



The SUCCESS Evaluation Final Impact and Cost-Benefit Report

Executive Summary

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October 26, 2001

Prepared for:

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EXECUTIVE SUMMARY

Recognizing the limitations of the welfare system then in place, in the mid-1990s the San Mateo County Human Services Agency (HSA) sought to design a new welfare system that would promote self-sufficiency, while still providing financial assistance to low-income families. Following a two-year community and agency-wide planning effort, HSA unveiled its Shared Undertaking to Change the Community to Enable Self-Sufficiency (SUCCESS) model in 1996. In July 1997, the California Department of Social Services (CDSS) authorized a waiver allowing HSA to operate the SUCCESS model as a demonstration project, and sponsored an independent evaluation of the project, to be conducted by The SPHERE Institute.

Although the SUCCESS program anticipated many of the features of CalWORKs (California's welfare reform program), it was originally operated under the waiver with sanction and work-program policies that were more stringent than allowed under CalWORKs rules. The key features of the SUCCESS model were:

1. A single point of entry for all programs and early assessment of client needs;
2. Integrated and comprehensive case management and supportive services;
3. Emphasis on immediate employment for the job-ready, coupled with higher participation requirements; and
4. More rigorous sanctions for non-cooperation, including the potential for a full-grant sanction.

In late 1999, following a lawsuit challenging the waiver, SUCCESS work-program and sanction policies were redesigned to conform to CalWORKs regulations, thereby eliminating the full-grant sanction and higher participation requirements. However, the other key elements of the SUCCESS program have continued under the county's CalWORKs Program. With the modification of SUCCESS sanction and work-program

policies, there are three distinct time periods across which to compare outcomes in San Mateo County: the pre-SUCCESS (AFDC/GAIN) period, the SUCCESS period in which the program operated under the CDSS waiver, and the CalWORKs period following the changes to the SUCCESS program to conform to CalWORKs rules.

In this final report we use state and county administrative data to examine the effectiveness of San Mateo County's SUCCESS program (and the CalWORKs program that replaced it) in helping families on cash assistance to achieve self-sufficiency. We do this by (1) examining changes in outcomes over time within San Mateo County, (2) comparing San Mateo with a group of similar counties, and (3) using a regression framework to estimate how outcomes achieved in San Mateo under SUCCESS and CalWORKs differ from what would have happened if the county had implemented the "average" CalWORKs program. We focus on outcomes that can be measured using the administrative data sources available for analysis: employment rates, earnings levels, sanction rates, welfare recidivism, and receipt of other forms of public assistance. Information from San Mateo County's Case Data System provided the basis for the integrated data set measuring public assistance outcomes. The evaluation also used Medi-Cal Eligibility Data System data and Unemployment Insurance wage data.

Summary of Key Findings

San Mateo County has been more effective in moving families off of aid than the "average" county under CalWORKs. San Mateo County has achieved greater caseload reductions than the balance of the state, and our regression analysis indicates that this finding persists after controlling for differences in county economic and demographic conditions. Several other findings indicate that San Mateo's higher exit rate

reflects real improvements in family economic well-being. First, the county's welfare leavers have substantially higher earnings levels than families remaining on aid, and earnings levels for leavers tend to increase over time after exit. Second, San Mateo County's welfare leavers have post-exit employment rates and earnings levels comparable to leavers in the selected comparison counties (Riverside, San Francisco, Santa Clara, and Ventura). That is, although San Mateo County has had a relatively large number of welfare leavers, on average these families are doing as well as families leaving aid in similar counties. Third, San Mateo's welfare recidivism rate has been low, and few children receive Foster Care after their family leaves cash aid. We do note, however, that low take-up rates for Non-Assistance Food Stamps indicate that there is room for San Mateo County to improve on this measure, especially considering the higher rates achieved in Ventura County and, more recently, Santa Clara County.

Compared to differences between San Mateo and other California counties, the differences in pre-SUCCESS, SUCCESS, and post-SUCCESS outcome trends within San Mateo County are small. We did not find dramatic differences across the three time periods in San Mateo County. Case exit rates peaked in the SUCCESS period, but the high rates achieved under SUCCESS reflect the continuation of trends that began under earlier program reforms. In addition, by late 2000, the exit rate under CalWORKs returned to its SUCCESS-era peak. We also did not find dramatic differences across time periods in employment rates and earnings levels for ongoing cases and leavers. Based on this analysis, it does not appear that the repeal of elements of the original SUCCESS program in San Mateo County in late 1999 has had, *in the aggregate*, a major effect on outcomes for aided families.

SUCCESS sanction policies led to higher rates of compliance and higher earnings for sanctioned families. Although we did not find substantial impacts from SUCCESS on the county's aggregate outcome trends, we found evidence that the SUCCESS sanction policy did have a significant impact on the relatively small number of families who were sanctioned. Many of these families appeared to respond to the financial incentives presented by the sanction policy. After an initial phase-in period, sanction rates were lower under SUCCESS than under the county's AFDC and CalWORKs programs. Most families receiving a partial-grant sanction under SUCCESS corrected quickly, and employment rates and average earnings levels increased sharply for these families, reflecting the effect of compliance with participation requirements.

Furthermore, 56 percent of families receiving a full-grant sanction under SUCCESS returned to cash aid at least once in the 18-month follow-up period, and most came back on aid in San Mateo County. For many of these families, the return to cash aid accompanied compliance with participation requirements. For full-grant sanction families who did not return to cash aid, post-sanction employment rates and average earnings levels increased substantially, although these measures remained somewhat below the levels observed for other families leaving cash aid in the SUCCESS period.

Finally, we found that under SUCCESS, larger families were more likely than smaller families to come into compliance with program requirements after being sanctioned. This is quite different from the pattern under CalWORKs, where we have found that larger families are more likely to remain under sanction. This is probably due to the difference in the financial incentive for compliance from the perspective of the

sanctioned client. The cost of the sanction, in terms of the grant foregone, was higher for larger families under SUCCESS, but is lower for larger families under CalWORKs.

San Mateo's cash-aid programs have generated large grant savings and increases in household income. In our analysis of the cost-effectiveness of San Mateo's cash-assistance program (SUCCESS/CalWORKs) relative to the "average" CalWORKs program implemented in other counties, we found that the higher grant savings in San Mateo (from greater caseload reductions) approximately offset the county's higher administrative costs. Thus, from the narrow perspective of CalWORKs Program funding, we estimated that the program in San Mateo was approximately cost-neutral. Factoring in the estimated increases in household income for leavers, we found that the total benefits generated by San Mateo County's program substantially exceeded the program's higher administrative costs. That is, from the perspective of society as a whole, we found that the primary impacts of the county's cash-assistance program resulted in substantial net benefits (compared to the average CalWORKs program), with those benefits generally accruing to the clients served by the program.

The impact of the five-year time limit on the well-being of CalWORKs recipients in San Mateo County may be smaller than expected. In the final chapter of analysis, we shifted our focus from looking back at San Mateo's historical experience, to looking ahead to the potential impact of the CalWORKs five-year time limit on the county's current caseload. Our analysis led us to conclude that the impact of the time limit on the well-being of CalWORKs recipients in the county may be smaller than expected. Program exemptions will significantly reduce the impact of the time limit, and those adults who are likely to hit the time limit are better off, in terms of employment rates and

earnings levels, than we had expected. However, there remains a small but significant group of adults on the county's caseload who are non-exempt long-term recipients with limited employment activity. This group, which is disproportionately likely to have young children and to speak a primary language other than English or Spanish, will face the most significant income reductions due to time limits when they begin to take effect in January 2003.