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REACH Program summary

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REACH PROGRAM SUMMARY

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This document provides an outline of the REACH program (Realizing Economic Achievement), Governor Kean's blueprint for restructuring New Jersey's public assistance program to replace welfare with work, dependence with self-sufficiency, and less than fully productive lives with opportunity. By making welfare a temporary stop on the road to self-sufficiency rather than a way of life, REACH also offers a better return to the taxpayer on the public assistance dollar.

The REACH program has no precedent in any other state effort in terms of proportion of the public assistance caseload that would participate, the range of services to be provided, and the extent of the program participation requirements for eligible persons. REACH will do what no other state has done -- implement a mandatory comprehensive educational, training, and employment program for all AFDC recipients while targeting the prevention of long-term dependency for young welfare mothers. It will also be a positive component of an overall economic development strategy for New Jersey, allowing more citizens to share fully in economic growth and supporting continued economic expansion by building a better trained workforce.

The Governor and the Department of Human Services are confident that the REACH program can turn public welfare around in New Jersey, both for the recipient trapped in a cycle of poverty and the taxpayer who rightly is not at all satisfied with what his welfare tax dollar is now buying in public assistance. REACH represents a complete recasting of AFDC in New Jersey.

REACH has been designed with substantial community and client input; its basis is in reality, not simply in research. Public hearings were held in every county to explore local attitudes and priorities for welfare reform. In addition, Human Services' Commissioner Drew Altman has met with a number of small "focus groups" of welfare recipients to discuss their needs and perspectives. Thus, the REACH program reflects not just the concerns of the taxpayers and the "experts" but genuine feeling in the community and among clients about the failures of the current system and what steps are needed to replace traditional welfare dependency with a more constructive approach.

The remainder of this document outlines the REACH program. It discusses the principles that underlie the effort and the program features that define REACH as a unique and important reform. It also details program costs and anticipated savings.

### Principles

The REACH program is grounded in a set of principles that organize and orient the initiative.

First, the REACH program sets economic independence as the goal of the welfare system. In the program's most complete form, all able-bodied recipients of AFDC will be required to participate in appropriate program activities for as long as they receive welfare assistance, thus establishing a clear expectation that welfare recipients should direct their lives toward self-sufficiency.

Currently, employment is a "poor relation" in the welfare system. In fact, employment and training as an option for applicants is not even mentioned until page 10 (of 14) of the application for welfare assistance. This emphasis will be reversed so that work will always be preferable to welfare and fully explored prior to the receipt of public assistance.

Second, the program is built on the principle of mutual obligation. In effect, the client and the State must enter into a contract. The client must take steps to achieve economic self-sufficiency. In return, the State will provide enhanced support -- day care, extension of Medicaid coverage, an increased allowance to cover training and employment related expenses -- and opportunities for education, training, and employment.

The notion of a contractual relationship between government and the recipient implies not only that government provide needed job training and placement services, but also the support services to facilitate client participation. Although government financed services should at all times be used as a last resort, after familial and community resources are explored, recipients cannot be expected to work unless their children are cared for and they cannot be expected to seek jobs if their Medicaid benefits are to be lost and not replaced by employer-provided health coverage. This last point was underscored time and again in focus group meetings with welfare recipients. A joint obligation exists and must be recognized in our reform.

Third, REACH utilizes a targeted approach to program design and service delivery. Its most intensive efforts will be directed towards young, first-time mothers who are eligible for assistance. This approach is appropriate given the greater likelihood of this population being trapped in longer-term dependency. Currently, more than one-third of recipients under the age 22 will remain on AFDC for periods lasting 10 or more years.

By targeting young, first-time welfare mothers, New Jersey will become the first state to make self-sufficiency and prevention of lives on public assistance the major thrust in welfare reform.

Because New Jersey will be making such a strong commitment to young people through REACH, the Governor is also proposing a greater investment in education as a component of the overall welfare prevention strategy than have other states. As an alternative to full-time work, REACH will allow recipients to go back and finish high school. Job oriented one and two year community college programs will also play an important role in the program.

In addition, as Massachusetts has done in its voluntary employment and training program, REACH will also identify and develop appropriate training, employment, and supports for motivated individuals who, with much more limited state support and appropriate encouragement, can move off the welfare roles. In this way New Jersey's program will achieve early and substantial reductions in AFDC caseloads while undertaking the longer-term remedial work needed by many young welfare mothers and long-term dependent recipients.

Fourth, REACH will support but not supplant parental obligations. The Governor believes that the primary obligation to provide support rests with the family, not the state. As such, the Department will prioritize child support collections to assure that REACH participants receive as much support as possible. In addition, the Department will seek legislation to implement "immediate income

withholding" to access all available child support funds from working absent fathers. This action, through which child support payments are automatically withheld from an absent father's paycheck, will provide direct access to the income of absent fathers against whom a child support judgment has been entered.

Currently, 85% of court-ordered child support obligations in New Jersey are in arrears, and this step will significantly increase child support payments for welfare recipients. In addition, later in the implementation process, REACH will include a system like that in the Newark/Camden Welfare Prevention demonstration project that conditions food stamps, general assistance, or AFDC support for absent fathers on their involvement in training and employment activities. Long term, this approach will enhance their ability to provide significant support. Since many mothers with very young children may only be able to work part-time, increasing child support is particularly important for this group.

Similarly, in the day care area, state-supported day care will be offered only after a determination is made that there are no available and appropriate family members to provide needed day care services. REACH can and will make better lives for AFDC recipients, but the state role will be carefully crafted to make full use of available family and other supports.

Fifth, it is important that REACH be viewed in the broader context of reform beyond this initial program. REACH is New Jersey's initial activity to obtain immediate results and redirect the welfare system. It builds on the current system while the Department examines more fundamental options for reform that will comprise our second phase of welfare reform. The goal is to achieve results with a substantially reformed program as a prelude to a longer-term fundamental restructuring of the entire system of public assistance.

Sixth, REACH is built on the premise that a public/private partnership approach is necessary if welfare reform is to achieve its goal of encouraging economic independence. The state will, therefore, work closely with Private Industry Councils (PICs) in developing job training, readiness, and placement activities. REACH will also utilize JTPA (Job Training Partnership Act) as fully as possible to plan and implement the program. In addition, the private sector will be properly represented in the county-based planning process that will be fundamental to REACH.

This public/private partnership aspect of REACH is highlighted by the possible use of state tax incentives to encourage employers to hire REACH clients. As an added inducement for job creation, a tax credit might be provided to an employer who hires a REACH participant at a certain wage, provides health insurance coverage, and retains that employee for at least a year. In this way, the state could provide performance-based incentives to employers and make it more likely that recipients will obtain jobs that will keep them out of poverty and off welfare.

In addition, in order to demonstrate "up-front" that welfare reform can lead to permanent employment, the Department is developing a pilot project in Atlantic City in which the casinos and other employers will commit up to 1,500 jobs over a two year period in return for state assistance in day care, transportation, and other areas. This project, which involves a formal partnership between the state, the casinos, the unions, the PIC, and the county, will provide jobs that pay up to \$7.50 an hour -- an unprecedented achievement in welfare reform.

### Program Features

Beyond the principles noted above, the REACH program will have several notable features:

- Able-bodied recipients will be required to participate in education, training or employment programs.
- The state will provide needed opportunities and supports, including day care, continuation of Medicaid coverage after employment begins, a special training allowance for transportation costs, education, vocational assessment and training, and job placement.
- There will be a multi-year, phased implementation of the reform. AFDC applicants (new and reopened cases) will be incorporated first, followed by existing recipients. The program will begin in 3-5 counties to start, incorporate some program components initially and add others over time, and be fully operational for the entire AFDC population within three years. At a minimum, REACH will be operational for AFDC applicants in the 13 counties representing 93% of the AFDC caseload by the end of the program's first year.
- The program is structured so that counties and their County Welfare Agencies will want to participate. The program is based on incentives, not state mandate, and will compensate counties for case management and other costs they incur to implement and operate the REACH program.
- A county-based planning process will be used to structure the employment, training, and support service components of the program. This process will operate within clear state-set parameters. The local planning process will determine the most effective ways to organize and administer services to meet state goals. In this way, training and education options will reflect local needs and resources, and support services such as day care can utilize existing local arrangements. Longer-term, REACH will move toward the co-location of all relevant services at the county level, under unified management and one roof. All county-based programs will be required to offer a core package of services, including case management, education and training options, and job placement assistance.
- Families with children under the age of two will be exempt from work requirements but not registration, counseling, vocational assessment, and the development of a plan for self-sufficiency. Currently, recipients are exempt from all mandatory program requirements if their youngest child is under six. This new approach recognizes the changed social environment in which most women, many with young children, now work. REACH thus challenges the prevailing notion that AFDC families with pre-school children should be immune to the economic forces that operate on families in other segments of society. Through the Camden/Newark Welfare Prevention demonstration, parents of children as young as six months are incorporated into an education and training based program.
- Services provided will vary according to the needs of individuals. For some individuals, intensive remedial education will be appropriate. For others, short-term focused job training or job search assistance will be in order. For still others, community work experience will be the appropriate intervention to facilitate independence. Interventions,

as well as support services, will be organized around client needs. Day care support will be built around a voucher system of family day care, organized through county-based networks.

- The REACH program will utilize a "state-client contract" approach to develop and formalize an agreement detailing what employment, education, and training related activities will be pursued by the client and what services will be provided by the state to support that process. The contract will outline the path the client will travel to reach economic independence.
- The project will tap into existing education, training, and employment services offered by state agencies and private parties, such as JTPA.

It will also utilize slots for single parents available through the community college system. New systems to serve REACH clients will be used as a last resort, and only if existing systems cannot be utilized or enhanced. The Departments of Labor, Education, and Higher Education can all provide important supports for REACH. It is a priority to work together with these and other agencies to maximize the effectiveness of REACH and minimize duplication.

#### Cost of the Program

The annual cost of the REACH program will be determined by two factors: the caseload that is served and the average cost per case. In the first year of operation (Fiscal Year 1988) the incremental total cost will be relatively low, approximately \$12.5 million. This is due to several factors:

- only certain clients -- applicants rather than all recipients--will be phased-in;
- only 3-5 counties will begin participation in the program initially, although the 13 counties with 93% of the caseload will be operational for new and repeat applicants by the end of F.Y. '88., and
- the complete array of service and support options will not be immediately available.

When the REACH program is fully operational, involving all counties, AFDC clients, and services, it will have an estimated total incremental cost of \$50-60 million. This will fund:

- case management;
- educational services;
- training programs;
- job readiness, job search, and supported work initiatives;
- developing job placements;
- providing incentives to counties to participate;
- start-up grants to counties

- day care;
- training-related expenses (particularly for transportation) to provide clients with the wherewithal to undertake training and education; and
- extension of Medicaid coverage to ease the transition from welfare to work.

Full-cost of implementation will be reached at the end of three years. Second and third year costs will increase, approaching the total, as more counties, clients, and services are phased into the REACH Program. We estimate second year costs at \$20-30 million.

### Savings

The cost of the REACH program will be recouped by savings derived from reducing the welfare caseload. A 15% reduction in the AFDC caseload, achievable within three years through the REACH intervention, will generate state savings of approximately \$50 million.

Total AFDC Caseload = 120,000 families  
 15% Reduction = 18,000 cases  
 Average Annual Cost Per Case (with Medicaid) = \$5,600  
 $\$5,600 \times 18,000 = \$100$  million  
 50% State Share = \$50 million

Program costs in excess of \$50 million will be recouped in four ways:

1. Additional state taxes generated by AFDC recipients placed into jobs through the REACH project;
2. Continued enhancement of the state's child support enforcement system, to collect additional payments from absent fathers of reach participants;
3. The Federal share of services provided to REACH participants; and
4. Federal and foundation grant funds.

In this way, within three years REACH will pay for itself financially and earn substantial long-term dividends by building productive lives and contributing to the economic growth of New Jersey.

The Department will obtain as much program effect as possible in this first year by training, placing, and offering services to the extent possible to target populations. Estimates indicate that even these initial efforts will generate savings through reduced caseloads.

### Conclusion

The welfare system in the United States has failed to achieve its objectives. While it does provide subsistence-level income for millions of poor families, it does not create proper incentives and provided needed supports to make welfare assistance what it ought to be -- a short-term aberration in an overall life pattern marked by work, independence, and economic self-sufficiency. REACH's goal is to achieve this proper role for the public assistance system.

