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Impact of the South Carolina Family Independence Act : 1996 to 1998

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LAC

June 1998

Impact of the South Carolina Family Independence Act: 1996 to 1998

The Family Independence Act (FIA) requires the Legislative Audit Council to report to the General Assembly every two years on the success and effectiveness of the policies and programs created under the act. We are required to address specific issues, including: the number of families and individuals no longer receiving welfare; the number of individuals who have completed educational, employment, or training programs under the act; and the number of individuals employed and the duration of their employment.

This is our second report, and it examines the impact of the FIA from its inception through December 31, 1997. Other areas of this review include:

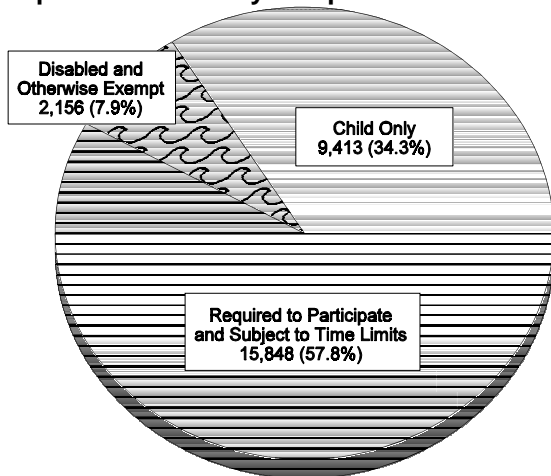
- The impact of the FI program on welfare clients, and what is happening to people who are no longer on welfare.
- The use of the surplus of welfare funds.
- The availability of services needed by welfare recipients, such as job training, child care, and transportation.

Outcomes of the Family Independence Program

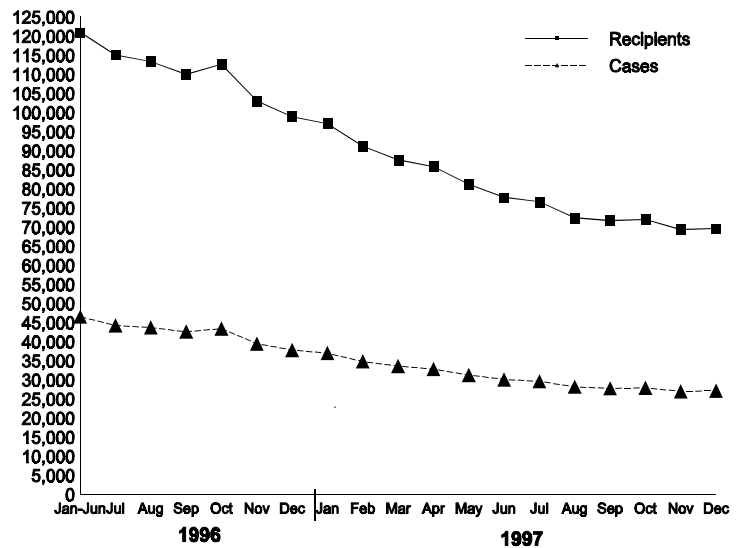
By the end of 1997, 27,417 families were on the welfare rolls in South Carolina. More than 40% of these families are exempt from work and training requirements as well as from the 24-month time limit on benefits. This includes cases that consist of children only (for example, a grandmother caring for her grandchildren and receiving welfare for them but not for herself), and families headed by an adult who is disabled or otherwise exempt.

From January 1996, when the Family Independence program began, through December 31, 1997, the decline in the number of both individuals and families receiving welfare was about 42%, which represents 38,529 fewer children and 12,832 fewer adults receiving welfare. In 15 counties, 50% or more of welfare clients have left the

Composition of Family Independence Caseload



Number of Welfare Cases and Recipients



rolls.

Of the adult clients still receiving welfare, 42.9% were actively participating in either education, training, or work activities. DSS has reported that FI clients have found 29,729 jobs lasting at least 30 days, for at least 30 hours a week, at minimum wage or above. We found, however, that:

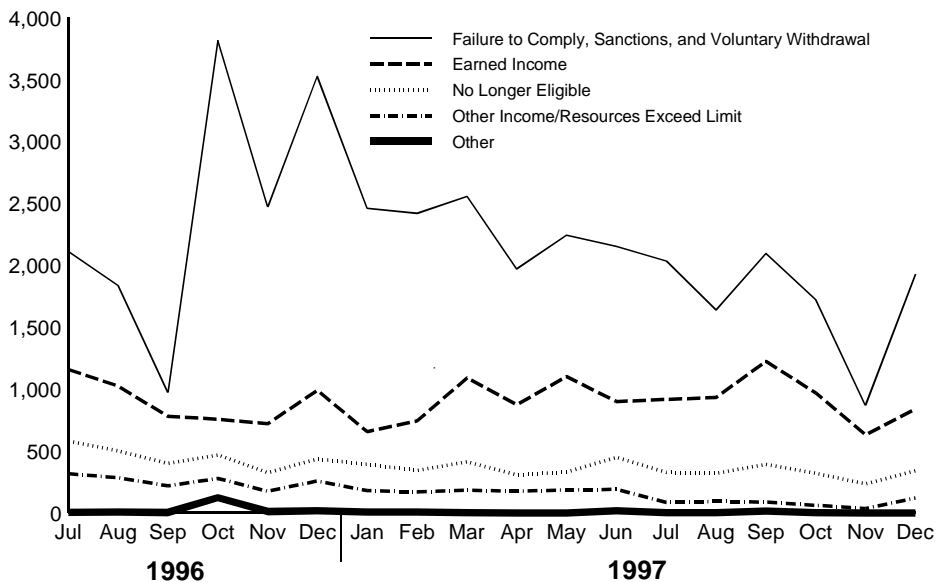
- ❑ The decrease in welfare rolls is also attributed to a healthy economy and a drop in the number of new applications for welfare.
- ❑ It may be difficult for the Family Independence program to have an impact on those cases which include children only or disabled adults.
- ❑ Finding employment does not mean the recipient will be self-sufficient. Approximately one-third of the adults on welfare have at least a part-time job.
- ❑ While the 42.9% participation exceeds federal requirements and is an improvement over the previous year, the FIA requires that all adults participate in work or training activities unless they are exempt for specific reasons.
- ❑ The job statistics are reported by county DSS offices, and are not verified by DSS staff. We did not determine how reliable these numbers are.

Reasons Clients Are Leaving Welfare

We reviewed all FI cases closed from July 1996 through December 1997, a total of 65,327 cases, to determine why individuals left welfare. Only 25% of cases were closed because recipients found jobs and were earning enough money to leave welfare. Forty-one percent (41%) of FI cases were closed because clients failed to comply with procedural requirements and/or because the clients left voluntarily. Another 18% were closed because the client

failed to participate in education, training, or employment. DSS also is conducting surveys of former FI clients in order to determine the status of these clients and how they are faring after leaving welfare. In these surveys, DSS found that:

- ❑ Approximately 60% of the former clients had jobs working an average of 34 hours per week.
 - ❑ Over 70% of the respondents felt that life was not better when they were on welfare.



About 70% of the former clients sampled thought their cases were closed because they earned too much money. DSS needs to ensure that clients inform them when leaving the FI program for employment. Many respondents to the closed case survey did not know that transitional benefits, such as child care and medicaid, may be available if they leave welfare for employment.

Beginning October 1998, families who have been on welfare for 24 months will lose benefits because of the time limits in the law. As of April 1998, 1,783 families were due to lose benefits in October. DSS

has developed policies to grant extensions of welfare benefits for certain cases.

Use of Unspent Federal and State Welfare Funding

Federal welfare reform legislation in 1996 replaced the AFDC program with the new Temporary Assistance for Needy Families (TANF) block grant. With the TANF block grant and the minimum state match, South Carolina has \$138,196,502 available each year for welfare. Because the welfare caseload has declined dramatically since FY 92-93, the state is getting more federal money under TANF than it would have received under the AFDC program. This also has created a surplus of TANF funds.

DSS projects an accumulation from FY 96-97 and FY 97-98 of \$54 million in state and federal welfare funds. Of the surplus in state funds, \$14.7 million has been transferred to other agencies to match federal programs for child care and Welfare-to-Work. As yet, DSS has not proposed specific uses for the federal portion of the surplus.

With this surplus the state has the opportunity to invest more funds in services that will increase the long-term prospects for those trying to become more self-sufficient. DSS needs to work closely with the Governor's office and the General Assembly to formulate a plan for using surplus federal funds. This could include options such as:

- Increasing current spending for transportation, job training, and child care for welfare clients.
- Creating new services that help families stay off welfare and increase their job opportunities.
- Expanding the population eligible for TANF-funded services.
- Leaving TANF money at the federal level as a reserve against a downturn in the economy.
- Improving the management information system DSS uses to track welfare clients.

Previous Recommendations

In our 1996 review of the Family Independence Act, recommendations were made concerning DSS' implementation of the FIA. We found that DSS has taken appropriate action on most of the recommendations and is conducting its own evaluations of the FI program.

Particular concerns were also noted regarding the management information systems. In the 1996 FIA review, we recommended that DSS "move as quickly as possible to improve its management information systems for the FIA." While modifications have been made, there are still some problems with the ability of these systems to provide all the necessary support for the FI program.

This document summarizes our full report, *Impact of the South Carolina Family Independence Act: 1996 to 1998*. A full report of this and all LAC audits is available free of charge. Audits published after January 1995 can also be found on the Internet at www.lpittr.state.sc.us/reports/lac.htm. New publications may not be immediately available on the Internet. If you have questions, contact George L. Schroeder, Director.

Client Services

Transportation A Major Problem for Welfare Clients

A lack of transportation currently is one of the biggest barriers to self-sufficiency facing both FI clients and low-income working families in general. Having transportation on a continuous, stable, and affordable basis remains an issue and requires more attention. Some areas of the state are completely unserved by public transit, and others have only limited public transportation services. DSS is purchasing 20 vans to transport FI clients; however, other public and private sector involvement is needed to find solutions to the transportation problem in this state. Coordination of transportation resources throughout the state may address some of the FI clients' needs, but a statutory mandate may be necessary to ensure that all issues and barriers regarding coordination are addressed.

The LAC conducted a survey of all DSS self-sufficiency case managers; 74% of the respondents felt that public transportation services for FI clients were not adequate to very inadequate. When examined by the population of the county, small- to medium-sized counties cite a bigger problem.

Adequacy of Transportation by Population of County

Population of County	Not Adequate to Very Inadequate
Less than 35,000	76%
35,001 to 100,000	90%
More than 100,000	63%

Source: LAC Survey of FI Case Managers, 1998.

The Family Independence Act requires DSS to provide transportation assistance for clients who need the services. Transportation services are provided from the support services budget in each county. The total support services budget for all the counties is \$871,185 for FY 97-98. DSS does not compile information on expenditures for transportation or the number of clients receiving transportation assistance.

Training Needed

FI clients also need more vocational training opportunities that would enable them to find jobs at higher wages. According to DSS data on client status, approximately one-third of able-bodied adult recipients are working but still receive a stipend because they do not make enough to leave welfare.

DSS has increased client participation in FI job training and educational activities, and has created some successful job skills training programs in partnerships with other state and local agencies. However, in some counties client participation is limited, and barriers exist to making this training more widely available. A sample of client records also shows that some clients are not engaging in work or training activities as required.

Use of Child Care

A shortage of child care has not emerged as a critical welfare reform issue in the way that transportation has. The use of child care by FI recipients has been less than was projected, and many welfare clients are using family or friends to care for their children. It is also possible that former clients might not be aware that they can obtain subsidized child care if they left welfare for employment.

A major concern was that, as increasing numbers of welfare recipients found employment and thus needed child care, children of nonwelfare, low-income families would be squeezed out of the subsidized child care system. Priority for child care funding in the ABC voucher system was given to welfare families, and as the number of welfare children in child care increased, the number of working poor families receiving child care decreased.

However, by early 1998 additional funding was provided for 10,000 new slots in subsidized child care for low-income children.