FINAL REPORT

Temporary Assistance for Needy Families Program (TANF) – 2011 Statutory Program Changes Contributed to Basic Assistance Enrollment Decline; Federal Funds Increasingly Being Spent on Other Allowable Uses; Opportunities to Improve Transparency and Accountability for Fund Uses Noted

Report No. SR-TANF-17

Recommendations OPEGA offers as a result of this review:

- DHHS should take measures to ensure internal documentation exists that describes and supports the Department's decisions on use of TANF funds. (pg. 40)
- The Legislature should consider amending Statute to expand DHHS annual reporting requirements for TANF. (pg. 41)
- DHHS should continue to evaluate performance measures for TANF-supported programs and services and ensure there are strong performance measures. (pg. 42)

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a report to the
Government Oversight Committee
from the
Office of Program Evaluation & Government Accountability
of the Maine State Legislature

GOVERNMENT OVERSIGHT COMMITTEE OF THE 128TH LEGISLATURE

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OPEGA is an independent staff unit overseen by the bipartisan joint legislative Government Oversight Committee (GOC). OPEGA's reviews are performed at the direction of the GOC. Independence, sufficient resources and the authorities granted to OPEGA and the GOC by the enacting statute are critical to OPEGA's ability to fully evaluate the efficiency and effectiveness of Maine government.

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Acronyms Used in This Report

ACES – Automatic Client Eligibility System
ACF – Administration for Families and Children
AFDC – Aid to Families with Dependent Children
ASPIRE – Additional Support for People in Retraining and Employment
CCDF – Child Care and Development Fund
CCP – Corrective Compliance Plan
COLA – Cost of Living Adjustment
CPS – Child Protective Services
CY – Calendar Year
DAFS – Department of Administrative and Financial Services
DCM – Division of Contract Management
DHHS – Department of Health and Human Services
EBT – Electronic Benefit Transfer
FFY – Federal Fiscal Year
FPL – Federal Poverty Level
GOC – Government Oversight Committee
Maine CDC – Maine Center for Disease Control and Prevention
MOE – Maintenance of Effort
OCFS – Office of Child and Family Services
OFA – Office of Family Assistance
OFI – Office for Family Independence
OPEGA – Office of Program Evaluation and Government Accountability
OSA – Office of the State Auditor
PaS – Parents as Scholars
PCG – Public Consulting Group
RFP – Request for Proposal
SFY – State Fiscal Year
SNAP – Supplemental Nutrition Assistance Program
SSBG – Social Services Block Grant
SSI – Supplemental Security Income
TANF – Temporary Assistance for Needy Families
USDHHS – United States Department of Health and Human Services
WEI – Work Eligible Individual
WSB – Worker Supplement Benefit

Temporary Assistance for Needy Families (TANF)– 2011 Statutory Program Changes Contributed to Basic Assistance Enrollment Decline; Federal Funds Increasingly Being Spent on Other Allowable Uses; Opportunities to Improve Transparency and Accountability for Fund Uses Noted

Introduction

The Maine Legislature's Office of Program Evaluation and Government Accountability (OPEGA) has completed a review of Maine's Temporary Assistance for Needy Families (TANF) program. OPEGA performed this review at the direction of the Government Oversight Committee (GOC) for the 128th Legislature.

TANF is a federal program, designed to help needy families achieve self-sufficiency. In Maine, it is administered by the DHHS Office for Family Independence.

TANF is a federal program that, in part, provides financial assistance to needy families with eligible dependent children. In Maine, TANF is administered by the Office for Family Independence (OFI), an office of the Maine Department of Health and Human Services (DHHS). At the federal level, TANF is administered by the Office of Family Assistance (OFA), a program office within the Administration for Children and Families (ACF), which is an operating division of the U.S. Department of Health and Human Services (USDHHS).

OPEGA began a review of Maine's TANF program in April 2017 to address public questions raised about why there had been substantial declines in the State's TANF enrollment since 2012 when statewide poverty rates had not improved. At the same time, it was noted that Maine's unobligated federal TANF block grant funds beginning State Fiscal Year (SFY) 2018 were expected to total over $110 million and there was a lack of legislative understanding as to what federal TANF funds were being spent on.

OPEGA's review focused on how Maine has used federal TANF funds, and the reasons for expenditure changes and reductions in basic assistance enrollment.

OPEGA's review focused primarily on how Maine was using federal TANF funds and the reasons for expenditure changes and enrollment reductions. Our work included an extensive review of federal and State regulations and rules, interviews with relevant State employees, and analysis of enrollment data, expenditures, and contracts. Appendix A describes our full scope and methods.

Questions, Answers and Issues

1. What are the primary contributing factors to the decline in TANF basic assistance caseload since 2010?

See pages 14-20 for more on this point

TANF basic assistance consists of cash payments, vouchers for childcare and vouchers for transportation, intended to meet the basic needs of families. Assistance group[1] enrollment for TANF basic assistance rose steadily from 2007 to 2010, increasing by 13% over that period. It dropped slightly from 2010-2011, then fell significantly from 2011-2013 decreasing by 44%. Since 2013, the decline in assistance group enrollment has continued, but more slowly, from a 17% reduction in 2013-2014 to a 7% drop in 2016-2017. The total decline from 2010 to 2017 is approximately 70%. OPEGA found the primary factors contributing to the decline in TANF basic assistance enrollment are State statutory changes and an overall reduction in applicants.

The dramatic decrease in the basic assistance enrollment in the period between 2011 and 2013 is attributable to 2011 Maine statutory changes. Federal statute prohibits the use of federal TANF grant funds to provide assistance to families that include an adult who has already received a lifetime total of 60 months of assistance, subject to a hardship extension or other exemptions. Historically, however, Maine had continued to provide families with basic assistance beyond 60 months, primarily using State funds that counted toward the Maintenance of Effort (MOE) required for the federal grant. In 2011, as part of the 2012-2013 Biennial Budget Bill, the Maine Legislature enacted changes that discontinued this practice and also required DHHS to terminate benefits if recipients were not compliant with family contract requirements. These changes to eligibility continued to have an impact, to a lesser extent, in subsequent years.

Another factor in the enrollment decline is a general decrease in demand for TANF basic assistance. Between 2010 and 2017 there was an overall steady decrease in the number of DHHS decisions made on applications received for TANF basic assistance.[2] OPEGA could not identify any legislative change or particular policy driving this decline, except for the possibility of fewer re-applications due to the 60-month lifetime limit. OPEGA did not assess the extent to which economic or demographic factors may have contributed to the decline in demand.

2. How is Maine's use of federal TANF funds and the populations served with those funds changing?

See pages 20-28 for more on this point

Maine has historically used federal TANF funds on basic assistance. As enrollment levels for basic assistance have declined, the State has been spending less of the available federal funds. Unused federal funds carry over from year to year and as of SFY17, the State's available and unused funds had accumulated to approximately $146.4 million.

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[1] DHHS determines eligibility for TANF basic assistance by assistance groups. There may be multiple assistance groups in a household and multiple individuals within an assistance group.

[2] OPEGA analyzed the number of decisions made on applications as an indicator of demand for the program as that data appeared more reliable for our purposes than data on number of applications received.

In 2016, DHHS began exploring ways in which the accumulated carryover balance could be used to support programs and services that met one or more of the four TANF purposes. Some programs and services that have been supported with General Fund dollars are now supported, at least partially, by TANF funds instead. Additionally, the Department has identified and contracted for new programs that the State had not previously funded and are believed to serve the DHHS vision of "Maine people living safe, healthy and productive lives." Currently, the uses of TANF funding include supporting various programs and services within six broad categories:

- At Risk Youth;
- Child Care;
- Child Welfare;
- Family Supports;
- Work/Education Training; and
- Administration.

As DHHS has begun using federal TANF funds in different ways, the populations served with those funds have also changed. TANF basic assistance and certain other efforts continue to serve only populations that meet specific federal financial neediness requirements. However, other programs and services currently being funded with TANF are allowed to serve other populations as well. Examples include abused and neglected children and homeless youth.

3. To what extent does DHHS have effective processes for identifying and prioritizing potential uses of TANF funds and ensuring funds are spent on allowable supports and services?

DHHS sets departmental priorities based on its vision of "Maine people living safe, healthy and productive lives," with a focus on the needs of vulnerable populations. The Department identifies programs and services that support this vision and then determines which funding source(s) are most appropriate for them.

See pages 29-32 for more on this point

DHHS contracts with Public Consulting Group (PCG) to help ensure potential programs identified for possible TANF funding are allowable by federal regulations. PCG initially assesses whether the program or service is generally allowable under the federally established TANF program purposes. If so, PCG works with DHHS and contracted agencies to develop a data collection methodology that ensures DHHS can make well-supported claims for drawdown of TANF funds for the services provided. OPEGA observed that the process involving PCG appears to be robust for ensuring allowable use of TANF funds and compliance with TANF requirements.

DHHS has developed a plan to spend down the carryover balance that has accrued, along with the new federal TANF grant received annually, for State fiscal years 2018 - 2022. The plan broadly lays out the categories of service the Department intends to prioritize with details on planned program expenditures over the five year period. It is likely this spending plan will be modified over time in response to future legislative changes and initiatives that impact the use of TANF funds.

OPEGA observed that DHHS' process for identifying, prioritizing, and deciding on uses for federal TANF funds is more flexible and less formal than a typical budget process. While OPEGA found DHHS' approach reasonable, we recommend that DHHS take steps to ensure there is sufficient transparency and accountability for the decision-making process and the resulting funding decisions.

4. To what extent does DHHS evaluate the effectiveness of programs and services supported with federal TANF funds?

See pages 32-34 for more on this point

DHHS contracts with a number of service providers to accomplish TANF purposes and meet departmental priorities. Contracts for TANF-supported programs and services are designed to lead to effective programming and contain performance measures for assessing progress towards program objectives. Contracted providers are required to regularly report to DHHS on the performance measures and DHHS reviews those reports to monitor whether expected results are being achieved. By design, as the Department monitors the performance of the contracted provider, it is also evaluating the effectiveness of the program.

OPEGA reviewed the 49 contracts active at the time of our review. We found that, overall, the required reporting on performance measures generally allows for meaningful assessment of program outcomes. All 49 contracts had established performance measures, though we observed some variation in the quality of those measures. For 46 of the 49 contracts, one or more of the performance measures was linked to expected participant outcomes. Of those 46, we observed that 42 had measures that would produce meaningful outcome data for DHHS to assess program performance.

OPEGA is aware that the Office of the State Auditor's (OSA) FY2017 Single Audit Report includes a finding related to DHHS' monitoring of performance reports related to these contracts. OSA found that DHHS did not effectively monitor subrecipients to ensure TANF funds were used for authorized purposes in compliance with Federal statutes, regulations, and the terms and conditions of the awards and that DHHS did not consistently review performance reports. DHHS agreed with the finding and reports it has been implementing measures to address this issue.

5. To what extent is DHHS taking effective action to minimize negative fiscal impacts for failing to meet TANF's work participation requirements?

See pages 34-39 for more on this point

The federal TANF program requires states to meet established work participation rates for those receiving basic assistance. States risk financial penalties if both of the rates are not met. Those rates are:

- 50% of all families receiving assistance within the state must have an adult or head of household participating in work activities for at least 30 hours per week; and
- 90% of two-parent families must have both parents participating in work activities for a combined total of at least 35 hours per week, or 55 hours for those receiving federally funded childcare assistance.

Maine did not meet both work participation rates in the period FFY07 – FFY15 and is currently at risk of penalties totaling over $20.2 million for the period FFY07 – FFY11. OPEGA observed that DHHS has been actively working with federal authorities on options available to reduce and/or eliminate the penalties. Options for mitigating the FFY07 penalty have been exhausted and DHHS expects that penalty will be imposed in FFY18. However, the Department continues to pursue all appropriate opportunities to try to mitigate the remaining penalties assessed for FFY08-11.

To reduce risk of future penalties, DHHS has taken steps to improve the effectiveness of the ASPIRE-TANF (Additional Support for People in Retraining and Employment) work program. ASPIRE-TANF is currently being administered by Fedcap, a contracted entity. The contract includes performance measures specific to achieving the work participation rates and outcomes are closely monitored by DHHS.

Additionally, DHHS is including families receiving a Worker Supplement Benefit in calculating work participation rates. This is an allowable way to increase the work participation rates and is used by other states. The benefit, however, is only $15 per month and does not provide substantial assistance to a family. The Department is working with Fedcap toward the goal of meeting work participation rates without including families receiving Worker Supplement Benefits.

OPEGA observes that DHHS' efforts to mitigate the negative fiscal impact of current penalties and reduce the risk of future penalties appear effective. As of FFY2016, Maine is meeting both the all families and two-parent families rates. In doing so, DHHS has successfully met the agreed upon corrective compliance plan for penalties assessed for the period FFY12 - FFY15 and anticipates those penalties will not be imposed.

OPEGA offers the following recommendations as a result of this review. See pages 40-42 for further discussion and our recommendations.

- Transparency and accountability for TANF spending decisions should be improved.
- DHHS should continue to improve performance measures for assessing outcomes of contracted programs.

TANF Overview

Federal TANF Program

The TANF program was enacted in 1997 by the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 to help needy families achieve self-sufficiency. The USDHHS Office of Family Assistance (OFA), a program office within the Administration for Families and Children (ACF), administers the TANF federal grant program.

TANF replaced the Aid to Families with Dependent Children (AFDC) program and expanded the ways in which states could expend funds. States now have increased flexibility in spending TANF grant funds provided they are used for one of TANF's established purposes. At the time TANF was enacted, the federal Job Opportunities and Basic Skills Training program was also replaced with ASPIRE-TANF and the Parents as Scholars (PaS) program was established.

Federal statute allows for TANF unused balances from prior years to be carried over and used on activities other than direct benefits.

In 2010, a rule change was enacted by the American Recovery and Reinvestment Act of 2009 that allowed states to use TANF program funds carried over from prior years for any allowable TANF benefit, service or activity. Previously, these funds could only be used to provide direct benefits such as cash assistance.

To be eligible for the TANF federal block grant, states must submit a State Plan every three years. The State Plan must describe how the state intends to assist needy families and provide objective criteria for the delivery of benefits and the determination of eligibility.

Federal Funding Amounts and Conditions

Federal TANF funds remain with the U.S. Treasury Office until drawn down by the state for qualifying expenses.

A state's block grant is fixed at an amount equal to its peak expenditure on AFDC-related programs between Federal Fiscal Years[3] (FFY) 92-95. States estimate their costs for the upcoming quarter and draw down funds on a weekly basis for qualifying expenses. Funds that have not been drawn down at the end of the FFY are referred to as carryover funds. They remain with the U.S. Department of Treasury until the state accesses them.

States must contribute maintenance of effort expenditures towards TANF-eligible families.

States must meet annual cost-sharing requirements, referred to as maintenance of effort (MOE). The MOE requirement is 80% of a state's FFY1994 share of expenditures during the former AFDC program. Qualifying MOE expenditures are those made on behalf of TANF-eligible families, including, but not limited to, cash assistance, child care assistance, and education activities designed to increase self-sufficiency. Additional qualifying expenditures include pro-family/healthy marriage and responsible fatherhood activities, and third-party in-kind contributions (e.g. contributions by a non- profit organization).

States must meet minimum work participation rates, or be subject to financial penalties and increased state spending contributions.

States receiving the TANF federal block grant must also meet minimum work participation rates. When work participation rates are met, a state's MOE requirement is reduced to 75% of its FFY1994 share of expenditures during the former AFDC program. States failing to meet minimum work participation rates for a fiscal year could be subject to a financial penalty, which is reflected as a reduction in TANF federal block grant funds. Additionally, states must make up for that reduction by increasing their own spending by a commensurate amount in the following federal fiscal year. States have the opportunity to claim reasonable cause or enter into a corrective compliance plan before financial penalties are imposed.

Allowable Use of Federal TANF Block Grant Funds

States are permitted to use TANF funds to meet one of four statutory purposes. Only financially needy recipients may be served by programs or services associated with the first two purposes.

According to federal statute, TANF's purpose is to increase states' flexibility in operating a program designed to:

1. provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
2. end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;

[3] The federal fiscal year begins October 1 and ends September 30.

3. prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
4. encourage the formation and maintenance of two-parent families.

TANF funds may be used on direct financial assistance, as well as child care, transportation, and programs/services meeting any one of the four purposes.

Generally, states are permitted to use the federal grant funds in any manner that is reasonably intended to accomplish one of these four purposes, or in any manner that the state was previously authorized to use funds under the AFDC program. States must *exclusively* serve the "needy," as defined by state financial eligibility criteria, when conducting activities or providing benefits to accomplish either of the first two statutory purposes. States may serve *both* the needy and non-needy using federal TANF funds for accomplishing either of the other two purposes. These regulations apply both to the agency directly administering TANF and to organizations subcontracted to provide services.

States may transfer a portion of TANF funds to their Social Services Block Grant and Child Care and Development Fund. Funds transferred to SSBG must be used for families under 200% of the federal poverty line.

TANF funds may be used on direct financial assistance and "non-assistance." Non-assistance includes child care and transportation for employed families, subsidies to employers, and programs and services such as education and training, case management, job search, and counseling. Federal regulations include express permissions for certain uses of funds including employment placement services, savings development accounts, and contracts with charitable, religious, or private organizations.

States may also transfer a maximum of 30% of annual TANF funds into the State's Social Services Block Grant (SSBG) and the Child Care and Development Fund[4] (CCDF), combined. Only 10% of the total 30% may be transferred into SSBG. All TANF funds transferred to SSBG must only be used for programs and services to children or their families whose income is less than 200% of the federal poverty line.

Federal regulations restrict states from using funds to provide assistance in specified situations. For example, federal funds cannot be used to provide basic assistance to a family with an adult who has already received 60 months of assistance in his/her lifetime.

Federal regulations also specifically restrict states from using funds to provide assistance for the following:

- a family that does not include a minor child who resides with the family or a pregnant individual;
- teenage parents who do not attend high school or an equivalent training, or who do not live in adult-supervised settings;
- medical services;
- a family that includes an adult who has received assistance for 60 months (including non-consecutive months), subject to hardship extension;
- cash assistance for a period of 10 years to a person found to have fraudulently misrepresented their residence to obtain assistance;
- fugitive felons and probation/parole violators; and
- minor children who are absent from the home for a significant period of time.

[4] The CCDF is also referred to as the Child Care Development Block Grant.

Federal Monitoring of TANF

Maine's use of TANF funds is monitored by the federal Administration for Families & Children and Maine's Office of the State Auditor.

ACF oversees states' use of TANF funds through mandated annual and quarterly reporting of expenditures. TANF programs are also audited by state entities, on behalf of ACF. In Maine, OSA performs an annual audit of the State's administration of the TANF program as part of the larger Single Audit.

OSA uses the Office of Management and Budget Compliance Supplement to ensure important compliance requirements are met. As directed by the supplement, OSA's audit of TANF addresses allowed and unallowed activities, including transfers of funds to the SSBG and CCDF; eligibility requirements for assistance recipients; MOE requirements; earmarking of funds; reporting of expenditures and work participation rates; and special tests and provisions.

During the 2016 Single Audit, OSA identified two material weaknesses[5]:

In the 2016 Single Audit, OSA identified issues with transfers to SSBG and subrecipient monitoring. DHHS disagreed with these findings.

- TANF grant funds transferred to SSBG were used for unallowable purposes; and
- monitoring of subrecipients needs improvement.

The Department disagreed with both findings. With regard to the transfer to SSBG, DHHS explained that they determined the transfer did not meet the federal requirements and reversed the transfer in the same fiscal year, such that it did not impact the federal grant. With regard to monitoring subrecipients, DHHS explained that they had already implemented measures to enhance subrecipient guidance and standardized reporting. DHHS also noted that it believed OSA misunderstood federal requirements, as the TANF-funded services were reasonably calculated to accomplish TANF purposes three or four, which was allowable.

During the 2017 Single Audit, OSA identified two material weaknesses:

- performance monitoring of TANF subrecipients needs improvement; and
- subrecipient contracts need to be updated and monitoring of subrecipient financial information needs improvement.

In the 2017 Single Audit, OSA identified weaknesses with contracts and DHHS monitoring of subrecipients for performance and financial compliance. DHHS agreed with parts of these findings.

DHHS agreed with the first finding and stated that it will look to improve its monitoring of subrecipients by implementing increased protocols including revising performance reports. DHHS agreed with some parts of the second finding and disagreed with others. DHHS stated that it agreed that some required elements were not included in subrecipient contracts and that some financial reports were not signed and some were missing. However, DHHS said that it does monitor subrecipients to ensure they are drawing federal funds in accordance with cash management requirements.

[5] A material weakness in internal control is defined as a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program would not be prevented, or detected and corrected on a timely basis.

Maine's TANF Program

Maine's annual TANF award is approximately $78 million and its MOE requirement is approximately $37.7 million.

Maine's annual federal block grant is approximately $78 million. The amount has not changed since TANF's inception in 1997. Maine's MOE requirement is $37.7 million annually, provided work participation rates are met. For years in which work participation rates are not met, the MOE is $40 million.

Maine P.L. 1997, ch. 530 enacted the TANF program at the State level and required DHHS to establish eligibility criteria and benefit levels. Since that time, every Maine Legislature except the 121st Legislature has passed legislation impacting the program. Maine's current TANF statute is captured in 22 M.R.S. ch. 1053-B.

Maine statute requires DHHS to report annually on the TANF program to the Legislature's Joint Standing Committee on Health and Human Services.

Maine statute states that DHHS shall promote family economic self-support and assist parents who receive TANF assistance to move as quickly as possible into employment that will sustain the family. Statute requires DHHS to report annually on the TANF program to the Legislature's Joint Standing Committee on Health and Human Services. The report is to include, but is not limited to:

- the number of TANF households and family members;
- the number of TANF participants in training, education, and work activities;
- the rates at which individuals who have found employment through ASPIRE return to the TANF program; and
- a summary of any federal laws enacted in the previous fiscal year that may require changes to the ASPIRE program and the potential impact of these changes on both TANF and ASPIRE.

Legislative history

In 2011, the Legislature enacted a 60-month lifetime limit for TANF basic assistance. Prior to this change, Maine funded benefits continuing beyond 60 months with State resources as part of the MOE.

Maine's Legislature has enacted many changes to the State TANF statute over the last decade. Several significant changes were enacted through the 2011 budget bill for the FY12 – FY13 biennium. The most notable change was the implementation of the 60-month lifetime limit for individuals to receive assistance, subject to the hardship exception. Prior to this change, Maine funded benefits continuing beyond 60 months with state resources with the amount of assistance counting toward the State's MOE requirement. An additional significant change in the same year was the requirement for DHHS to terminate benefits if a recipient refuses to sign, or fails to comply with, a family contract. Other changes in 2011 included:

Also in 2011, the Legislature enacted a requirement for DHHS to terminate benefits if a recipient does not comply with certain program requirements.

- elimination of TANF for certain non-citizens;
- permission to administer drug tests for TANF recipients convicted of a drug-related felony and to terminate assistance for a positive test, subject to conditions; and
- removal of a requirement for DHHS to provide transitional food benefits to ASPIRE participants who lose TANF eligibility due to employment and replacement of that requirement with the discretion to provide limited transitional food benefits to SNAP (Supplemental Nutrition Assistance Program) recipients with children who are working (also referred to as the Worker Supplement Benefit).

More recently enacted changes became effective October 1, 2017. These include:

- elimination of the deprivation eligibility requirement[6];
- an increase of the benefit amount by 20% and annual Cost of Living Adjustment (COLA) thereafter;
- an increase to the special needs housing allowance and eligibility;
- one-time stipends for obtaining employment for four months;
- an expansion of Low Income Home Energy Assistance Program; and
- the Working Cars for Working Families Program to provide vehicles for TANF families.

Several other legislative changes occurred in 2017 and 2018 that impact the TANF program, including eligibility and benefit amounts.

Other changes passed during the second regular session of the 128th Legislature include:

- a provision to provide child care when necessary to permit a TANF-eligible family member to participate in the ASPIRE-TANF program; and
- the Higher Opportunity for Pathways to Employment Program, for which certain TANF recipients are eligible.

Administration

OFI administers the TANF program, monitors federal fund and MOE expenditures, and determines eligibility for applicants for TANF and other public assistance.

In Maine, TANF is administered by OFI, within DHHS. The office is responsible for identifying and implementing a sustainable plan for TANF federal fund expenditure and managing MOE spending requirements. OFI and the Service Center at the Department of Administrative and Financial Services are responsible for reporting both the federal fund and MOE expenditures to ACF. OFI also determines eligibility of applicants for public assistance including TANF, SNAP and MaineCare. Additionally, OFI is responsible for developing Maine's TANF State Plan. The current plan became effective January 1, 2018 and expires December 31, 2020.

TANF Basic Assistance Benefits

Benefits Description

Cash payments and vouchers to meet a family's basic needs are referred to as "basic assistance". They are intended for shelter, transport, clothing, and other necessities. Certain purchases are prohibited.

TANF basic assistance includes cash payments and vouchers to meet a family's ongoing basic needs. Cash payments are transferred via an electronic benefits transfer (EBT) card monthly, paid directly to a landlord or other vendor, or deposited into a bank account.

The funds are intended for shelter, utilities, transportation, clothing, personal hygiene, household maintenance, employment or school-related items and other necessary incidentals. TANF recipients are prohibited from using the EBT system to pay for tobacco products, liquor, gambling, lotteries, bail, firearms, vacation services, obscene entertainment, tattoos or retail marijuana or marijuana products.

6 Prior to this change, children had to be deprived of parental support or care due to death/absence/incapacity/or underemployment of a parent, in order to be eligible for TANF.

Basic assistance can also be delivered to families through vouchers and payments for basic needs such as transportation and child care.

Basic Assistance Application Process

TANF basic assistance applicants complete an application, interview, and orientation, and sign a family contract. The family contract is an agreement between recipients and DHHS.

Applicants for TANF basic assistance complete and sign an application and have a face-to-face interview with a DHHS OFI eligibility worker. They must attend an orientation meeting within 30 days of application and sign a family contract agreeing to program requirements, including ASPIRE-TANF requirements for those mandated to participate in the work program. Eligibility is determined after both the initial interview and the orientation meeting are completed.

Applicants for TANF may also be applying for other benefits. One application is completed for TANF, Food Supplement (SNAP) and MaineCare eligibility, with the applicant indicating which of the benefits they are applying for. If an applicant is eligible for TANF, they are also eligible for SNAP. MaineCare eligibility is considered separately.

The TANF application collects demographic and financial information from applicants to determine eligibility.

Applications for TANF may be completed and mailed to DHHS, completed and submitted in person at a DHHS office, or completed electronically through a DHHS website called My Maine Connection. The signature block of the application states that the applicant is certifying the information provided under penalty of perjury. The application contains sections related to residency, citizenship, children in the household, deprivation, household members, expenses, income, and assets.

During the in-person interview, the eligibility worker gains a clear understanding of the recipient's situation. The worker also discusses the TANF program, requirements for participation, accountability, orientation, child support obligation, and other related services. At the end of the interview, the eligibility worker must request all information needed to verify information and process the application. This includes documents that verify identification and residence, finances, employment status, immigration status and other related information.

Eligibility for basic assistance is based on "assistance groups," generally consisting of dependent children, their parent(s), and siblings. Households may have more than one assistance group eligible for TANF.

Eligibility for basic assistance is based on "assistance groups," which generally consist of dependent children and their parent(s)/caretaker(s), siblings and half siblings living in the same household. A household may have multiple assistance groups based on household composition.

Once an applicant is found eligible, the benefit amount is determined. The Automated Client Eligibility System (ACES) calculates the benefit based on the applicant's countable income. At the time of OPEGA's review, the basic monthly TANF benefit for an eligible single parent with two children was a maximum of $582. States determine the amount of income a family needs to pay for their most basic needs by family size. This standard of need is periodically adjusted.

Basic Assistance Eligibility Requirements

There are both non-financial and financial eligibility requirements to receive TANF basic assistance benefits. Generally, to qualify for TANF, an applicant must:

- live in Maine;
- be a US citizen or meet certain immigration requirements;

- be at least six months pregnant; or have a child under age 18 (or up to age 21 if in High School) living with applicant;
- have income and assets below TANF limits; and
- develop and sign the family contract, an agreement on services DHHS will provide and how recipients must comply to receive services.

TANF recipients are required to report changes in income within 10 days and verify financial and demographic information yearly.

In order to be eligible during the time period reviewed by OPEGA, the child had to be without support from a parent due to the parent being continually absent from home, unemployed, disabled, or deceased. This deprivation requirement was removed through legislation effective October 2017.

Once receiving TANF benefits, the recipient is subject to ongoing eligibility requirements. Any changes that may impact eligibility are required to be reported to DHHS within ten days of occurrence, including changes in income. Annually, recipients are recertified, which requires an interview and verification of finances and demographic information.

Most adult TANF recipients must participate in the ASPIRE work, education and training program to receive basic assistance benefits.

To remain eligible for basic assistance benefits, most adult recipients must participate in the work, education, and training program Additional Support for People in Retraining and Employment (ASPIRE-TANF). The principal goal of the program is to help TANF recipients obtain and retain employment to sustain the family. Additional support services include transportation, car repairs, car insurance, child care uniforms, work boots, and other items necessary for retaining employment.

Basic Assistance Lifetime Limit

As previously described, in 2012 Maine implemented a 60-month lifetime limit for basic assistance benefits that mirrored the limit in the federal program. The count for the 60 months begins on June 1, 1997, and also includes months TANF was received in another state. Some families may be eligible to receive TANF cash assistance for longer than 60 months if they qualify for certain exemptions or extensions.

Hardship Extensions

TANF recipients reaching the 60-month limit for benefits may receive a hardship extension, if qualified.

DHHS may grant hardship extensions to adult or minor parent head of households who apply for and prove that they meet the particular requirements for one of eight defined hardship extensions:

- Domestic Violence - the recipient is currently experiencing domestic violence or suffering from the effects of past domestic violence;
- Disability - the recipient has a disability;
- Caring for a Significantly Disabled Family Member - the recipient is needed to care for a family member with a serious disability;
- Education or Training - the recipient, in the 60th month of receiving TANF, is participating in an approved education or training program;
- Working Families - the recipient is working at least 35 hours a week and is still financially eligible for TANF;

- Pregnancy - the recipient is the only adult living in the household and is in the last trimester of pregnancy when the 60-month lifetime limit is reached;
- Job Loss - the recipient has been employed for at least 12 months after reaching their 60-month lifetime limit, then loses their job through no fault of their own, but are not eligible for unemployment benefits because they did not have enough earnings to qualify;
- Emergency Situation - the family faces circumstances beyond the control of the family and prevents them from working (for example, the death of a family member, homelessness due to a natural disaster, or being the victim of a violent crime).

To qualify for a hardship extension, the recipient must request the extension and provide any required verifications. At month 55, the recipient will receive a notice from DHHS that they are going to reach the 60-month limit in 5 months. The notice outlines the hardship extension criteria and explains that recipients can request an extension at the end of the 60 months. The notice also lists the specific qualifying reasons for an extension along with who to contact at DHHS. Ninety days before the 60-month limit is reached, recipients receive a second notice with the same information.

The DHHS Central Office reviews the request and makes the decision on whether to approve or deny the request. The determination to approve or deny a hardship extension is made based on the criteria and the supporting evidence. For example, if the recipient is claiming disability, medical documentation may be needed.

Extensions are generally granted for up to 6 months.

Extensions may be granted for up to six months. Generally, nothing is required of the recipient to retain the extension during the six month period. Additional extensions are allowed for some types of hardships. The allowable, additional extensions for each type of hardship extension are described in Table 1.

Table 1. Hardship Extensions and Additional Extensions By Type

Type	Initial Extension	Additional Extensions
Domestic Violence	Up to 6 months	Unlimited, as long as recipient continues to qualify at the end of each extension
Disability	Up to 6 months	Unlimited, as long as recipient continues to qualify at the end of each extension
Caring for a Significantly Disabled Family Member	Up to 6 months	Unlimited, as long as recipient continues to qualify at the end of each extension
Education or Training	Up to 6 months	None available, as initial criteria includes that the recipient is in their 60th month of receipt of TANF
Working Families	Up to 6 months	Unlimited, as long as recipient continues to qualify at the end of each extension
Pregnancy	Up to 6 months	None available, as initial criteria includes that the recipient is in their 60th months of receipt of TANF
Job Loss	Up to 6 months	Unlimited, as long as recipient continues to qualify at the end of each extension, provided there is a break in TANF for at least 12 months between the extension periods
Emergency Situation	Up to 6 months	Unspecified

Source: DHHS Maine Public Assistance Manual, Chapter 1, pages 22-31

Exemptions

As with extensions, a family may receive TANF assistance for longer than 60 months in a lifetime if the Department determines that the family qualifies for an exemption. The following recipients are exempt from the lifetime limit:

Exemptions from the 60-month limit are granted to child-only assistance groups, adults living in Indian Territory with 50% unemployment, and other limited circumstances.

- a minor child(ren) living with a single parent who receives Supplemental Security Income (SSI), or with two parents who both receive SSI benefits;
- a minor child(ren) living with a legally responsible non-parent caretaker relative who is not in the assistance unit; and
- an adult living in Indian Territory of Trust Lands where at least 50% of the adults were not employed.

Additionally, recipients may have months exempted from the 60-month count that meet the following conditions:

- any month in which an individual is a pregnant or minor parent who is not the head of household; and
- any month is which the family received only non-cash assistance, including alternative aid, emergency assistance, ASPIRE-TANF support services, transitional child care and transportation.

TANF Basic Assistance Enrollment Decline

From 2010 to 2017, TANF basic assistance enrollment decreased by 70%. OPEGA analyzed enrollment data to understand the decline in TANF basic assistance.

From 2010 to 2017, TANF basic assistance enrollment decreased by 70%. OPEGA analyzed TANF data relevant to enrollment levels in this time period to understand the decline and identify the primary contributing factors. We looked at data regarding applications, case closures, hardship exceptions and exemptions. We selected December 31st of each year as the point in time for determining if TANF cases were open or closed, as it is possible for TANF recipients to enter and leave the program many times throughout the year.

Basic Assistance Enrollment Trend

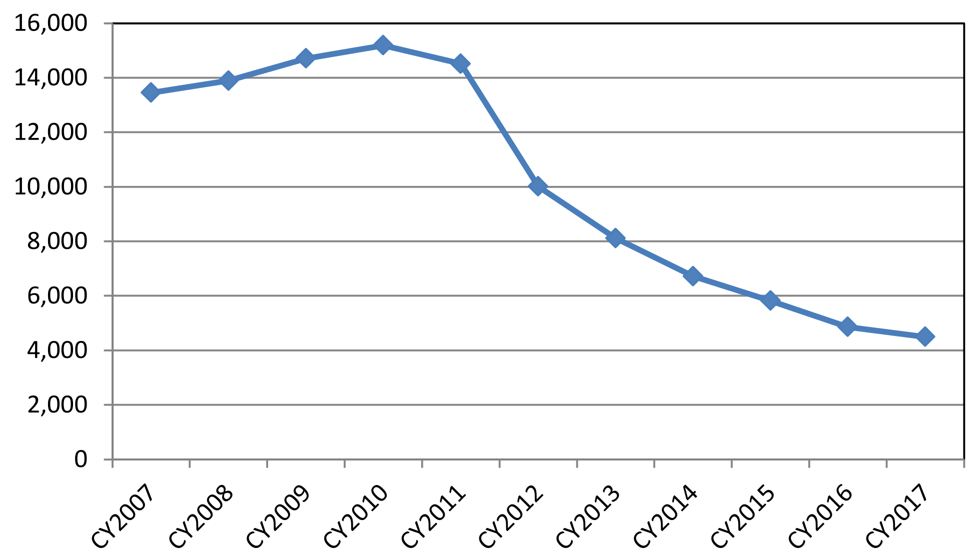
Enrollment grew from 2007-2010 and declined significantly from 2011-2012. It has steadily decreased through 2017.

From calendar years (CY) 2007 to 2010, the number of assistance groups enrolled in TANF steadily increased each year reaching peak enrollment levels of 15,188 assistance groups in CY10. Assistance groups can include multiple individuals and there were 39,376 individuals captured within the 15,188 assistance groups in CY10. From CY10 to CY11, TANF enrollment decreased more than 4.5% to 14,510 assistance groups and 37,341 individuals. The decline continued with a significant decrease of 31% from CY11 to CY12 when enrollment was at 10,009 assistance groups. From CY12 to CY17, enrollment continued to decline annually.

Overall, from CY10 to CY17, TANF enrollment decreased more than 70% to 4,492 assistance groups comprised of 10,902 individuals, with the most significant decrease occurring between CY11 and CY12. Figure 1 illustrates the trend in assistance group enrollment. Table 2 details the number of assistance groups enrolled, percent changes from year to year, and the number of individuals captured in the enrolled assistance groups for that period.

Table 2: Annual TANF Assistance Group Enrollment CY07 – CY17											
	CY07	CY08	CY09	CY10	CY11	CY12	CY13	CY14	CY15	CY16	CY17
# of Assistance Groups	13,451	13,890	14,705	15,188	14,510	10,009	8,117	6,716	5,817	4,855	4,492
% Change from Prior Year		3.3%	5.9%	3.3%	-4.5%	-31.0%	-18.9%	-17.3%	-13.4%	-16.5%	-7.5%
# of Individuals in Assistance Groups	34,247	35,616	38,151	39,376	37,341	24,434	19,388	15,885	13,558	11,424	10,902
Source: OPEGA's analysis of ACES data provided by DHHS											

Figure 1. Trend in TANF Assistance Group Enrollment CY07 – CY10



Source: OPEGA's analysis of ACES data provided by DHHS

Basic Assistance Closures

OPEGA analyzed basic assistance closure rates to determine how they related to enrollment.

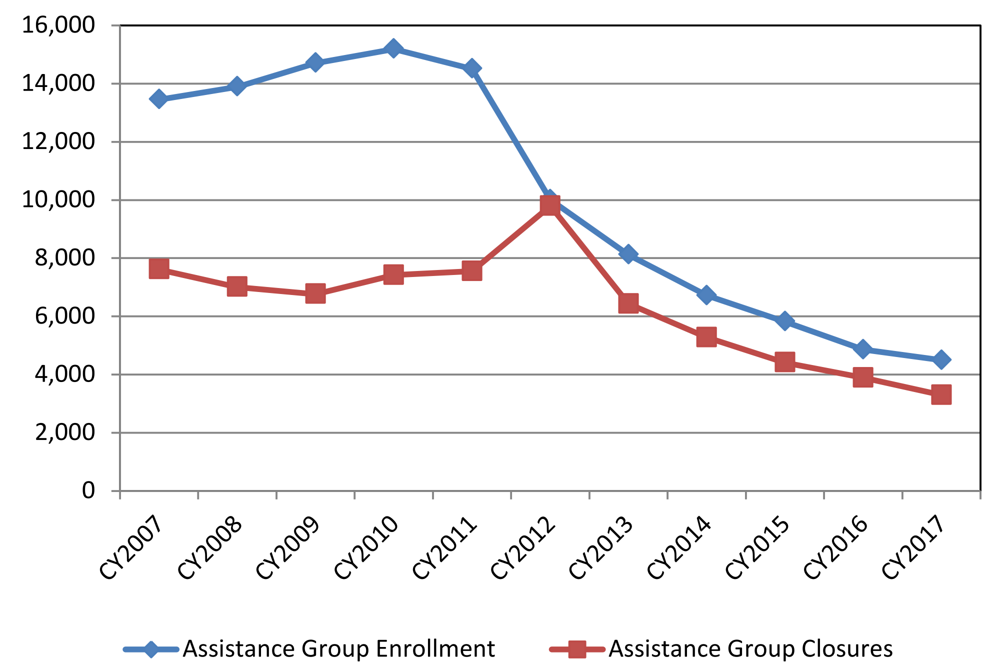
OPEGA analyzed data on basic assistance closures to determine how closure activity related to the decline in enrollment. We observed that closures are largely a function of enrollment, in that an assistance group must first be enrolled in the program before it can be closed.

In the period CY07-CY09, as enrollment generally increased, the number of closures modestly declined. Closures modestly increased in CY10 and CY11 but then rose substantially in CY12 to 9,794 closures, a 30% increase from CY11. From CY13 to CY17, the number of closures has steadily decreased each year trending with the decline in enrollment over that time period.

Figure 2 illustrates the trend in assistance group closures relevant to the enrollment trend. Table 3 details the number of annual closures and enrolled assistance groups for CY07 – CY17.

Table 3: TANF Assistance Group Enrollments and Closures By Year CY07–CY17											
	CY07	CY08	CY09	CY10	CY11	CY12	CY13	CY14	CY15	CY16	CY17
Enrollment	13,451	13,890	14,705	15,188	14,510	10,009	8,117	6,716	5,817	4,855	4,492
Closures	7,612	7,005	6,762	7,421	7,553	9,794	6,428	5,275	4,408	3,890	3,294
Source: OPEGA's analysis of ACES data provided by DHHS											

Figure 2. Trend in Assistance Group Closures Compared to Enrollment CY07-CY17



Source: OPEGA's analysis of ACES data provided by DHHS

A significant increase in closures of basic assistance cases can be attributed to 2011 statutory changes.

OPEGA notes that the significant increase in the number of basic assistance closures in CY12 coincides with the statutory changes made to the program beginning that year. Our further analysis of annual closures by closure reason code shows that indeed these changes were the key factors in the CY12 spike in closures.

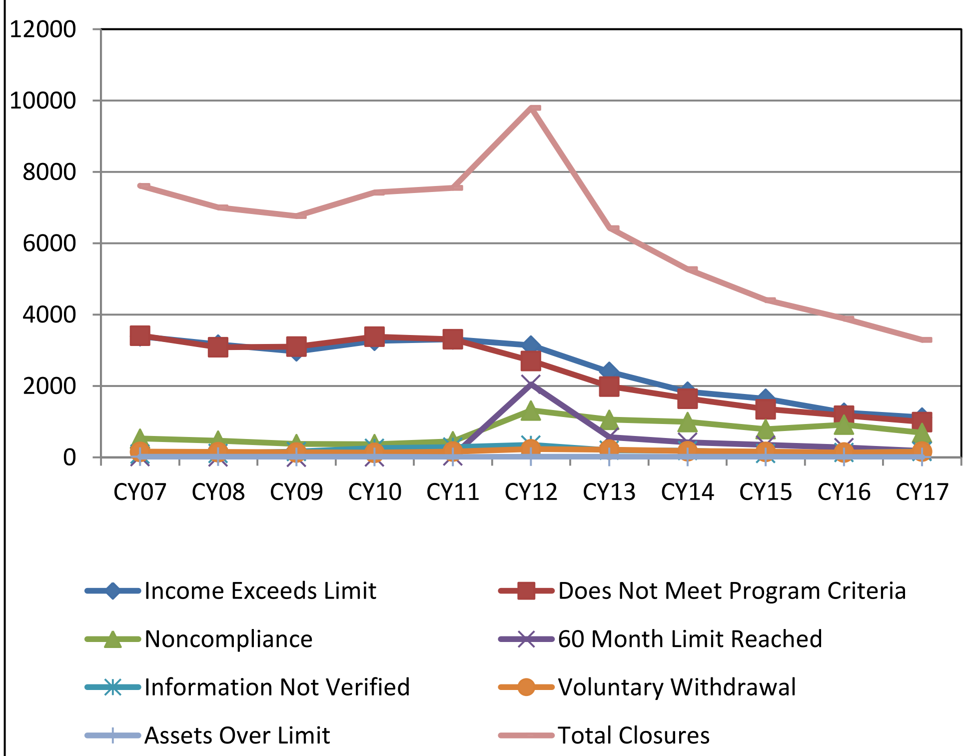
DHHS assigns closure reasons to basic assistance cases according to a hierarchy established within ACES. For our analysis, we assigned those closure reason codes to one of seven broad categories we established as described in Table 4.

The number of closures from TANF basic assistance due to reaching the 60-month limit and for non-compliance spiked in 2012.

Over the years CY07-CY17, the two primary closure categories are consistently Does Not Meet Program Criteria and Income Over Limit. As shown in Figure 3, however, two other closure categories stood out for significant increases in CY12. One of those categories is for recipients reaching the 60-month lifetime limit for benefits. The other category is Noncompliance which includes the failure to sign, or comply with, a family contract including meeting ASPIRE-TANF requirements. Closures overall and, in most categories, have been on the decline since CY13 consistent with the trend in enrollment.

Table 4. Basic Assistance Case Closure and Eligibility Denial Categories as Established by OPEGA	
Category	**Description**
60-Month Lifetime Limit	Recipient/applicant has met or exceeds the 60-month lifetime limit on basic assistance benefits.
Income Over Limit	Recipient's/applicant's gross or net income exceeds TANF income limit.
Information Not Verified	Recipient/applicant failed to provide required verifications on income, residency, identity or employment.
Voluntary Withdrawal	Recipient/applicant voluntarily withdrew from program.
Noncompliance	Recipient/applicant is non-compliant with program or application requirements including: failure to complete required interview or orientation, failure to sign or comply with a family contract including meet ASPIRE requirements, failure to cooperate with Quality Assurance activities.
Assets Over Limit	Recipient/applicant has countable assets over the TANF limit of $2000.
Does not Meet Program Criteria	Recipient/applicant does not meet some aspect of TANF requirements such as: no eligible or dependent child, no eligible individual, or does not meet residency or pregnancy requirements.

Figure 3. Trend in Assistance Group Closures by Reason Categories CY07-CY17



Source: OPEGA's analysis of ACES data provided by DHHS

Since CY12, closures for reaching the 60-month limit have diminished as a percent of total closures. Closures for noncompliance have continued to increase as a percent of total closures though the actual number of closures for this reason have declined.

Over time, closures related to the 60-month lifetime limit have diminished as a percentage of total closures. In CY12, 20.89% of assistance group closures were in this category compared to 5.28% in CY17. This would be expected as assistance groups who are at the limit would not be getting re-enrolled. Although the number of closures for noncompliance continues to decrease, those closures as a percentage of the total continues to increase from over 12% in CY12 to over 20% of total closures in CY17, due to the overall decrease in closures. Together, these two closure reasons—or more specifically, the 2011 statutory changes—are primary contributing factors to the TANF basic assistance enrollment decline.

Demand for TANF Basic Assistance

OPEGA also analyzed whether the demand for TANF benefits, or denials of benefits requests, contributed to the decline in enrollment.

OPEGA also sought to determine whether the demand for TANF benefits or DHHS denials of these requests were contributing factors to the TANF basic assistance enrollment decline. We analyzed demand based on the number of DHHS eligibility decisions made on assistance groups, as DHHS application data was not sufficient for our use.

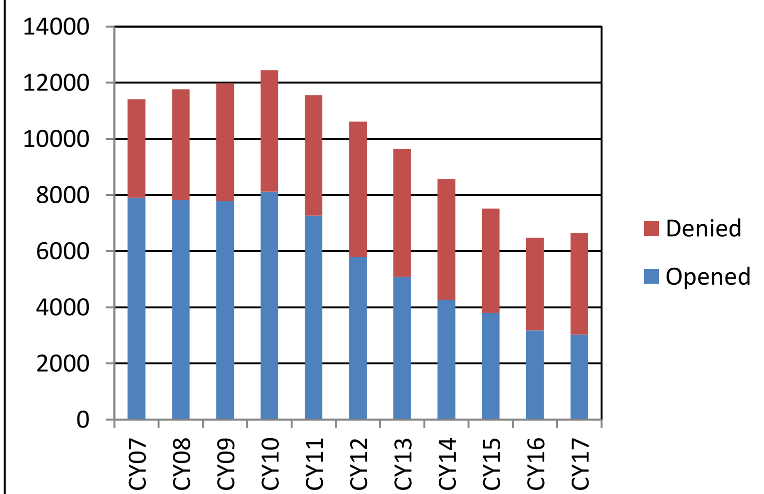
We measured demand using the numbers of eligibility decisions made regarding applications for benefits.

Applications are generally submitted by households, but there may be multiple assistance groups within a household. This could result in multiple decisions on a single application depending on the timing and completeness of the materials submitted. Additionally, as TANF cases may close and re-open for a variety of reasons throughout the year, assistance groups may have more than one eligibility decision in a year; all such decisions were captured in our analysis. We note that, due to these limitations, the numbers of eligibility decisions are not directly comparable to enrollment and closure numbers. Nonetheless, we determined the percentage change in eligibility decisions over time to be a reasonable measure of demand.

We observed the number of assistance groups seeking TANF basic assistance benefits decreased from 2001-2017.

The number of eligibility decisions increased by 9% from CY07 to CY10, but decreased steadily from CFY10 to CFY16 with a modest increase in CY17. Overall, the number of decisions decreased 47% from CFY10 to CFY17. This would indicate the number of assistance groups seeking basic assistance benefits decreased during this period. The trend is illustrated in Figure 4. Details on annual numbers of decisions and the percent of those with cases opened versus denied are presented in Table 5.

Figure 4. TANF Assistance Group Eligibility Decisions CY07-CY17



Source: OPEGA's analysis of ACES data provided by DHHS

Table 5: Eligibility Decisions on TANF Assistance Groups by Year CY07-CY17 with Percent Open and Denied

	CY07	CY08	CY09	CY10	CY11	CY12	CY13	CY14	CY15	CY16	CY17
Opened	7,896	7,808	7,792	8,122	7,258	5,788	5,090	4,253	3,803	3,179	3,032
Percent opened	69.2%	66.4%	65.1%	65.2%	62.8%	54.5%	52.8%	49.6%	50.6%	49.1%	45.7%
Denied	3,518	3,951	4,183	4,328	4,301	4,826	4,552	4,323	3,713	3,295	3,603
Percent denied	30.8%	33.6%	34.9%	34.8%	37.2%	45.5%	47.2%	50.4%	49.4%	50.9%	54.3%
Total decisions	**11,414**	**11,759**	**11,974**	**12,450**	**11,559**	**10,614**	**9,642**	**8,576**	**7,516**	**6,474**	**6,635**

Source: OPEGA's analysis of ACES data provided by DHHS

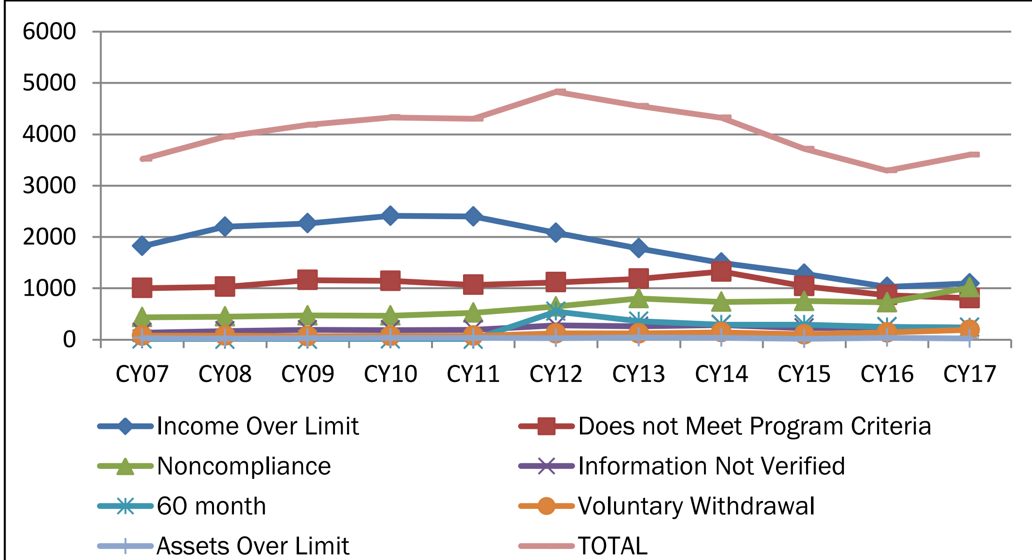
OPEGA analysis of eligibility denials found the top reasons for denial were applicants' income over the limit and applicants not meeting program criteria.

OPEGA also analyzed the reasons for denials in each year with denial reasons assigned to the same categories as closure reasons we describe in Table 4 on page 17. Consistent with the closure trend data, the most common denial categories overall were Income over the Limit and Does Not Meet Program Criteria. These two categories accounted for about 80% of all denials in each year from CY07 to CY11. That percentage dropped to between about 53-66% in each year from CY12 to CY17 but still represented the majority of denials.

In 2012, there was a significant increase in denial of benefits due to the 60-month lifetime limit.

The most notable change in denial reasons involves the 60-month lifetime limit. From CY07 to CY11, the number of denials due to the 60-month lifetime limit averaged four per year. The number of denials for this reason jumped to 549 in CY12 and has averaged 286 per year for CY13 to CY17.

Figure 5. Trend in TANF Eligibility Denials by Reason Category CY07-CY17



Source: OPEGA's analysis of ACES data provided by DHHS

Hardship Extensions and Exemptions

Hardship extensions were first used in 2012, following the State-level implementation of the 60-month lifetime limit on TANF basic assistance benefits. OPEGA analyzed data on hardships extensions, as well as allowable exemptions from the limit, to identify whether any potential changes in this component of enrollment were contributing to the basic assistance enrollment decline. Overall, OPEGA found that hardship extensions, child-only exemptions and Tribal exemptions had very little impact on overall enrollment trends as the number of requests and denials for extensions and exemptions are quite small compared to annual enrollments.

Hardship extensions, child-only exemptions, and Tribal exemptions had very little impact on overall enrollment trends, due to the low numbers of recipients receiving extensions or exemptions.

Over the period, hardship extension requests decreased 63.2% from 1,424 requests in 2012 to 524 requests in 2017. As the number of requests decreased, the percentage of requests denied increased from 42.1% in 2012 to 53.1% in 2017. OPEGA did not observe any policy changes during this period that would account for this increase in denials. We also noted there were few Tribal exemptions compared to the total enrollments, with 642 exemptions from 2012-2017. The percentage of child-only exemptions has declined consistently with the drop in enrollment, from 5,618 exemptions in 2012 to 2,647 exemptions in 2017.

Changing Use of Federal TANF Funds

As TANF basic assistance enrollment has decreased, Maine has begun to spend federal TANF funds in different ways.

Maine's annual federal block grant totals $78 million—an amount that has not changed since the inception of the current TANF program in 1997. As the TANF basic assistance enrollment levels have decreased, Maine has begun to spend federal TANF funds in different ways. States have flexibility in how these funds are used and DHHS describes their current use of these funds within the framework of six broad categories:

- administration;
- at risk youth;
- child care;
- child welfare;
- family supports; and
- work/education training.

OPEGA analyzed the State's expenditures associated with federal TANF block grant dollars from SFY08-SFY17. Analyzing historical trends for DHHS' currently defined categories required an extensive matching of expenditure account codes to those categories. We note this analysis is only focused on federal TANF funds, and does not include any expenditures made for the State's MOE.

Federal TANF Expenditure Trends

OPEGA analyzed the State's expenditure of federal TANF funds from FY08-FY17 and found notable changes in TANF spending, particularly after the 2011 statutory program changes.

OPEGA's analysis shows significant change in federal TANF fund expenditures in total and within the six categories over the period SFY08 to SFY17. Most of these changes occur after the implementation of the 60-month lifetime limit and termination of benefits due to basic assistance recipients' noncompliance with program requirements.

From SFY08 to SFY12, total annual TANF federal fund expenditures averaged nearly $79 million, roughly the amount of the federal TANF funds awarded to the State annually. The expenditures included:

- Family Support Services, which comprised between 82.7% and 89.2% of total annual expenditures;
- Administration, between 5.5% and 9.2% of annual expenditures;
- Work/Education Training, between 4.1% and 6.0% of annual expenditures; and
- Child Welfare, between 0% and 3.8% of annual expenditures.

Spending on Family Supports, which includes basic assistance, decreased by $24 million from SFY12 to SFY13. These reduced expenditures created the first significant carryover balance of unused federal funds.

The decline in TANF basic assistance enrollment, discussed previously in this report, is reflected in Maine's federal TANF expenditure trends. The impacts of the program changes affecting enrollment were experienced in SFY13 as total expenditures were roughly $54 million—a decrease of $24 million from the previous year—with nearly all of this decrease occurring within the Family Support Services category. Despite this significant decrease in one category, the distribution of the expenditures among the major categories remained similar to prior years with Family Support Services comprising 83.7% of the year's total TANF expenditures.

The reduced expenditures in SFY13 created the first significant carryover balance of unused federal funds. These carryover funds remain with the federal government, but are not forfeited by the State. The funds can continue to rollover and be used in the future, and can be used in any manner consistent with any of the TANF purposes—not just basic assistance. A summary of annual federal TANF awards, annual expenditures of these funds, and resulting carryover balances from SFY13 to SFY17 are presented in Table 6.

Table 6: Federal TANF Funds Awarded and Expended, SFY13-SFY17

	SFY13	SFY14	SFY15	SFY16	SFY17
Federal Award	$78,120,889	$78,120,889	$78,120,889	$78,120,889	$78,120,889
Federal Funds Spent	$54,113,671	$49,040,330	$42,244,586	$42,119,641	$56,682,901
Federal Funds Remaining	$24,007,218	$29,080,559	$35,876,303	$36,001,248	$21,437,988
Cumulative Carryover Balance	$24,007,218	$53,087,777	$88,964,080	$124,965,327	$146,403,316

Source: Annual federal award from ACF; OPEGA analysis of expenditures from State's accounting system

Beginning in SFY14, DHHS began spending federal TANF funds on new programs and services. The Department also began to identify programs supported by General Fund that could be funded by TANF.

SFY14 through SFY16 also saw a decline in total annual TANF expenditures. However, unlike SFY13, this period was characterized by a change in the distribution of expenditures among the major categories as the Department sought and found other allowable uses of TANF funds. The Department described this occurring through two means:

- the introduction of new programs or services, and
- the identification of existing programs funded by General Fund dollars that would be an allowable use of TANF funds.

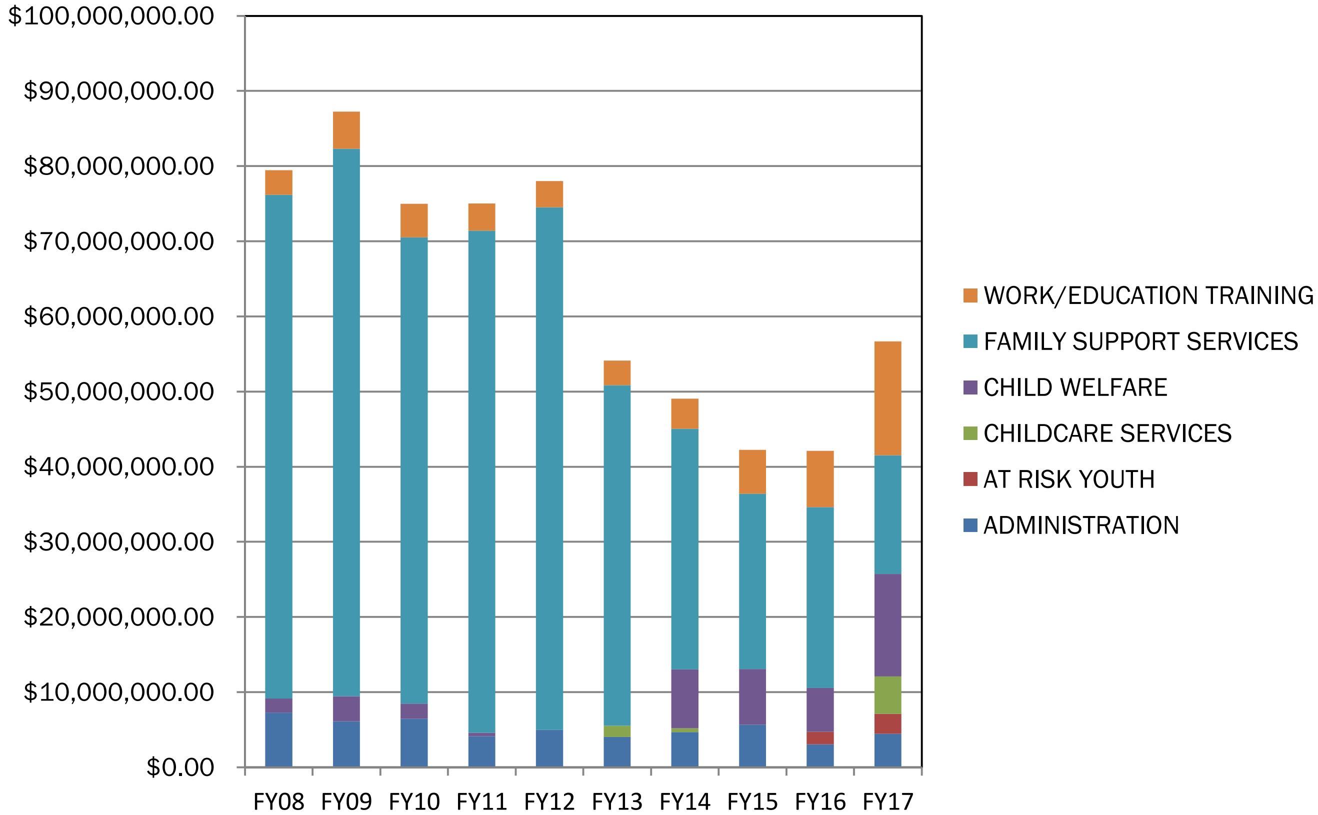
Spending on Child Welfare and Work/Education Training both experienced increases as spending in the Family Supports category decreased.

The impact of DHHS' efforts is evident during this period as Family Support Services expenditures ranged from 55.2% to 65.3% of total expenditures—well short of the SFY13 level of 83.7%. Conversely, the Child Welfare and Work/Education Training categories both experienced increases and represented a larger percentage of annual expenditures than at any other time during the periods reviewed.

From SFY14 to SFY16, Child Welfare expenditures ranged from 13.8% to 17.6% of total annual expenditures after never having been above 3.8% in any of the previous fiscal years reviewed. Work/Education Training expenditures ranged from 8.1% to 17.8% of total annual expenditures after never having been above 6.0% in any of the fiscal years reviewed.

Annual federal TANF fund expenditures by category are illustrated in Figure 6 and detailed in Table 7.

Figure 6. Federal TANF Fund Expenditures by Category of Use: FY08- FY17



Source: OPEGA analysis of expenditures from State's accounting system

Table 7: Annual Expenditures of Federal TANF Funds by Category SFY08-SFY17 (in millions)

	SFY08	SFY09	SFY10	SFY11	SFY12	SFY13	SFY14	SFY15	SFY16	SFY17	TOTAL
Total Federal TANF Funds Expended	$79.5	$87.3	$75.0	$75.0	$78.0	$54.1	$49.0	$42.2	$42.1	$56.7	$638.9
Administration	$7.3	$6.1	$6.5	$4.1	$5.0	$4.1	$4.7	$5.7	$3.1	$4.5	$50.9
At Risk Youth	-	-	-	-	-	-	-	-	$1.6	$2.6	$4.3
Child Care	-	-	-	-	-	$1.5	$0.5	-	-	$5.0	$7.0
Child Welfare	$1.9	$3.3	$2.0	$0.5	-	-	$7.8	$7.4	$5.8	$13.6	$42.4
Family Supports	$67.0	$72.9	$62.0	$66.8	$69.6	$45.3	$32.0	$23.3	$24.1	$15.8	$478.8
Work/Education Training	$3.3	$5.0	$4.5	$3.6	$3.5	$3.3	$4.0	$5.9	$7.5	$15.2	$55.6

Source: OPEGA analysis of expenditures from State's accounting system

We observed a dramatic change in the distribution of spending in SFY17, with Family Supports spending decreasing from 84% of total spending in SFY13 to 28% in SFY17.

In SFY17, total TANF expenditures increased to $56.6 million and the distribution of the expenditures among the categories changed dramatically. Family Support Services, which represented 83.7% of expenditures in SFY13 and 57.2% of expenditures in SFY16, continued to decrease and represented only 27.9% of SFY17 expenditures.

Child Welfare and Work/Education Training expenditures continued to represent a larger percentage of federal TANF fund expenditures with the two categories reaching 24% and 26.7% of SFY17 expenditures, respectively. Two other categories, Childcare Services and At Risk Youth, also experienced increases after being seldom used in prior years and represented 8.8% and 4.6% of SFY17 expenditures respectively.

Child Welfare and Work/Education Training categories continued to represent a larger percent of federal fund expenditures. Spending on At Risk Youth and Child Care Services also increased in SFY17 as did transfers to SSBG and CCDF also increased.

These changes further built upon DHHS' earlier efforts to identify other allowable uses of TANF funds. Increase in Childcare Services and Child Welfare categories reflect increasing transfers to SSBG and CCDF block grants as DHHS became more educated on allowable use of TANF funds for programming.

Although SFY17 expenditures increased $14 million from SFY16 to a total of $56.6 million, this was still well short of the total annual federal TANF award and we estimate the balance of carryover funds from SFY13 through SFY17 to be $146.4 million, as shown in Table 6. DHHS' plan, as of January 2018, for spending down this carryover balance is illustrated in Table 8.

Table 8: DHHS Five-Year Spend Plan for Federal TANF Funds

	SFY18	SFY19	SFY20	SFY21	SFY22
Carry-forward Balance	$150,188,248	$119,073,699	$93,981,832	$68,549,735	$42,696,559
Current Year Revenue	$76,259,380	$73,863,090	$78,120,889	$78,120,889	$78,120,889
Planned Program Expenditures					
Administration	($5,080,746)	($4,543,765)	($4,543,765)	($4,543,765)	($4,543,765)
At Risk Youth	($5,456,000)	($5,456,000)	($5,456,000)	($5,456,000)	($5,456,000)
Child Care Services	($15,944,300)	($15,347,618)	($16,199,178)	($16,199,178)	($16,199,178)
Child Welfare	($27,202,971)	($16,048,797)	($19,374,577)	($19,374,577)	($19,374,577)
Family Support	($32,226,892)	($35,299,094)	($36,199,346)	($37,399,682)	($39,000,130)
Work/Education Training	($21,463,019)	($22,259,682)	($21,780,119)	($21,000,862)	($20,741,110)
Total Expenditures	**($107,373,928)**	**($98,954,956)**	**($103,552,985)**	**($103,974,064)**	**($105,314,760)**
Year End TANF Balance	**$119,073,700**	**$93,981,833**	**$68,549,736**	**$42,696,560**	**$15,502,688**

Source: OPEGA summarization of DHHS TANF Five Year Spend Plan January 24, 2018

Types of Programs and Services Supported and Populations Served

Programs supporting the first two TANF program purposes are for financially needy populations. Programs supporting the other two purposes may serve a broader population.

The populations being served in each category differ, dependent on which TANF purpose is being met. While purposes one and two require recipients to meet financial neediness requirements, purposes three and four do not have financial requirements for recipients, thus allowing support of programs serving broader population groups. Below are descriptions of the types of programs and services offered within the different categories and the targeted populations for those categories.

The four purposes of the TANF program are to:

1. Provide assistance to needy families so that children can be cared for in their own homes.
2. End the dependence of needy parents on government benefits by promoting job preparation, work and marriage.
3. Prevent and reduce the incidence of out-of-wedlock pregnancies.
4. Encourage the formation and maintenance of two-parent families.

Source: 42 U.S. Code §601

<u>Administration</u>

According to federal regulations, states may not spend more than 15 percent of annual TANF federal funds on administrative costs. Currently, DHHS spends federal TANF funds on activities associated with administration of the program and a modernization project for TANF eligibility software.

<u>At Risk Youth</u>

Programs and services for at risk youth are intended to reduce risky behaviors and increase health, wellness, work ethic, and job skills. There are no financial eligibility requirements for participants.

The At Risk Youth category is for programs and services designed to equip youth to succeed and make positive life decisions. This category is intended to meet the federal TANF purposes 3 and 4, by reducing risky behaviors and increasing knowledge of health, wellness, work ethic, and job skills. Service groups in this category include: Improving Outcomes for Youth; Youth Transition Services; Developmental Screening Initiatives; and Homeless Youth.

In the At Risk Youth category as a whole, programs have been designed to serve youth with no regards to income or TANF eligibility requirements. Improving Outcomes for Youth programs have broadly targeted youth under 18. Within Youth Transition Services, Jobs for Maine's Graduates targets youth in foster care. Homeless Youth[7] programming focuses on homeless youth. Finally, the Developmental Screening Initiative serves young children.

<u>Child Care</u>

TANF funds are spent on child care subsidies and a grant transfer to the Child Care Development Fund. The CCDF transfer provides child care for families below 250% Federal Poverty Level.

DHHS describes the Child Care category as supporting Maine's early intervention services, child development and safety; providing parents with assistance in creating self-sufficiency and independence; and providing safe, stable child care. Funds spent in this category are currently used in two ways: (1) through a child care subsidy which provides child care support for parents who use family child care services, and (2) through a grant transfer to the Child Care Development Fund (CCDF). The transferred funds are for child care services provided to families who are at risk of becoming dependent on TANF. Eligible families are

[7] Up until 2015, this programming was referred to as Transitional Living programming.

below 250% of the Federal Poverty Level (FPL). This category does not include child care vouchers; these are included in the Family Supports category.

Child Welfare

The Child Welfare category consists of contracted services and a transfer of funds to the Social Services Block Grant (SSBG). DHHS intends for these programs to assess and respond to reports of child abuse and neglect and to seek safety, well-being, and permanency for Maine children.

The Child Welfare category includes programs to respond to child abuse/neglect and supporting the safety and well-being of children. These services have no financial eligibility requirements. It also includes a transfer to the SSBG grant for families below 200% FPL.

The Child Welfare category captures a variety of programs and targeted populations, none of which are subject to TANF eligibility criteria for basic assistance. These programs are:

- Family Unification Program: services for youth aging out of foster care and families where a lack of housing is a primary threat behind separation or preventing re-unification of a family in Child Protective Services (CPS) cases;
- Home Visiting: families with children aged birth to five years and expectant families;
- Child Abuse Prevention: services for children and families in geographic areas with high rates of child abuse/neglect;
- Alternative Response Program: serves children and families when there have been low/moderate severity allegations of child abuse; and
- Pediatric Rapid Evaluation program: for abused and neglected children.

Additionally, the SSBG transfer supports programs that reach children or their families whose income is less than 200% of the Federal Poverty Level (FPL).

Family Supports

The Family Supports category of use includes TANF basic assistance as described earlier in this report (page 10). Overall, this category serves a population that meets TANF financial eligibility requirements. Programs and services beyond basic assistance include:

Family Supports includes basic assistance and other programs and services, for families meeting TANF eligibility and financial requirements.

- Transitional Services: Short-term financial assistance, including transportation and childcare, provided for families as they transition off TANF basic assistance. Eligible families are below 250% of Federal Poverty Level (FPL).
- Emergency Assistance: Payments issued to vendors for families threatened by homelessness due to emergency situations. Eligible families are below 100% of FPL.
- Alternative Aid: Up to three months of payments issued to vendors for families seeking short-term assistance, to help them remain self-supporting. Eligible families are below 133% of FPL.

- Parents as Scholars (PaS): Twelve months of financial assistance for students, for up to 2,000 Maine families. Participants must have dependent children and participate in an undergraduate program. PaS recipients receive the same benefits and support services as TANF basic assistance recipients.

Programs and services in Family Supports include domestic violence and sexual assault support services, along with family planning and matched savings accounts.

This category also includes contracted services intended to promote safe, stable families and end families' dependence on government. In SFY18, DHHS contracted for the following types of services in this area:

- Family Development Accounts: Asset-building, matched savings accounts for income-eligible individuals and families saving to buy a home, pay for education, or start/expand a small business. DHHS contracts with an agency to administer this program. Accounts are funded with federal TANF funds which recipients receive once they have achieved program targets.
- Domestic Violence: Services for adult and youth victims of family, domestic, or dating violence, as well as prevention, training, technical assistance, outreach and education to increase awareness.
- Sexual Assault: Programs that offer prevention, intervention, systems advocacy, resources and training programs to victims/survivors and their supporters, social service providers, educators, law enforcement, students and members of the public.
- Family Planning: Services related to screening and treatment of sexually transmitted infections, cancers related to the reproductive system, intimate partner violence, and other related health concerns, as well as educational and prevention services.

Some Family Support Services programs are no longer active. Assessment services, which ended in 2016, were for individuals referred by DHHS including ASPIRE participants. Legal Services, which have not been offered since 2014, were intended for General Assistance or TANF recipients who needed assistance obtaining SSI benefits. Refugee/Asylee Services were in place prior to 2012 and were intended to serve refugees; asylees; Cuban/Haitian entrants; Vietnamese Ameriasians; victims of human trafficking (with "T" visas); secondary migrants; and those with limited or no English language skills.

Work/Education Training

The Work/Education Training category includes the ASPIRE employment program and earned income tax credits for TANF eligible families.

The programs and services offered in the Work/Education Training category also serve populations eligible for TANF basic assistance. This category is described by DHHS as helping to end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage. The contracted services include:

- Fedcap, Inc.: the ASPIRE employment program, serving all adult TANF recipients who are not exempt; and
- Two-Gen Collaborative: education services for children and workforce developments for parents.

Additionally, this category includes earned income tax credits for TANF-eligible families through a memorandum of understanding with Maine Revenue Services.

Contracting for Programs and Services

DHHS has increasingly used federal TANF grant funds to contract for programs and services. DHHS' Division of Contract Management has a significant role in obtaining services contracted with TANF funds.

Changing uses of the federal grant have resulted in an increasing number of TANF-funded programs and services that are provided through contracts with non-State entities. Over the past five fiscal years, the majority of TANF-funded contracts have been entered into by either OFI or the Office of Child and Family Services (OCFS). From FY13 to FY15, TANF contracts were almost entirely with OFI. Table 9 provides an overview of the types of contracted programs and services.

DHHS has its own contracting unit called the Division of Contract Management (DCM). Within the DCM, there are Contract Administrators and Contract Managers who work with DHHS program staff, as well as the Department of Administrative and Financial Service' (DAFS) Division of Purchases, to facilitate the contracting process. DCM has a contracting Policy and Procedures Manual, Contracting Rules, and other guidance documents related to contracting to assist and guide staff in obtaining contracted services.

Services contracted for with TANF funds must meet one of four TANF purposes.

DHHS described the contracting process for services funded by TANF to be the same process as it is for any other DHHS contract, except that DCM relies on the Commissioner's Office for guidance specific to TANF and other Block Grant funding. Contracted services to be funded by TANF must meet one of the four TANF purposes. OFI and OCFS, with input from the Commissioner's Office, consider and determine whether and which of the four purposes the program or service meets. Once a program or service is identified, they research best practice models and develop a Request For Proposal (RFP) to meet the identified goals. The RFP undergoes multiple reviews and approval by the DHHS Commissioner before it is issued.

Once a service is identified that meets a TANF purpose, DHHS issues a Request for Proposal.

As part of the RFP process, there is a question and answer period for prospective bidders. Bids are then received, reviewed and scored. The scoring session involves a team of subject matter experts, as well as a finance person and others outside of the subject matter for objectivity purposes. All those involved sign a no conflict agreement. The winning bidder is selected and an award is made.

Once a provider is selected, the scope of work, reporting requirements, and funding source is written into a contract, approved by DAFS.

Once a provider is selected, a scope of work is negotiated and put into contract form, which includes a legal rider, payment terms, scope, reporting requirements and identification of funding sources. The contract is reviewed by DHHS legal counsel and then subject to DAFS Division of Purchases approval, which is generally a check on the competitive process. DAFS does not treat TANF contracts differently than any other DHHS contracts. A contract for over $1 million is subject to approval by the contract review committee.

DAFS Purchasing approved a waiver from competitive bidding for several Improving Outcomes for Youth contracts in 2017 when an RFP issued by DHHS failed to solicit responses from geographically diverse areas of the State.

In 2015, DHHS requested proposals for a new type of service to be funded with federal TANF funds. The Department reports that they received a lack of responses from geographically diverse areas of the state to the RFP for Improving Outcomes for Youth contracts. In early 2017, DHHS conducted a search for agencies to provide the service by reaching out to stakeholder groups and conducting internet searches. As a result, 16 contracts were awarded for Improving Outcomes for Youth programs throughout the state. DAFS approved DHHS' waiver for competitive bidding for these contracts. DHHS has described these as shorter-term "pilot programs," and report they are evaluating whether to RFP the service at the end of the contracts, or determine whether the providers are appropriate for the "willing and qualified" method. According to DHHS, this method is used instead of the RFP process for efficiency. It may be used when the provider meets the Department's qualification standard and is willing to perform the services according to the terms and conditions specified in the contract.

Table 9. Description and Numbers of Current TANF-funded Contracts by Service Group

		# of Contracts
At Risk Youth		
Improving Outcomes for Youth	Services intended to support educational achievement; reduce risky behaviors; and increase the knowledge of health, wellness, and job skills.	16
Youth Development Services	Services to keep students engaged in high school through graduation. They also focus on preparing students for post-secondary education, training, or employment, and support the JMG Foster Care Program.	1
Homeless Youth	Programming providing community support and outreach for homeless youth and their families.	6
Youth Transition Services	Programming for youth in foster care, providing life skills development, including work readiness skills.	1
Child Care Services		
Head Start	Provide eligible Maine children with development and family support services.	11
Child Welfare		
Home Visiting	Preventative services intended for expectant families and families with newborns. They promote child and family wellbeing and aim to prevent child abuse, neglect, illness and injury.	1
Child Abuse Prevention	Programs aimed at preventing child abuse and keeping families together.	1
Supportive Visitation	Programs supporting child welfare visitations for reunifying families.	2
Alternative Response Programs	Community-based intervention services that provide families case management services and planning for safety, permanency, and wellbeing of children.	4
Community Prevention	Youth engagement and empowerment programming, informing youth of the risks associated with substance abuse and tobacco use (replaced Healthy Maine Partnerships to a centralized structure delivery).	1
Family Support Services		
Family Development Accounts	4:1 matching savings accounts for families with minor children that can be used for the following: purchase or repair of a vehicle, employment or education purposes, emergency savings for shelter, employment or other basic necessities, major home repair or down payment for the purchase of a home.	1
Domestic Violence	Services to educate, prevent, and protect against domestic violence.	1
Sexual Assault	Services to educate, prevent, and protect against sexual assault.	1
Work/Education and Training		
Employment Support Services	Programs for TANF eligible families to find and maintain employment.	2

Determining Potential Uses of Funds and Ensuring Compliance —

DHHS' Decision-making Process for Potential Uses of TANF funds

Process Description

DHHS described the process used to determine how federal TANF funds will be spent as beginning with its vision of Maine people living safe, healthy and productive lives. DHHS bases its priorities on this vision, and identifies programs and services that match. With this framework, program and services are identified to meet the needs of vulnerable populations.

Decisions on how to spend TANF funds occur in TANF planning meetings within DHHS. DHHS consultant PCG assists in determining the most efficient way to spend the federal funds.

Once programs and services are identified, DHHS will determine the most appropriate funding stream for the service. There are a variety of potential sources for funding, including federal grants and the State's General Fund. Some services may be funded with multiple sources. DHHS contracts with Public Consulting Group (PCG) to assist in determining the most efficient way to spend federal TANF funds, and has previously used PCG to aid in the strategy for MOE, SSBG and CCDF block grant spending.

The majority of decision-making on uses of TANF federal funds occurs in bi-monthly TANF planning meetings. These standing meetings include OFI managers; staff from DHHS Commissioner's Office; staff from the Service Center[8]; and representatives from other offices using TANF funds, including OCFS. The group reviews the amount of TANF funds expended, considers programs and services currently funded with TANF, and projects out available TANF funds. Budgetary decisions are ultimately made by the OFI Director and the DHHS Deputy Commissioner of Finance.

Considerations for TANF spending include allowability, legislative policy, regulations, laws, and maximizing TANF funds.

DHHS describes the framework used for decision-making as focusing on moving families out of poverty and toward independence, using evidence-based programs and multiple solutions to the problem of poverty. Considerations in decision-making are federal allowability requirements, legislative policies, regulations and laws, funding needs of other offices, and the maximization of TANF funds.

Additional decision-making and financial reviews take place on multiple levels:

Financial reviews of the TANF program and other OFI program finances occur regularly.

- on a quarterly basis, an overall financial outlook of all OFI accounts and programs is performed;
- on a monthly basis, all OFI finances are reviewed, including TANF; and
- biweekly, the Service Center provides OFI a budget-to-actual document to review.

DHHS has developed a five year TANF spend plan, which sets out how they intend to spend down the carryover balance and current year's TANF grant dollars from SFY18-SFY22. While the plan details specific program expenditures, it is considered to be a flexible budget, as statutory changes and other identified needs may impact the overall plan from year to year.

[8] The Financial Service Center (Service Center) is a division of DAFS that provides consolidated services to DHHS, including around grant accounting.

DHHS has developed a flexible 5 year plan for spending down the carryover balance of TANF funds. State legislative changes may impact the plan.

Legislative changes at the State level that may impact the TANF budget are communicated through the DHHS legislative liaison and the Joint Standing Committee on Health and Human Services. The OFI Director keeps abreast of changes on a federal level through regular communication with the Federal DHHS, listserv alerts from Administration of Children and Families, conferences, and communication with other states.

OPEGA's Assessment of Decision-making Process

OPEGA assessed the effectiveness of the process for identifying and prioritizing federal TANF funds by comparing our understanding of the process to standards typically expected in an effective budgeting process. We found that DHHS' process met the following standards:

- management has available and is using relevant and current information in making decisions;
- the planning and decision-making process involves all relevant parties with relevant knowledge and authority;
- it is a comprehensive planning process, considering all possibilities of uses of funds and future impact;
- there is regular assessment of actuals against planned expenses; and
- decisions on future uses and priorities of funds includes consideration of results achieved.

OPEGA found that DHHS' process for making decisions about the spending of federal TANF funds met most of the standards for an effective budgeting process.

Areas in which DHHS did not meet the standards OPEGA used for assessing effectiveness were:

- management maintains documentation of decisions made and reasons why;
- resulting priorities are clearly communicated to relevant legislators and other stakeholders; and
- there is a defined process by which relevant individuals review and/or approve budget decisions.

While the decision-making process DHHS uses for federal TANF funds is not the typical budgeting process, OPEGA found the process generally sufficient to mitigate risks of negative impacts associated with poor planning. OPEGA noted that transparency and accountability for decisions made should be improved and this issue is discussed further in Recommendation 1. (pg. 40)

Ensuring TANF expenditure is allowable

Process Description

DHHS' consultant, PCG, helps ensure Maine is spending TANF funds on allowable uses.

Since March 2017, DHHS has contracted with consultant PCG to help ensure Maine is spending TANF funds on uses allowable under the federal program. DHHS sought the consultant's expertise after determining that the Department did not have the necessary level of staffing and expertise to review all existing TANF claims and identify new opportunities for TANF spending. PCG advises and assists DHHS with identifying and documenting allowability. According to PCG, the firm performs similar work in several other states.

PCG assesses whether a program is allowable, which TANF purpose it meets, and determines what data is needed to support a claim for the TANF grant.

PCG's process has been applied to all TANF spending including new spending, existing programs that DHHS is considering to fund with TANF funds, and programs currently using TANF funding. DHHS identifies programs that it seeks to fund with TANF. PCG conducts a high-level assessment of whether the program is generally allowable, which TANF purposes would be supported and what data would be required for the State to claim funds for that program whether as MOE or drawdown from the federal grant. Claims for MOE and for federal TANF funds under purposes one and two must satisfy the "neediness" component. PCG and DHHS discuss the proposed claim and reach agreement about whether the program is allowable.

PCG develops a methodology for each service supported with TANF funds, and completes a justification form to support the amount DHHS can claim as a federal TANF grant or State MOE expenditure.

The process used by PCG and DHHS involves working with the State agency or contracted entity that will be providing the program or service to ensure that the necessary data is collected and available to support a later claim. PCG develops a detailed claim methodology for each program to calculate the amount of funds that can be claimed as allowable. Every claim has a methodology as to how much TANF expenditures can be claimed. For some programs, the methodology is that all claims are allowable. Other programs have more complex methodologies involving attributing a cash value to the donated goods and volunteer services and using a statistical analysis based on research and/or using program data to calculate the claim. After the methodology is created and the actual data is available, PCG calculates the amount that can be claimed as TANF expenditure. This process may be ongoing throughout the period that the program is funded by TANF.

Both PCG and the DHHS Service Center control for risk by reviewing and verifying the documentation to ensure accuracy and allowability of TANF claims. PCG does multiple levels of quality assurance on the calculations for each claim. Claims are further reviewed by the Service Center, which reviews and verifies the data and calculations. Every TANF claim, whether for MOE or federal TANF funds, for the FFY17 has a claim justification form, which lists the maximum amount that DHHS can claim as TANF funds based on the methodologies and data available.

Transfers to the SSBG and CCDF grants are also reviewed and analyzed for allowability by PCG.

DHHS uses the same approach to review and analyze allowability for transfers to the SSBG, in that a justification form is used to describe the claim methodology and calculation. In FFY17, DHHS reported that transfers to the SSBG were only used for child welfare expenditures and that CCDF transfers used for child care subsidy for eligible families and CCDF administration.

DHHS intends to internalize PCG's process in the future. PCG is developing a "tool kit" to allow DHHS to apply the methodology for TANF claims independent of the consultant.

OPEGA assessed DHHS' process for ensuring federal funds are spent on allowable services. We found the process used by PCG to be robust.

<u>OPEGA's Assessment of Process to Ensure Allowability</u>

OPEGA assessed DHHS' current process for ensuring allowability of expenditures and claims of TANF funds against criteria we developed. The criteria OPEGA identified as relevant to an effective process for ensuring allowability were that DHHS should:

- have a clear understanding of allowable uses of funds;
- have available, and use, current information about allowability;

- clearly communicate allowable uses to contractors and hold programs accountable for using funds in allowable ways;
- set measureable objectives for programs using TANF funds;
- ensure a process is in place to monitor funds spent on TANF purposes; and
- ensure there is a process in place to validate claims on TANF funds and document allowability decisions.

OPEGA found that DHHS' process, with the engagement and assistance of PCG, appears to be robust. No issues, control weaknesses or potential risks were identified. We note that the perspectives of contracted providers were not included in the scope of this review. OPEGA did not assess for potential impacts that this process, particularly providing data to DHHS, may have for contracted agencies.

Evaluating Effectiveness of Contracted Programs

DHHS' Process for Assessing Program Effectiveness

DHHS reviews the effectiveness of programs contracted with TANF funds through reported performance measures.

As described previously in this report, as DHHS monitors the performance of contracted providers it is also in position to monitor the effectiveness of programs by virtue of performance objectives and related performance measures that are incorporated into the contracts. Contracted entities regularly report to DHHS on the objectives and measures, and DHHS reviews those reports to monitor the effectiveness of the programs and activities being funded.

Performance standards vary by program and TANF purpose. DHHS generally has flexibility in determining performance measures.

What DHHS will count as effective performance for a contract varies based on the specific program and the TANF purpose it is intended to meet. Some contracts (such as Fedcap and Head Start programs) are subject to rigorous federal standards. Generally, DHHS has a lot of flexibility in determining what performance measures will be in contracts and in setting the goals for particular programs. Within the Improving Outcomes service group there is a lot of variation in both programming and required reporting.

For all programs, each contract contains specific deliverables. Vendors send reports to the Division of Contract Management (DCM), DHHS' contracting unit, and the DHHS office responsible for monitoring the contract. DCM will not issue payment if they are not receiving the required reports. When contracted agencies report, DHHS compiles the information in a standardized format and program managers review it. The contracts line out the actions that DHHS can take if a program is not compliant.

OPEGA Assessment of DHHS Process for Monitoring Program Effectiveness

OPEGA assessed the process used by DHHS to monitor program effectiveness by reviewing 49 contracts supported with TANF funds.

OPEGA assessed the process and mechanisms DHHS has in place to evaluate effectiveness of programs and services funded with federal TANF funds. We chose to focus on the processes for contracted programs and service as we determined those carried higher risk of being ineffective. We reviewed the 49 contracts in the categories of At Risk Youth, Child Care Services, Child Welfare, Family Support Services, and Work/Education Training which are summarized in Table 9 on page 28.

We found that all 49 contracts contained specific performance measures that agencies were required to report.

First, OPEGA assessed whether each of the 49 contracts had specified performance measures required to be reported to DHHS. A performance measure could be a targeted participant number, attendance number, specific outcome sought for participants, or similar measure. OPEGA found all 49 contracts required the reporting of specific performance measures.

Next, OPEGA determined whether the specified performance measures were relevant to participant outcomes. A participant outcome measure is a result that a participant is expected to achieve and, thereby, speaks to a program's effectiveness. Examples include employment or academic achievement outcomes. For purposes of OPEGA's analysis, a participant count or attendance figure was not considered a participant outcome measure.

We found that 46 of 49 contracts included participant outcome measures.

OPEGA found that 46 of the 49 contracts, 94%, included participant outcome measures. We noted that two of the three programs lacking participant outcome measures were prevention programs for which it may be unreasonable to expect these types of measures. With regard to the third program, we noted that, although the contract did not include participant outcomes measures, the provider was actually reporting more robust measures than the contract required, including measures of participant outcomes.

We then assessed whether the data reported would produce meaningful data for assessing program effectiveness. We found 42 of 46 contracts contained meaningful measures.

For the 46 contracts with participant outcome measures, OPEGA then considered whether those measures would produce meaningful data for DHHS to use in assessing program effectiveness. OPEGA found that 42 of the 46 contracts produced data adequate to evaluate program effectiveness. The four contracted programs that lacked meaningful data were in the Improving Outcomes service category, representing 25% of the 16 contracted programs in this category. OPEGA found that these contracts either had low targets for participant achievement or the participant outcome measures specified were not aligned to any of the TANF purposes.

Lastly, we sampled 5 programs to determine if required measures were being reported. We found that DHHS is receiving all necessary data from the 5 programs to effectively evaluate their performance.

After broadly considering all contracts and their measures, OPEGA selected a sample of current contracts for closer review to assess if programs were reporting the required measures. We selected a sample of five contracts, one from each of the following DHHS program categories: At Risk Youth, Child Welfare, Child Care, Family Supports, and Work/Education Training. One of the contracts was selected because of its monetary size. The other four were selected using a random number generator.

DHHS provided OPEGA with the relevant performance reports submitted by providers for the sampled contracts. OPEGA then compared the reported data to the required outcome measures in each contract to assess whether DHHS would be able to effectively evaluate the contract based on the reported information. OPEGA found that DHHS is receiving the needed data from all five of the sampled programs.

Overall, 42 of 49 contracts contain meaningful performance measures with participant outcomes, which would allow DHHS to assess for program effectiveness.

Overall, OPEGA found that 42 of the 49 contracts (86%) required the reporting of performance measures relevant to participant outcomes that provided information sufficient to allow DHHS to generally assess program effectiveness. We also found that contracted providers appeared to be submitting the required performance reports. Our observations about weaknesses in performance measures for some contracts are discussed in Recommendation 2. (pg. 41)

OSA is overseeing DHHS' performance in monitoring TANF subrecipients, as a result of finding weaknesses in the 2017 Single Audit.

OPEGA is also aware that the Office of the State Auditor's (OSA) FY2017 Single Audit Report includes a finding related to DHHS' monitoring of TANF subrecipients. OSA found that DHHS did not effectively monitor subrecipients to ensure TANF funds were used for authorized purposes in compliance with Federal statutes, regulations, and the terms and conditions of the awards. OSA's finding was based on the fact that DHHS could not locate 22 performance reports and that OSA did not see evidence of DHHS review of another 103 performance reports, 68 of which were sent to entities other than DHHS. DHHS management agreed with the audit finding and DHHS reported it was improving the monitoring of subrecipients by implementing protocols including revising performance reports. OPEGA anticipates that OSA will be following up on these issues.

Work Participation Requirements and Penalties

Federal Work Participation Requirements

States are required to meet minimum work participation rates for families receiving basic assistance.

Federal statute requires states that receive TANF grants to achieve minimum work participation rates for families receiving assistance. There are two requirements:

- all families rate – 50% of all families receiving basic assistance must have an adult or head of household participating in work activities for at least 30 hours per week (or 20 hours weekly for a single parent with a child under six), and
- two-parent families rate – 90% of two-parent families receiving basic assistance must have both parents participating in work activities for a combined total of at least 35 hours per week (or 55 hours weekly for a family receiving federally-funded subsidized child care).

50% of all families and 90% of 2-parent families must participate in work activities.

Both rates are calculated by dividing the number of families with a work-eligible individual (WEI) meeting work activity requirements for the month by the total number of such families. If a family receives assistance for part of a month, it will be included in the monthly calculation based on whether the work requirements were met in the weeks when assistance was received. A WEI is an adult or minor child head of household receiving TANF basic assistance or a non-recipient parent living with a child receiving assistance. There are some exceptions.

The two-parent rate applies to two-parent families with two WEIs, except for situations in which one of the WEI parents has a disability. A two-parent family includes, at a minimum, all families with two natural or adoptive parents of the same minor child who are WEIs and living in the home, unless both are minors and neither is a head of household.

Work activities include employment, job training, job search, community service, and vocation educational training.

"Work activities" is defined broadly, includes more than employment, and falls into two categories.

- "Core" activities must constitute at least 20 hours per week. These are: employment, work experience, on-the-job training, job search/readiness assistance, community service programs, vocational educational training, and providing child care to a participant in a community service program.

- "Non-core" activities are only countable for hours in excess of 20 (or for two-parent families, in excess of 30 hours or 50 hours for those receiving child care). These are secondary school/GED program or job skills training or education directly related to employment.

Negative Fiscal Impacts from Failure to Meet Requirements

States that do not meet both work participation requirements are required to spend a higher rate of MOE annually and are subject to financial penalties. Negative fiscal impacts resulting from failure to meet requirements are:

If work participation rates are not met, states must contribute additional funds to MOE, the annual grant is reduced, and states must make up the reduction with state funds.

1. **State must spend more to meet MOE requirements.** States that meet both work participation rates incur a reduction in the amount of MOE they are required to spend annually. Maine is required to spend $40,296,040 if it does not meet the work participation rates and $37,777,536 if it does meet the rates. The State is therefore required to spend an additional $2,518,504 in MOE annually if it does not meet the work participation rates.
2. **State is penalized through reduction in TANF federal block grant funds and the need for the State to make up the penalty with state funds.** If there was no penalty for the preceding fiscal year, the base penalty is 5% of the grant. For each consecutive year the state is subject to a penalty, the base penalty will be increased by 2% over the previous year's penalty, up to a maximum of 21% of the grant. The current status of Maine's penalties is discussed below.

Maine's ASPIRE-TANF Program

Maine's work participation program, ASPIRE, used to be administered internally by DHHS. DHHS described many challenges with meeting the required work participation rates.

Maine's work participation program for recipients of TANF basic assistance is ASPIRE-TANF, as described earlier in this report. Historically, DHHS administered the ASPIRE-TANF program internally and had difficulty achieving the desired results. DHHS described a number of challenges including:

- a long time lag between enrollment and engagement;
- inadequate engagement by participants; and
- a cumbersome and largely paper-based record keeping system.

In 2014, DHHS consulted with PCG to perform an in-depth analysis of the reasons that Maine was not achieving the work participation rates, in particular around two-parent families. This review noted that the State lacked effective tools to monitor outcomes and that real-time data was virtually non-existent, which led to difficulties in monitoring performance and effectively adjusting policies or evaluating the impact of policy changes. PCG made a number of specific observations and recommendations for improvement.

In 2017, DHHS contracted with Fedcap to manage and provide the ASPIRE work program.

Thereafter, DHHS explored options for revitalizing the ASPIRE-TANF program, including through partnerships with other State agencies. Ultimately, the Department decided to outsource the administration of the program. DHHS issued a Request for Proposal and entered into a contract with Fedcap in October 2016. Fedcap began providing the contracted services in late January 2017. The contract is for Fedcap to manage and provide services for the State's ASPIRE-TANF program, including employment, training and case management services to maximize job placement and retention.

DHHS monitors Fedcap's performance, including work participation rates, through monthly performance monitoring and case reviews.

The Fedcap contract includes performance measures and expectations that the work participation rates for the federal program are met. The status and progress of work participation rates, along with other performance indicators, are monitored through monthly performance reporting. DHHS quality checks Fedcap's reported data through monthly randomly sampled case reviews.

DHHS also monitors Fedcap's performance through regular communications with Fedcap and there is a clear structure to share information, including with the relevant Director and Commissioner. DHHS and Fedcap review progress regularly and identify areas for improvement and adjustments that should be made to targets for program outcomes, such as seeking to increase the number of families earning above the minimum wage.

Maine's Work Participation Rates

Maine did not meet work participation requirements in FFY08-FFY12.

As shown in Table 10, Maine did not meet either work participation rate for the years FFY08 through FFY11 and, in fact, Maine's rates were well below the federal standards. Maine's all families rate ranged from 11.4% in FFY08 to 19.1% in FFY11 compared to a federal standard of 47.5%. The two-parent families rate ranged from 8.6% in FFY08 to 18.7% in FFY11 compared to a federal standard of 87.5%. Maine also did not meet either work participation rate in FFY12 though there was some improvement. The all families rate increased to 34.9% compared to the federal standard of 50% but the two-parent families rate was only 19% compared to the federal standard of 90%.

Table 10. Maine's TANF Annual Work Participation Rates FFY08-FFY17

	FFY08	FFY09	FFY10	FFY11	FFY12	FFY13	FFY14	FFY15	FFY16	FFY17
All Families rate	11.4%	16.8%	19.7%	19.1%	34.9%	76.6%	69.1%	71.3%	86.8%	88.7%
Federal standard	47.5%	47.5%	47.5%	47.5%	50%	50%	50%	50%	50%	50%
Standard met?	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes
Two Parent rate	8.6%	16.6%	17.2%	18.7%	19%	12.6%	15.9%	28.6%	97.7%	97.6%
Federal standard	87.5%	87.5%	87.5%	87.5%	90%	90%	90%	90%	90%	90%
Standard met?	No	No	No	No	No	No	No	No	Yes	Yes

Source: Compiled from federal Office of Family Assistance work participation rate reports

Note: Reduced standards for FY08-FY11 as a result of caseload reduction credit.

In 2011, statutory changes limited assistance to 60 months and required terminating benefits for those not complying with the family contract. These changes likely led to increased work participation rates.

In FFY12, certain statutory changes enacted in 2011, as described earlier in this report, began to impact the work participation rates. These changes were the implementation of the 60-month lifetime benefit limit, the requirement for DHHS to terminate benefits if a recipient refuses to sign, or fails to comply with, a family contract and the establishment of the Worker Supplement Benefit (WSB).

In Maine, the WSB is $15 in monthly food benefit added to EBT cards for SNAP households with minor children and employed adults that are not otherwise eligible for TANF. The WSB is funded with State TANF MOE funds to avoid these families being subject to the 60-month lifetime limit.

Federal rules permit states to count SNAP households with minor children and employed adults receiving such benefits as part of the TANF caseload when calculating the work participation rate. The WSB is a method used by a number of states to meet the federally required work participation rates, thereby reducing exposure to financial penalties.

State statutory changes in 2011 also established the Worker Supplement Benefit, a small monthly food benefit for SNAP households that are not TANF eligible. The State is allowed to count these families into the work participation rates.

The implementation of the WSB had a significant impact on Maine's all families work participation rate which increased to 76.6% in FFY13 and exceeded the federal standard of 50%. Maine continued to meet the federal all families rate for each year in the period FFY14-FFY17.

Maine did not, however, meet the two-parent families rate until FFY16. According to DHHS, in FFY15 changes were made to how the Department calculated and reported the WSB for two-parent families. This led to a drastic increase in the two-parent families rate which increased from 15.9% in FFY14 to 97.7% and exceeded the 90% federal standard for the first time. Maine was also above the federal standard for this rate in FFY17.

Maine's Penalties for Failure to Meet Work Participation Rates

Maine is facing over $20 million in penalties for not meeting work participation rates from FFY07-FFY15.

Maine is at risk of penalties for failing to meet work participation rates in the period FFY07-FFY15, though it is anticipated that the penalties for FFY12-FFY15 will be eliminated. Penalties Maine is facing for FFY07-FFY11 currently total $20,288,302. DHHS continues to work with federal authorities to attempt to reduce/eliminate these penalties using the permitted options. Table 11 details the penalties and DHHS' mitigation efforts.

DHHS is expecting the $1 million penalty from FFY07 to be applied in FFY18.

For FFY07, DHHS requested a discretionary reduction and a reasonable cause exception, neither of which were granted. DHHS entered into a corrective compliance plan (CCP) to achieve compliance by meeting the all families rate in FFY12, which was unsuccessful. In 2015, DHHS was permitted to resubmit data for FY12 as part of a request for a penalty reduction, but the criteria for a reduction was not met and the full penalty amount of $1,016,590 was confirmed. DHHS anticipates the FFY07 penalty will be imposed by reducing Maine's block grant in FFY18, with Maine being required to spend additional State funds to replace the reduction in FFY19. There are no further options available to mitigate the FFY07 penalty.

DHHS entered into a corrective compliance plan for FFY08-FFY10, and partially achieved work participation rates.

For FFY08-09, DHHS requested a discretionary reduction and a reasonable cause exception, which were unsuccessful. Thereafter, DHHS entered into CCPs for FFY08-FY10 to achieve compliance for all three years by meeting both work participation rates in FFY14. In FFY14, DHHS did not meet the two-parent rate and therefore only achieved partial compliance. A similar result was achieved for the FFY10 and FFY11 penalties, when the CCP required meeting both work participation rates by a specified date, which was only partially achieved.

ACF has not made a final decision on penalties for FFY08-FFY11. DHHS is considering appealing the penalties if granted.

DHHS has not yet received payment demand letters for FFY08-FFY11 and, based on previous delays in ACF correspondence, it is difficult to anticipate when the demand letters might be received. DHHS explained it has been communicating with ACF about whether the penalties for FFY08-FFY11 might be reduced since there was partial compliance with the CCP in that the all families rate was met by the deadline. ACF has not made a final decision on whether it will reduce the penalties and, therefore, Maine continues to be at risk for the entire penalty amounts for FFY08-11. There are further steps DHHS can take to mitigate the current penalties for FFY08-FFY11 by pursuing an appeal to seek a penalty reduction, if a reduction has not already been granted. DHHS indicated those steps will be considered when the demand letters are received.

DHHS did achieve the corrective compliance actions for FFY12-FFY15. It is anticipated over $9 million in potential penalties will be eliminated as a result.

To mitigate penalties failing to meet work participation rates for FFY12-FFY15, DHHS entered into CCPs to achieve compliance by meeting the work participation rates in FFY17. Maine successfully met both rates for that year and it is anticipated that these penalties, totaling $9,124,757, will be eliminated.

OPEGA observes that DHHS has attempted each of the federally permitted options to reduce and/or eliminate the current existing penalties. DHHS will continue discussions with the ACF in attempt to reduce the penalty liability for FY08-FFY11. DHHS has pursued and continues to pursue all appropriate paths in accordance with federal regulations to attempt to reduce past penalties.

Table 11. Maine's TANF Penalties for Failure to Meet Work Participation Rates FFY07-15

Year	WPR not met	Penalty imposed	State actions taken	Met corrective compliance plan (CCP)?	Anticipated penalty
FFY07	All families	$1,016,590	Requested a reasonable cause exception and a discretionary reduction (both rejected), then submitted a corrective compliance plan (CCP) to achieve compliance for FFY07 by meeting the all families rate for FFY12 by Sept. 30, 2012. In 2015, requested penalty relief due to 2012 (CCP compliance deadline) data error and re-submitted data as part of request for penalty reduction for having made "significant progress." USDHHS determined revised data did not meet criteria for significant progress reduction.	No	$1,016,590
FFY08	Both	$2,532,538	Requested a reasonable cause exception and a discretionary reduction (both rejected), then submitted a CCP to achieve compliance for FFY08 by meeting both rates by Sept. 30, 2014.	No	$2,532,538
FFY09	Both	$4,044,102	Requested a reasonable cause exception and a discretionary reduction (both rejected), then submitted a CCP to achieve compliance for FFY09 by meeting both rates by Sept. 30, 2014.	No	$4,044,102
FFY10	Both	$5,566,327	Submitted a CCP to achieve compliance for FFY10 by meeting both rates by Sept. 30, 2014.	No	$5,566,327
FFY11	Both	$7,128,745	Submitted a CCP to achieve compliance for FFY11 by meeting both rates by Sept. 30, 2015.	No	$7,128,745
FFY12	Both	$8,691,163	Submitted a CCP to achieve compliance for FFY12 by meeting both rates by Sept. 30, 2017.	Yes	$0
FFY13	Two-parent	$317,625	Submitted a CCP to achieve compliance for FFY13 by meeting both rates by Sept. 30, 2017.	Yes	$0
FFY14	Two-parent	$41,551	Submitted a CCP to achieve compliance for FFY14 by meeting both rates by Sept. 30, 2017.	Yes	$0
FFY15	Two-parent	$74,418	Submitted a CCP to achieve compliance for FFY15 by meeting both rates by Sept. 30, 2017.	Yes	$0

Source: Correspondence between Maine DHHS and USDHHS

DHHS Measures to Minimize Future Negative Fiscal Impacts

In meeting the work participation rates for FFY16 and FFY17, DHHS has also prevented potential negative fiscal impacts for those years. This has:

Continuing to meet work participation rates, as Maine has in FFY16 and FFY17, will prevent penalties.

- reduced the required MOE expenditure by $2.5 million for the years when both rates are met; and
- avoided financial penalties due to failure to meet the rates.

Provided Maine continues to meet both work participation rates in future years, it will continue to receive the reduced MOE and avoid further penalties.

The Worker Supplement Benefit has been a key factor in achieving the work participation rates.

Implementation of the WSB has allowed Maine to meet the federal rates when it otherwise may have incurred significant financial penalties. Additionally, meaningful progress is being made through DHHS' outsourcing of the ASPIRE-TANF program to Fedcap.

The Fecap contract contains financial incentives for the program to meet rates without including the WSB.

Fedcap's contract sets clear expectations for meeting the work participation rates within a defined time period and there is a robust arrangement for communication, performance reporting and monitoring. The contract also includes financial incentives for meeting the rates without including WSB in the calculations as DHHS sees the use of WSB as a short-term solution. The incentive payments become available from year three of the contract, thus allowing Fedcap time to meet the work participation rates without including the WSB.

OPEGA found that overall, DHHS is effectively avoiding future negative fiscal impacts by meeting work participation rates and monitoring Fedcap's performance.

Overall OPEGA observes that DHHS' current activities to reduce the risk of not meeting the work participation rates and, thus, avoiding future penalties appear effective. Relevant to the Fedcap contract, we note DHHS is:

- ensuring expectations and performance measures are in the Fedcap contract;
- monitoring Fedcap performance and ensuring Fedcap is taking actions to ensure work participation rates are met;
- reviewing the accuracy of underlying data in Fedcap's performance reports; and
- ensuring effective communication between DHHS and Fedcap.

Additionally we noted that there is an assignment of responsibility and authority within DHHS, as well as, a clear chain of command around the work participation rate issues. This should ensure DHHS continues to respond timely to opportunities to mitigate future fiscal impacts.

Recommendations

1

Transparency and Accountability for TANF Spending Decisions Should be Improved

DHHS' approach to identifying, prioritizing and deciding on uses of federal TANF funds is more flexible and less formal than a typical budget process. OPEGA does not take issue with this approach, which seems reasonable given the current situation with federal TANF funding. We note, however, that there is limited internal documentation supporting DHHS' decisions and limited public reporting on how the funds are spent – both of which impair public transparency and accountability for the State's use of federal funds.

Currently, the State is granted approximately $78 million in annual federal TANF funds and has an accumulated balance of about $148 million available. DHHS continues to explore ways in which the available funds can be used to support programs that meet TANF purposes beyond providing TANF basic assistance. DHHS has identified, and continues to identify, programs and services that have historically been supported with General Fund dollars and which can be supported, at least partially, by TANF funds instead. Additionally, the Department is identifying and contracting for new programs and services aligned with DHHS' vision of "Maine people living safe, healthy and productive lives" that are eligible for TANF funding.

OPEGA observed DHHS makes decisions about how to use TANF funds in a series of meetings, but there is no documentation available regarding these meetings. DHHS was also not able to provide any written documentation describing its decision-making process. Consequently, there is no record of who was involved in decision-making, the rationale for decisions made, factors considered or the information or data that informed the decisions.

We also observe that the annual report DHHS is statutorily-required to make to the Legislature primarily gives information on spending and activity related to TANF basic assistance. Given that TANF is available, and being used, to support many other programs, reporting on those other uses would seem appropriate and useful for enhancing the Legislature's oversight role.

Recommended Management Action:

DHHS should take measures to ensure internal documentation exists that describes and supports the Department's decisions on use of TANF funds. These measures should include:

- a formal written description/outline that describes the basic steps in the decision-making process, specifies who is involved in the decision-making and who is accountable for the final decisions;
- minutes of meetings where uses for TANF funds are being discussed; and
- written documentation of funding decisions made, rationale for those decisions and who approved the decisions.

Additionally, DHHS should enhance its annual TANF reporting to the Legislature to include:

- the amount of federal TANF funds granted to the State in the report year and the amount of the State's current accumulated balance of available federal TANF funds at the end of the report year;
- the amount of federal TANF funding, and State MOE, spent by major programming categories for each of the most recent three years;
- description of the types of programs and services supported in each category in the report year, including which TANF purpose they are aligned with and the extent to which they are provided by contracted sub-recipients; and
- recent State-level changes made to TANF or other efforts that have impacted DHHS decisions on use of TANF funding.

Recommended Legislative Action:

The Legislature should consider amending 22 M.R.S. § 3762 sub-§ 13 to expand DHHS annual reporting requirements for TANF to include the types of information bulleted in the above recommended management action.

2

DHHS Should Continue to Improve Performance Measures for Assessing Outcomes of Contracted Programs

DHHS contracts for programs and services relevant to each of the four TANF purposes. DHHS builds performance measures into the contracts to monitor provider and program performance. OPEGA observed that some contracts lacked robust performance measures for assessing program outcomes. Fourteen percent of the 49 contracts we reviewed did not require the provider to report on performance measures relevant to participant outcomes that would allow DHHS to assess program effectiveness.

The majority of the contracts with weak outcome measures were in the Improving Outcomes for Youth service group, which DHHS described as containing pilot programs. We noted that four of the 16 contracts in this group had outcome measures that were not well-aligned with TANF purposes, had low targets to achieve, or were reliant on participants' self-reported emotional states as the primary result being measured.

DHHS explained that it has been working to improve the measures and data collected for these contracts. OFI has recently hired a staff person to evaluate the Improving Outcomes for Youth contracts, including a review of reports submitted by contracted programs and analysis of the reported performance measures. DHHS also told OPEGA that it will not be renewing some of the Improving Outcomes for Youth contracts for SFY19, due to poor outcomes as indicated in interim performance reports. The Department has indicated they are exploring adding more requirements into the RFPs for these programs in the future.

Recommended Management Action:

DHHS should continue to evaluate performance measures for TANF-supported programs and services and ensure there are strong performance measures linked to participant outcomes and aligned with the TANF purposes. The Department should also review whether performance measures for contracted programs and services within the same service category should be consistent and whether there are relevant outcomes measures that can be established for preventive services.

Acknowledgements

OPEGA would like to thank the management and staff of the Office for Family Independence and the Department of Health and Human Services Commissioner's Office for their cooperation throughout this review.

Agency Response

In accordance with 3 MRSA § 996, OPEGA provided the Office for Family Independence and the Department of Health and Human Services an opportunity to submit additional comments after viewing the report draft. DHHS response letter can be found at the end of this report.

Appendix A. Scope and Methods

The scope for this review, as approved by the Government Oversight Committee, consisted of five questions. To answer these questions fully, OPEGA used the following data collection methods:

- document reviews including laws, rules, policies, contracts and related materials;
- staff interviews; and
- analysis of program and financial data obtained from DHHS and ACF.

Document Review

OPEGA reviewed relevant documentation about the TANF program. Specific materials reviewed include, but are not limited to:

- Federal and Maine Statutes;
- Maine legislative history;
- Federal and Maine TANF rules, policies and guidance documents;
- Financial and work participation rate reports submitted to and published by ACF;
- Contracts with programs receiving TANF funds, a sample of associated expenditure justification forms and Fedcap monthly performance reports; and
- Correspondence between DHHS and ACF regarding work participation rate financial penalties for FFY 2017-2015.

Interviews

OPEGA interviewed relevant staff at DHHS and the Office of the State Auditor (OSA) to obtain information about the State's administration of TANF grant funds. Interviews were conducted with the following individuals:

- the current director, eligibility staff and financial staff for the TANF program, located in OFI within DHHS;
- DHHS finance staff, including the current Senior Program and Financial Advisor, Director of Contract Management, and Acting Director of the DHHS Finance Service Center;
- OSA staff assigned to audit the TANF program; and
- staff from PCG, subcontractors working with DHHS on calculating and documenting allowable expenditures.

OPEGA notes that this review did not include interviews of staff at contracted programs awarded federal TANF funds from DHHS.

Data Analysis

OPEGA performed an analysis of program enrollment and financial data obtained from DHHS:

- TANF program applicant data, enrollment data, and exemption and extension data for 2008-2017; and
- TANF expenditure data for 2008-2017.

Department of Health and Human Services
Maine People Living Safe, Healthy and Productive Lives
Paul R. LePage, Governor
Ricker Hamilton, Commissioner

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June 25, 2018

Beth L. Ashcroft, Director
Office of Program Evaluation and Government Accountability
Maine State Legislature
#82 State House Station
Augusta, Maine 04333-0082

Re: OPEGA Final Report on the Temporary Assistance for Needy Families (TANF) Program

Dear Ms. Ashcroft:

The Department of Health and Human Services (Department) appreciates the opportunity to provide a response to the above-referenced report, and we offer the following comments.

General Response:

We would like to commend OPEGA staff for the time and effort they devoted to developing a detailed and sophisticated understanding of the regulatory, financial, and operational components of Maine's TANF program. The Report reflects that substantial work, and is a comprehensive and nuanced account of the program and the Department's administration of it, as well as its history.

A few topics in particular are worth mentioning. First, we agree with OPEGA's finding that the Department's process and methodology for analyzing funding decisions' compliance with a complicated set of federal requirements is "robust" and free of "issues, control weaknesses or potential risks" (Pages 3 and 32).

Second, the Report accurately captures the Department's handling of federal work-participation-rate penalties, carefully laying out the protracted and complicated procedural history, and recognizing the Department's exhaustive and "effective" work "to mitigate the negative fiscal impact of current penalties and reduce the risk of future" ones (Page 5). The Report appropriately notes that the Department "has pursued and continues to pursue all appropriate paths in accordance with federal regulations to attempt to reduce past penalties" (Page 38). It also recognizes that we are well positioned to address penalties in the future, observing that "there is an assignment of responsibility and authority within DHHS, as well as a clear chain of command" on this issue, which is likely to "ensure DHHS continues to respond timely to opportunities to mitigate future fiscal impacts" (Page 40).

Relatedly, the Report recognizes the value of the Department's relationship with Fedcap in strengthening our real work participation rate in the long term, describing that arrangement as leading to "meaningful progress" toward improvement (*Id.*). In that regard, the Report both identifies the contract's structural advantages and observes the Department's careful and diligent management and oversight of, and communication with, the service provider (*Id.*).

Recommendation #1:
Transparency and Accountability for TANF Spending Decisions Should be Improved

Response:
The Department appreciates the Report's determination that our decision-making process for TANF spending is "reasonable" under the circumstances,[1] and we agree in part that the documentation for that process could be improved. Specifically, we agree that it would be valuable to have "a formal written description/outline that describes the basic steps in the decision-making process, specifies who is involved in the decision-making and who is accountable for the final decisions," (page 41), and we will develop one. On the other hand, it would not be realistic to expect minutes of all meetings where TANF funding comes up or detailed written documentation of all TANF funding decisions. The nature of the TANF grant and the various and changing requirements placed on it, combined with the grant's flexibility and the shifting demand for resources, make the Department's work in this regard constant and dynamic. It would be unduly burdensome to attempt to reduce all TANF funding discussions and decisions to formal documentation or to take minutes of all relevant meetings.

The Department also disagrees with the recommendation that it increase its legislative reporting. Much of the recommended new reporting involves information already publicly available in the Department's reports to ACF and in the State TANF Plan.

Recommendation #2:
DHHS Should Continue to Improve Performance Measures for Assessing Outcomes of Contracted Programs

Response:

The Department agrees with the Report's recommendation. We have already taken steps to improve the performance measures we require contractors to meet, and we will continue to refine our process and standards in this regard, taking into consideration the specific suggestions and findings in the Report.

Sincerely,

Ricker Hamilton
Commissioner

RH/klv

cc: Amy Gagne, OPEGA
Bethany Hamm, Director, DHHS-OFI

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[1] We nevertheless disagree with the suggestion that it is "more flexible and less formal than a typical budget process" (page 41), as that conclusion is drawn from an unsupported premise. Namely, on pages 30-31, the Report describes the ways in which the Department's TANF budgeting process meets and does not meet a set of "standards typically expected in an effective budgeting process." However, the Report does not cite a source or otherwise identify where those standards come from, and it does not articulate how the standards are relevant to the specific type of administrative budgeting process at issue.