

# The opportunities for service integration under current law

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There have been many discussions of the challenges states and localities face in service integration efforts, but there is no common understanding of the extent to which federal statutory and regulatory requirements impede such efforts. The lack of consensus on this point became clear during consideration of the broad superwaiver authority initially proposed as part of welfare reauthorization. In an effort to advance understanding of the issues, the National Governors Association, Hudson Institute, and Center for Law and Social Policy (CLASP) initiated a project to examine several key areas in which states wanted to promote service integration and then identify legal issues and potential legal barriers to such integration. As part of the project, the authors (who share a belief in the importance of supporting service integration at the state and local level but differ in our views of the superwaiver) sought to develop a set of joint recommendations for federal action—legislative, regulatory, and administrative—to support state and local service integration efforts.

## Diagnosing federal barriers to service integration

The first step in this analytical process was to diagnose the extent of the problem at the federal level. Because it was not feasible to develop and test every possible scenario, staff from CLASP and the Center on Budget and Policy Priorities (CBPP) were asked to complete analyses of legal issues in three policy areas in which many states and localities have focused their energies or expressed a particular interest.<sup>1</sup>

1. Integrating TANF-funded employment efforts with programs under the Workforce Investment Act (WIA) of 1998 to create a workforce system in which service strategies are based on individualized determinations of needs rather than narrow, categorical eligibility rules.
2. Aligning policies and procedures in public benefits programs—Medicaid, the State Children’s Health Insurance Program (SCHIP), TANF cash assistance, and state child care programs under the Child Care and Develop-

ment Fund (CCDF)—to provide for a single application and harmonized verification, reporting, and recertification requirements.

3. Providing comprehensive services to children and families, with family-based case management and the capacity to link family members with needed services.

In each area, CLASP and CBPP staff generated legal analyses to identify those components of the models that could be achieved under current law and regulations.

The analytical strategy had some limitations. First, these analyses did not speak to all integration possibilities. Strategies involving other programs or different structural changes that altered more basic features of those programs could be designed and analyzed. Second, the three models differed in their degree of specificity. The most clearly definable—aligning policies and procedures in benefit programs—was the most conducive to definitive conclusions; the model with the least clarity—providing comprehensive services to children and families—was least able to do so. Third, the analyses were intended to focus solely on the legal impediments to integration. Other impediments, including leadership, capacity, and administrative issues, are to be examined in other aspects of the overall project, as noted in the accompanying article by Corbett and Noyes. Despite these limitations, the analyses provide significant insight into the flexibility that already exists within current law and practice.

Ultimately, each of the three analyses came to different conclusions about the extent to which current federal law poses a significant barrier to adopting the model. Although some of the differences may flow from the somewhat different approaches taken by the different authors of the three analyses, the general picture that emerges makes it clear that the opportunities and challenges differ across the areas of state and local interest.

Module I in the SINET project included three analyses (see Figure 1 in the article by Corbett and Noyes in this *Focus*). This article includes information from one of the analyses, which addressed issues in the integration of Temporary Assistance for Needy Families with programs under the Workforce Investment Act of 1998. The other two analyses bearing on the simplification and integration of public benefits and the provision of comprehensive family benefits will be considered in future *Focus* articles.

Broadly, the three analyses concluded:

1. In the area of TANF-WIA integration, there are significant steps that states can take under current law, but states face barriers to full integration, largely flowing from legislative decisions made by Congress in the TANF or WIA legislation or both.
2. In the area of simplification and integration of public benefits, there are some limits, but current law enables states to develop a single application form and harmonize reporting, verification, and recertification requirements.
3. In the area of comprehensive family services, the greatest barriers are not legal, but rather relate to nonlegal issues that arise in efforts to bring multiple programs, funding streams, entities, and organizations together in a coordinated or integrated effort.

Reviewing the conclusions from the three analyses, we suggest some more general observations that can be useful in the effort to integrate state and local programs.

First, as we noted, the principal barriers to service integration are in some instances not legal, but include issues of management, resources, leadership, vision, and sharing of experiences. However, the perceptions that there are legal barriers can create stumbling blocks, and addressing those perceptions can make it easier for state and local initiatives to concentrate efforts on other issues.

Second, states are often not fully exercising the choices available under federal law. This may be due to policy or resource considerations or because some options are relatively new. Sometimes, however, the choices are not straightforward, and considerable technical expertise may be required merely to understand what is possible. Federal agencies often do not offer technical assistance in areas that cut across multiple programs, agencies, or departments.

Third, there are clearly some areas in which different and inconsistent federal requirements make integration far more difficult. Sometimes, differences arise because agencies write regulations without placing a priority on fostering consistency across programs. Or Congress may have enacted inconsistent requirements for closely related programs. The different requirements may reflect underlying congressional decisions to take different policy approaches to different programs, perhaps to balance competing priorities, or may simply reflect the reality that different committees or sessions of Congress were responsible for particular pieces of legislation.

For reasons of space, this article considers in detail only one of the analyses: the integration of TANF and WIA programs. It is intended to illustrate the type of analysis completed as part of this project. However, the possible federal actions included in the subsequent section of this article are based on our view of the implications of all three of the legal analyses completed.

## **A detailed example: Integrating TANF and WIA into a single workforce system**

The goals of TANF and WIA are overlapping but not identical. TANF provides a funding stream that can be used for a broad range of services and benefits, including efforts to link low-income unemployed parents with work and to provide supports to low-income working families. WIA seeks to integrate a range of employment and training programs into a single one-stop delivery system, in which all unemployed and employed workers are potentially eligible for a range of services, and which is responsive to the needs of the business community.

In the model of a fully integrated workforce development system that is considered here, all unemployed and employed workers could seek employment assistance from a universal system, and states and localities could structure service strategies based on individualized assessments and needs instead of on federal rules specifying particular approaches for particular categories of claimants. Services would include training and skills development, work supports such as child care, and transportation and income supports.

There are many areas in which differences between the legal requirements of TANF and WIA make implementation of such a model difficult. Overall, these differences fall into three categories:

*Fundamental policy-based differences.* Some differences arise from features of each funding stream that Congress likely views as fundamental. For example, TANF uses participation rates, and WIA uses performance measures. This critical difference is not an oversight but is based upon the preferences of legislators. It is doubtful that an interest in fostering integration would be a sufficient reason for Congress to allow a fundamental policy decision to be overridden.

*Statutory/regulatory differences that occur for a reason, but may not be fundamental.* In such instances, Congress might be more receptive to modifying the rules in one program to reduce complexity and support integration.

*Differences that are unlikely to reflect underlying policy differences and may be inadvertent.* Differences in data reporting requirements, for example, may simply reflect differences in how the statutes were worded or how implementers designed their requirements. It is difficult to see any policy reason that the respective agencies could not work to harmonize their approaches and to identify areas in which action by Congress is needed.

The authors of this particular analysis concluded that an effort by federal agencies to eliminate needless differences, and to identify and resolve—or present to Congress—those for which policy justifications may not be strong would assist states in bringing TANF and WIA together in a single workforce system.

## Problem areas in TANF-WIA integration

*Eligibility for employment services.* Between TANF and WIA, it is technically possible to provide employment services to any unemployed adult and to any low-income employed adult. TANF, however, is more limited in who can be served—primarily low-income adults with children. With respect to eligibility, the states' biggest problem is probably not inability to find a potentially allowable funding stream. Rather, it is the lack of sufficient funding to serve all eligible persons, the occasional complexity of the rules, and the many different requirements (e.g., participation, performance, data reporting) that flow from the funding stream used.

*Providing employment services.* Under both TANF and WIA, states have broad discretion in deciding which employment services to fund. But requirements differ.

For families receiving TANF assistance, a state must meet federal participation rates to avoid risking a penalty. Families must be engaged in one or more listed activities for a specified number of hours each week to count toward participation rates. Thus, a state is theoretically free to fund any employment service it deems appropriate, but may in practice be constrained depending on the activities that count toward federal participation requirements.

For individuals receiving WIA-funded services, access to intensive support and training services depends on satisfying sequential eligibility requirements. Additionally, if WIA funds are used to provide training for an adult or dislocated worker, then the training must generally be provided through an individual training account (i.e., a voucher to be used with a provider chosen from among a list of eligible providers established by the state).

*Supportive services.* States have broad flexibility in determining whether and how to provide supportive services under TANF; however, if the supportive service falls within the definition of "assistance," a set of requirements—time limits, participation rates, child support cooperation—applies to the family. States do not face the same constraint under WIA, but can only use WIA funds "as a last resort," to provide supportive services for individuals who are unable to obtain such services through any other programs.

*Income support in connection with employment services.* When using TANF funds, a state may design ongoing or short-term income support for participants receiving employment services, though ongoing income support is considered "assistance" and is subject to the assistance-related requirements. WIA only allows needs-based payments for participants in or awaiting training; there are other constraints also. Thus, if a state or local area wished to provide payments to all needy participants receiving employment services, it would be possible to use TANF funds for families, and WIA funds for single individuals,

but the effective constraints (apart from limited resources) are that the TANF funds will often be considered assistance, and the WIA funds will be limited to individuals in training.

*Performance measurement.* There are significant differences in how performance is measured under TANF and WIA.<sup>2</sup> TANF has bonuses for "high performance" and reductions in out-of-wedlock births, but the principal measure of performance under TANF is probably the participation rate structure. WIA uses outcome-based performance indicators for state and local performance; state performance is the basis for incentive funds or penalties, and local performance for incentive funds or corrective action by the state. In a fully integrated system, one set of measures would be used to assess performance for all participants.

Because WIA and TANF measures are different, states face two options, equally problematic. An integrated system could elect to apply the same TANF-type participation requirements to all individuals, but this would significantly curtail discretion and might often result in inappropriate plans. A state or locality could collect WIA performance-related data for all individuals, including those receiving only TANF-funded services, but the WIA-related performance measures would not be relevant for TANF performance measurement, and those receiving only TANF assistance would not be part of the WIA performance measurement structure.

*Participant reporting requirements.* Both TANF and WIA have extensive participant reporting requirements, and they differ considerably. TANF's requirements apply to families receiving assistance, WIA's to individual registrants. In a detailed comparison of the requirements, the authors found that very few of the data elements were identical or nearly identical. The differences, though, largely flow not from the failure of federal agencies to coordinate, but from differences in the information specified under the legislative requirements of the two programs.

*Administrative structures and decision-making.* TANF does not require any particular administrative structure, and states are free to determine which program activities should be conducted by state government, local government, or private entities. WIA specifies a governance structure at the state and local levels and one-stop centers to deliver services. A limited number of states are authorized to operate with a single statewide area, but in many states, jurisdictional boundaries for TANF and WIA are different.

The three legal analyses formed the basis for an October 2003 working session that brought together state and local administrators, federal officials, researchers, policy advocates, representatives of state organizations, and others. During this meeting, state administrators with ex-

perience in and responsibility for the affected programs responded to the conclusions of the analyses and then discussion was opened to the entire group.

In considering the analysis of TANF-WIA integration, participants accepted that there were real challenges—but also real opportunities—in the legal and regulatory structures of TANF and WIA. Bureaucracies, however, do not care for ambiguity and typically avoid risk. It is, therefore, unlikely that specific integration strategies will be pursued unless there is clear legal authority. The barriers that seemed particularly high are the role of WIA as a “funder of last resort”; the tightly specified procurement process for education and training under WIA; WIA’s emphasis on high performance, which creates disincentives for serving clients with the greatest barriers; and the top-down and prescriptive governance structure of WIA compared to the open governance structure under TANF.

Participants also found some nonlegal issues important to resolving legal differences. First, state legislators are much less aware of programs and policies under WIA than of those funded with TANF dollars. A lack of awareness may equate to a lack of trust. And second, administrators in each program tend to assume that the other program is very complex. Such assumptions are likely to affect the willingness of state and local leaders and managers to pursue integration.<sup>3</sup>

## **The possibilities for action by the federal government**

The second step in the analytical process was to identify actions, given the results of the detailed legal analyses completed, that could be undertaken by the federal government in support of state and local service integration efforts. We concluded that the federal government, both executive and legislative, could pursue a variety of options to help state and local service integration efforts. Some options would require legislative changes, but others could be implemented within the agencies’ existing authority. On the basis of our review of the three analyses as well as the discussion at the October 2003 meeting, we concluded that some of the most viable options include information-sharing, the provision of technical assistance, improved agency regulatory coordination, and the establishment of a federal “Interagency Project on Service Integration.”<sup>4</sup>

### **Sharing information**

States and localities would benefit if the federal government were to play a much more active role in generating and sharing information about the opportunities for cross-program integration efforts. States could be assisted in understanding both the extent to which legal barriers can be addressed and effective approaches to the array of nonlegal issues that arise in such efforts. Such a federal

initiative would require that federal agencies develop technical expertise regarding legal requirements within and across agencies; that they actively engage in learning about the legal and nonlegal issues that arise in state efforts; that they develop improved and expedited ways of answering cross-agency inquiries; and that they implement strategies to disseminate information to states and localities.

A federal effort should not seek to impose particular models or approaches on states. It should instead help states understand the lessons learned from existing initiatives and should be responsive to the questions from states and localities, through surveys or active inquiries by regional offices, periodic meetings with state and local groups, and perhaps by establishing an ongoing, expert advisory committee on service integration that includes state and local representatives. Service integration issues could, in theory, involve any federal departments, but those most likely to be involved are Health and Human Services, Labor, Agriculture, and Housing and Urban Development. Each department might designate specialized staff with responsibility for service integration initiatives and a specific “ombudsperson” with responsibility for generating prompt responses to inquiries about service integration from other agencies.

### **Providing technical assistance**

A step beyond information sharing is the provision of active technical assistance, which also guides stakeholders, including local, state, and federal officials, through the steps necessary to take advantage of the existing opportunities. At the October 2003 forum, many participants agreed that this is an appropriate role for the federal government, although nongovernmental groups play a valuable role. Again, the federal government should not prescribe specific models or intrude into areas of state discretion, but might, for example, help resolve uncertainties about whether an approach acceptable to one agency would also be acceptable to others.

### **Improving agency regulatory coordination**

Differences across programs sometimes result from inconsistent regulatory requirements. It would not be practical to review and revise all current regulations of affected agencies, but it would be possible to review regulations in specifically defined areas, as in the analyses discussed here. A federal regulatory review would seek to identify inconsistencies in definitions, data reporting, administrative, and substantive requirements, and address those inconsistencies that were not required by statute or justified as a matter of policy.

For new regulations, agencies could implement procedures to reduce unnecessary conflicts. For example, part of the process of promulgating any new TANF or WIA regulation might involve expressly considering how the regulation affects TANF-WIA coordination. This ap-

proach could be implemented by any agency now, without any formal change in policies, or could be more formalized through the use of designated agency employees or an advisory committee.

### **Establishing a federal “Interagency Project on Service Integration”**

Federal departments—in particular, the Departments of Health and Human Services, Labor, Agriculture, and Housing and Urban Development—could help support service integration efforts by establishing an ongoing federal “Interagency Project on Service Integration” that would be responsible for reviewing proposed regulations to examine their potential impact on service integration efforts; developing “model” definitions for commonly used terms (such as “administrative costs”) in closely related programs; and working with the Office of Management and Budget to review, modify, and streamline cost allocation requirements.

Another recommendation was that this Interagency Project should receive guidance and input from an “Advisory Committee on Service Integration,” with representatives from state and local governments, researchers, and policy organizations. Such an advisory committee could provide direction about the need for information-sharing, could participate in the review of proposed and current regulations, and could identify priorities for federal assistance in service integration efforts.

### **Conclusion**

This first article from the Lighthouse Project focuses on the extent to which federal laws and regulations actually impede state and local efforts to pursue integrated service models and the implications for federal action.

The legal analysis concluded that in some areas, federal rules can be a barrier to local innovation; but in other areas, federal rules are not the principal barrier, and there is much that states can already do under current law. Many of the most important barriers to advancing service integration are located in local circumstances and politics, not in federal rules. In addition, the analysis suggests that when federal impediments do exist, they are not of equal weight. Some reflect important policy differences

in underlying legislation. Others reflect instances in which there may be little or no strong policy rationale for the difference, but in which differences have resulted simply because different committees or agencies developed different legislative or regulatory provisions over time.

At the same time, we agree that there is much that the federal government could be doing to support and nurture local innovation in this area. We believe that both governments and families would benefit if the federal government pursued these suggestions to support state and local integration efforts. Interested parties are strongly advised to read the original papers to fully review the reforms being recommended. ■

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<sup>1</sup>This article summarizes portions of a review article by Mark Greenberg and Jennifer L. Noyes, “Increasing State and Local Capacity for Cross-Systems Innovation: Assessing Flexibility and Opportunities under Current Law. Implications for Policy and Practice” (August 2004) that provides an overview of the three analyses completed, identifies and discusses their implications, and offers a set of conclusions and proposals for next steps. The specific findings and conclusions of each analysis are included in separate papers: M. Greenberg, E. Parker, and A. Frank, “Integrating TANF and WIA into a Single Workforce System: An Analysis of Legal Issues,” Center for Law and Social Policy, February 2004; S. Parrott and S. Dean, “Aligning Policies and Procedures in Benefit Programs: An Overview of the Opportunities and Challenges Under Current Federal Laws and Regulations,” Center on Budget and Policy Priorities, January 2004; R. Hutson, “Providing Comprehensive, Integrated Social Services to Vulnerable Children and Families: Are There Legal Barriers to Moving Forward?” Center for Law and Social Policy, February 2004. The authors of the review article do not necessarily agree with every aspect of each of the three analyses included in these papers nor endorse all of the findings and conclusions reached.

<sup>2</sup>On performance measurement under WIA, see also the article by Heinrich in this *Focus*, “Performance Management in Federal Employment and Training Programs.”

<sup>3</sup>On this issue, see the article by Sandfort in this *Focus*, “Why Is Human Services Integration So Difficult to Achieve?”

<sup>4</sup>For the full set of recommendations encompassing executive and legislative branches, see Greenberg and Noyes, “Increasing State and Local Capacity for Cross-Systems Innovation.”