or a 100 percent sanction is *not* a success unless they had 30 hours per week paid income in one of the last three months before leaving cash or they started receiving SSI.

In Minnesota, the Self-Support Index (S-SI) was designed to address the weaknesses of the previous measures used by

$$\text{Self-Support Index} = \frac{\text{Number successes in measurement quarter}}{\text{Number of adults eligible for MFIP or Diversionary Work Program (DWP) in baseline quarter}}$$

MFIP. In order to calculate S-SI, the Minnesota DHS tracks adults who were MFIP-eligible in a past quarter and examines if they are working 30 or more hours per week or if they are no longer receiving a cash payment at a follow-up point.<sup>1</sup> Performance by counties varies greatly but much of it is attributed to the local economies. In order to adjust for this, a range of expected performance is developed based on conditions within counties.

### **Ruben Garcia, Manager, Automated Student Follow-Up, Labor Market and Career Information, Texas Workforce Commission**

Mr. Ruben Garcia gave an overview of Texas’ *Choices* employment and training program and outlined that participants receive training to prepare them for specific occupations. Choices tracks client progress and outcomes using administrative databases including Unemployment Insurance (UI) wage records, UI benefits files, vital statistics, criminal justice records, education records, and a system that tracks TANF participants across States.

Participants receive a variety of services including job search assistance, unsubsidized employment, job readiness, supervised job search, and occupational/vocational training and are typically placed with local employment services, eating establishments, and home health care programs. Results from the Texas Choices Program tracking and data collection show that 50 percent of females are working and earning a median wage of \$2,704 per quarter. Forty-four percent of males in the program are working, and their earnings are higher than the average wages of females.

Mr. Garcia outlined some of the key work supports such as job search assistance, employment plan development, comprehensive objective assessment, unsubsidized employment, and family and child care available to program participants at the local Workforce Boards. In addition to the various work supports designed to assist the hardest to serve and hardest to employ, the Texas Workforce Commission established the Self-Sufficiency Fund Program (SSFP) which is a tailored employment strategy for low-income TANF participants in Texas with more significant barriers to employment. The SSFP is a

<sup>1</sup> Additional information retrieved September 30, 2011 from <https://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-40640-ENG>

partnership with community and technical colleges, community-based organizations, and other stakeholders, and provides customized work readiness assistance, including job training, placement, and follow-up services that are individually targeted and have provided clients with sector-based employment and training opportunities.

***Dave Dlugolecki, Director, Bureau of Data Management and Analysis, New York State Office of Temporary and Disability Assistance***

Mr. Dave Dlugolecki from the New York State Office of Temporary and Disability Assistance presented on New York's approach to performance measurement. In New York, the state looks at internal and external performance measurements and results are produced in a book that is given to the state agencies. In New York, most measures are taken at the county level and there are also external measures used such as Federal measures and earnings gains, and many of these cannot be measured by the state. The measures used around work are very developed and include data on earnings and job placement. Internal measures include:

- Job entries in proportion of caseload;
- Social assistance after leaving TANF;
- Caseload reduction;
- Recidivism rate; and
- Enrollment in the SNAP program.

Performance incentives have been used in New York, but these are very difficult to rely on due to uncertainties. The State of New York is currently moving away from being performance-focused contracts because often they involve the enumeration of specific deliverables, and agencies have difficulty deciding on its objectives or on what outcomes the agency really wants to achieve.

Given shifting political agendas and policy priorities, agencies are focusing more on process measurements, such as timeliness of placement and other statutory obligations. There are considerable challenges in developing differential metrics because agencies have difficulty identifying eligibility for clients and tailoring services to the specific needs of clients. In the end, it is important that agencies constantly evolve and remain responsive to changing realities.

## **Facilitated Dialogue**

Following these presentations, Dr. Hercik facilitated an interactive dialogue among participants and presenters on the SPM and differential metrics. The discussions centered on various topics relating to understanding poverty and how a better understanding of poverty is a useful tool for understanding how to develop programs that are more responsive to the needs of clients. Additionally, participants discussed specific differential metrics adopted within their states including case closures, post-closure employment, and reduced recidivism. Some of the participants discussed measuring the return on investment of TANF programming and the importance of understanding the "biggest bang for the buck" even when expensive service options such as occupational training and sector-based placements are adopted. Despite the strength of the WPR to track State engagement activities, it is often a low indicator of program and client performance and outcomes and participants agreed that if the programs focus on increased engagement of low-income individuals the required WPR would likely be achieved.