

V. HIGH PERFORMANCE BONUS

The Temporary Assistance for Needy Families (TANF) High Performance Bonus (HPB) program provides TANF cash awards (in addition to the basic TANF block grant) to States for high relative achievement on certain measures related to the goals and purposes of the TANF program. States are not required to participate and may compete in one or multiple measures; however, those that do so must provide required data necessary to measure performance on HPB indicators. Annual bonuses are awarded to the top ranking States for performance measured over a year, called the “performance year” (FY 2003 was the performance year for FY 2004 awards), and also to States with the largest positive change in performance over the previous year. Formulas for each of the measures used for the FY 2002 and FY 2003 performance year awards are provided in Table 5:1 in the Appendix.

The amount an individual State can receive from the award each year is limited to five percent of its TANF grant. The total amounts awarded in FY 2003 and FY 2004 to each State are listed in Table 5:2 (FY 2002) and Table 5:2 (FY 2003) in the Appendix. Performance scores for the various HPB measures and State rankings for both FY 2002 and FY 2003 performance are also provided in the Appendix.

Awards for FY 1999, 2000, and 2001 were given to the top 10 States with the highest rates in four work measures related to moving adult recipients to work and sustaining their success in the work force. These measures included a job entry rate, a success-in-the-workforce rate (measured by combining a job retention rate and an earnings gain rate), and the change in each of these rates over the prior year.

Several important changes were made to the HPB measures in regulations that were finalized in 2000, and these changes apply to awards given in FY 2002, FY 2003, and FY 2004 (for performance in FY 2001, FY 2002, and FY 2003). First, four new non-work indicators were added: participation of low-income working families in the Food Stamp program; participation of former TANF recipients in the Medicaid program or in the State Children’s Health Insurance Program (SCHIP); a child care subsidy measure; and a family formation and stability measure. Additionally, a quality component was added to the child care subsidy measure for award year 2004 (for performance in FY 2003).

Second, a major change was made in the source of the employment data used to calculate performance under the work measures. In prior years, States competing on work measures were required to collect, compile, and submit quarterly reports on basic data. Beginning with award year 2002 (performance for FY 2001), competing States were required to submit monthly lists of adult TANF recipients, identified only by their Social Security Number (SSN). These data were then matched against the National Directory of New Hires (NDNH) maintained by the Department of Health and Human Services (HHS). Individual data and identifiers are kept

strictly confidential, and these matches are used only to compute aggregate performance information.

Third, the following technical changes were also made in the computation of the work measures:

- Success-in-the-workforce sub-measures (job retention and earnings gain) are equally weighted. In prior years, the weight for job retention was twice that of earnings gain.
- Differences between the performance year and comparison year rates are measured by percentage point changes rather than percentage changes.
- At least one sub-measure rate in the percentage point change between the success-in-the-workforce rate for the performance year and the success-in-the-workforce rate for the prior year must be positive. This is a new requirement.

Finally, because of the addition of new categories, both the number of States eligible for bonuses and the allocation of the total \$200 million annual bonus among measures were changed. The number of eligible States and the amount allocated to each measure are listed in Table A.

Table A
Number of State Awards and Funding Amounts (in millions of dollars)
by Category Available under 45 CFR 270.8

	Performance Year Awards		Change Over Prior Year Awards		Total Awards	
	Number	Amount	Number	Amount	Number	Amount
HPB Measures						
Job Entry	10	\$56	10	\$28	20	\$84
Success-in-the-Workforce	10	\$35	10	\$21	20	\$66
Medicaid/SCHIP	3	\$6	7	\$14	10	\$20
Food Stamps	3	\$6	7	\$14	10	\$20
Child Care Subsidies	10	\$10	0	0	10	\$10
Family Formation & Stability	0	0	10	\$10	10	\$10
Total	36	\$113	44	\$87	80	\$200

In performance year 2003 (for awards given in FY 2004), 50 States and the District of Columbia competed for at least one of the 80 individual awards; 37 States and the District of Columbia received awards. Table B lists the winning States and the number of measures awarded.

Table B
Performance Year FY 2003 States by Number of Awards Received

One (9 States)	Two (18 States)		Three (9 States)	Four (2 States)
Arizona	Alabama	Montana ¹	Minnesota ¹	Arkansas ¹
California	Alaska ¹	New Hampshire	Missouri ¹	Idaho ¹
Florida	Delaware	New Jersey	Nebraska ¹	
Kentucky	Dist. of Columbia	Ohio	North Dakota ¹	
Massachusetts	Indiana ¹	Oklahoma	South Carolina	
Oregon	Iowa	South Dakota	Utah	
Pennsylvania	Maine	Tennessee ¹	Vermont	
Rhode Island	Michigan	Virginia ¹	West Virginia	
Washington	Mississippi	Wisconsin ¹	Wyoming	

¹These States did not receive the full amount of their award because of statutory limitations. HPB awards are limited to five percent of the State Family Assistance Grant (SFAG). Amounts that could not be awarded because of the statute are distributed to other bonus States.

A summary of average national performance on the work measures is given in Table C, and State-by-State data on all performance measures are provided in the Appendix to this chapter. Note: Non-work measures were first included in the HPB award system beginning with performance year 2001, thus trend data for these measures are not shown.

Table C
TANF Work-Related High Performance Bonus Trend Information

	FY 1998	FY 1999	FY 2000	FY 2000*	FY 2001*	FY 2002	FY 2003
Competing States	45+DC	48+DC	49+DC	45+DC	49+DC	48+DC	49+DC
Average Monthly Caseload (Families)	3,199,700	2,673,610	2,264,806	2,264,806	2,117,389	2,065,423	2,031,942
Job Entries	1.3 Million	1.2 Million	931,000	648,000	622,000	510,000	533,000
Job Entry Rate	39%	43%	46%	39%	33%	36%	34%
Job Retention Rate: One Following Quarter	80%	77%	79%	78%	77%	75%	75%
Two Following Quarters	N/A	58%	65%	64%	63%	59%	59%
Earnings Gain Rate	24%	27%	25%	28%	26%	33%	33%
Average Earnings Gain	\$483	\$542	\$501	\$575	\$554	\$644	\$656

* Under the final HPB regulations issued on August 30, 2000, the FY 2001 and FY 2002 work measures performance score calculations are based solely on the wage data contained on the NDNH. In the case of FY 2001 performance year, the comparison year (FY 2000) is also calculated based on the NDNH data even though States previously calculated and reported work performance data for that year. We attribute the significant difference in the Job Entry Rate for FY 2000 to the difference in data sources and calculation methods States were allowed to use.

