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## FEDERAL WELFARE TO WORK GRANTS:

Promising models emerge as start-up delays are overcome,  
Recent amendments should facilitate expansion of program

In 1997, Congress set aside \$1.5 billion per year for fiscal 1998 and 1999 for states and localities to help move long-term welfare recipients in high poverty areas into jobs and help them succeed in the work force. The program funds job creation, job placement and job retention efforts such as wage subsidies and other critical post-employment services. Like other states, Texas initially faced difficulties getting the program started. Complex targeting of funds and start-up issues initially delayed implementation, but enrollment has recently ramped up in Texas and around the nation. While approximately 50,000 were served during the entire first year of the program nationwide, nearly as many additional clients enrolled between April and June of 1999 alone. Since March, Texas has served over 800 people with its formula funds. Recent federal changes will broaden eligibility and allowed activities. In this Policy Page we describe early implementation problems, recent changes aimed at making the program less cumbersome, early program innovations, and give examples of Texas' programs.

### BACKGROUND:

Between 1995 and 1997, as the latest round of welfare reform took hold around the country, a significant share of the poor were left behind. About 3 million families (or 7.3 million individuals) continue to receive Temporary Assistance for Needy Families (TANF) nationwide. Many of those remaining on the rolls have few work skills, little work experience, and many family and personal problems that can make finding and keeping a job difficult. Long-time recipients nearing their five-year lifetime TANF limit form a large share of remaining recipients. Many live in inner cities far from the growing number of available jobs in the suburbs.

This group has not benefited much from welfare reform thus far. The number of extreme poor—those trying to survive on an income of less than half the poverty level, or less than about \$6,665 a year for a family of three in 1997—rose from 13.9 to 14.6 million people between 1995 and 1997. The poorest 10 percent of single-mother families actually lost 15.2 percent of their income during this period, due primarily to low earnings and loss of welfare.

Child support payments from non-custodial parents can help children in these single-mother, low-income households. However, many fathers of welfare children

are themselves low skilled and face difficulties in the labor market. Low-income non-custodial fathers have high rates of unemployment, relatively low educational levels and—in 1990—average incomes well below the poverty level for a single person household. Clearly, their ability to pay regular child support is limited.

Welfare to Work (WtW) grants were created in 1997 as part of the Balanced Budget Act in response to concerns that those TANF recipients (and non-custodial parents) facing the greatest barriers to work were being left behind. WtW funds would support additional services for these groups to help them make the transition from public assistance to self-sufficiency and, in the case of non-custodial parents, help increase child support payments. Three billion dollars was set aside for use over 2 years. About 75 percent of WtW funds are allocated to states on a formula basis; states in turn must distribute 85 percent of these funds to local workforce boards in areas of greatest need. The Department of Labor competitively awards the remaining 25 percent of national funds to innovative projects run by public or private organizations. A total of \$2.5 billion in grant funds was distributed for fiscal 1998 and 1999: \$2 billion by formula to states, \$472 million in competitive grants, and \$12.8 million to tribal programs. States are required to match each two

dollars of federal formula funding with one dollar of state money. Texas was eligible to receive \$147 million in formula funds over two years, requiring a match of \$73.5 million. To date, the state legislature has appropriated a total of \$31 million of general revenue (1998-2001) to serve as matching funds. Of this amount, \$13.9 million has been obligated, enabling the state to draw down \$27.8 million in federal funds. TWC is asking local boards to come up with additional matching funds.

**SLOW START DUE TO COMPLEX TARGETING REQUIREMENTS AND START-UP ISSUES**

According to a recent Urban Institute study, complex targeting criteria has made identifying eligible participants particularly difficult. WtW funds are targeted at a subset of TANF participants: long-term recipients facing certain barriers to work or recent TANF recipients or non-custodial parents of recipients who have characteristics associated with long-term welfare dependence. Seventy percent of funds is to be spent on the first group—long-term recipients or those within 12 months of reaching a TANF time limit who face two of the following barriers to work: 1) lack of a high school diploma or GED and low reading or math skills; 2) substance abuse problems; or 3) a poor work history. The remaining 30 percent may be spent on recent recipients or non-custodial parents with certain characteristics.

Identifying long-term recipients has been difficult since many states can only identify the length of the current spell or the number of months of welfare receipt in the past two to three years. In addition, the criteria for identifying those with poor math and language skills are problematic. For example, recipients with high school diplomas but poor reading and math skills are not currently eligible to receive WtW services. Finding non-custodial parents who qualify is also very difficult. To reach this population, programs must build relationships with a new set of partners—child support agencies. Yet data on child support collection systems show that most low-income non-custodial fathers have little connection to the child support system. In 1990, only 17 percent of low-income non-custodial fathers paid child support.

Many analysts and agency workers feel that restrictive eligibility criteria have left many that are in need of services without access to them. While it is difficult to know exactly how many are eligible for WtW services, analysts agree that a large portion of the three million heads of household still on the rolls nationwide are likely to be eligible. In addition, one recent study estimated that between 600,000 and one

million non-custodial parents of welfare recipients might also be eligible.

While the exact number is elusive, it is clear that many Texas recipients are eligible for services. The table below shows Department of Human Services data on households that have received benefits for thirty months or more, whether the recipient was a child or an adult. Since eligibility is calculated only for cases where heads of household have received benefits for more than 30 months, this may over emphasize the number eligible. Despite this caveat, these data are still useful for giving us a sense of where cases are concentrated and the relationship between long-term benefit receipt, education and work history. As of March, more than 56,000 Texas households contained either adults or children that had received benefits for 30 months or more. They were concentrated in 15 counties, representing the state's largest cities and the Rio Grande Valley. Long term recipients' formed a majority of the caseload in all of these counties. The shares comprised by recipients with low levels of education or with poor work histories are comparable to those comprised by long term recipients. While we cannot determine how many long-term recipients also fell into the other two categories, since all of these groups comprise a majority of recipients, there is likely to be substantial overlap. It is not possible to estimate the numbers of non-custodial parents eligible for services; confidentiality rules currently prevent child support agencies from releasing information.

**Cases Potentially Eligible for WtW Funds**

County	Long-term recipients (> 30 months)	Poor Work History (< 3 of last 12 months)	Less than a High School Education
Bexar	5,447	5,734	4,752
Cameron	2,721	3,330	3,158
Dallas	4,867	4,352	3,929
El Paso	3,753	4,381	3,757
Galveston	648	615	483
Harris	6,965	6,956	5,525
Hidalgo	4,815	5,361	5,720
Jefferson	1,128	1,280	794
Lubbock	680	664	591
McLennan	604	659	531
Nueces	1,619	1,713	1,518
Starr	953	1,145	1,398
Tarrant	1,948	1,993	1,857
Travis	1,178	1,089	1,025
Webb	1,116	1,346	1,276
<b>TEXAS</b>	<b>56,281</b>	<b>60,945</b>	<b>52,863</b>

Source: Texas DHS, February-March 1999.

The Texas Workforce Commission has attempted to estimate the number of heads of household eligible for services. They estimate that as many as 45,580 people are eligible for services under the long-term recipient criterion. This figure may underestimate the eligible population since it represents household heads identified as having received benefits for 30 months or more by August 1998 with open cases one year later, in August 1999. More households may have hit the 30-month mark between August 1998 and August 1999. In addition, an unknown number might also qualify under the non-custodial parent or recent recipient criterion. There are clearly plenty of people likely to need WtW services.

#### RECENT CHANGES AIMED AT EXPANDING AND SIMPLIFYING ELIGIBILITY, BROADENING SERVICES

Amendments contained in recent legislation simplify eligibility requirements. Seventy percent of funds are still aimed at long term recipients. But now anyone who has received benefits for at least 30 months or who is within one year of reaching her TANF time limit (included those who have already timed out) is eligible. Non-custodial parents are now eligible if: 1) they are unemployed, underemployed or having difficulty making child support payments; 2) their minor children are eligible for, or receiving TANF, Food Stamps, Supplemental Security Income, Medicaid or Children's Health Insurance Program benefits or if they received TANF during the preceding year; and, finally, 3) they enter into a personal responsibility contract committing them to establish paternity, pay child support, and participate in services to increase their earnings and support their children. Grantees are required to consult with domestic violence organizations in developing projects. Thirty percent of funds are now aimed at youth who have timed out of foster care, custodial parents with incomes below the poverty line, and TANF recipients who face barriers to self-sufficiency established by local workforce boards.

While the original law prohibited funding pre-placement training, pre-employment vocational education and job training are now allowed and may be provided for up to 6 months. Competitive grantees may begin serving newly eligible individuals and providing job training January 1, 2000. Formula grantees may begin serving newly eligible individuals, and providing job training July 1, 2000 with the caveat that federal formula funds may not be expended for these purposes until October 1, 2000. Thus, between July 1 and October 1, 2000 only state matching funds can be expended for these purposes (although obligations

incurred then can be paid with federal funds after October 1). This is likely to make reporting quite complicated.

Additional amendments taking effect January 1 include: allowing competitive grantees other than PICs or workforce boards to directly provide job readiness, job placement and post-employment services; repealing current participant and financial reporting requirements and authorizing the Secretary of Labor, in consultation with the Secretary of HHS and states and localities, to establish streamlined and simplified reporting requirements; and permitting state child support enforcement agencies to share certain information about non-custodial parents with workforce boards. DOL must issue regulations regarding eligibility changes by January 1, 2000 and, for all other changes, 90 days later.

Overall, these changes address the two most critical problems that had emerged during early implementation of WtW programs: unnecessarily complex targeting criteria and exclusive focus on post-placement services.

#### EARLY PROGRAM INNOVATIONS

Despite start-up problems related to finding matching funds, setting up new services and coordinating across employment and welfare agencies, some innovative programs have emerged. While no comprehensive data are available on the number or types of services participants are receiving, early program studies have identified several promising program innovations. WtW funds have:

- Spurred the creation of new programs aimed at populations under-served in the past.
- Created an expanded role for nonprofit and community-based organizations; many have received competitive grants; others serve as contractors to grantees and workforce boards.
- Increased efforts to improve coordination between workforce and welfare agencies.
- Spurred development of programs for non-custodial parents. In response to early difficulties, grantees have developed new outreach strategies and expanded referral efforts.
- Generated creative strategies for providing education and training linked to work and offered in a work-based setting. Programs are integrating work with skills training or education, often in partnership with businesses; most also include job retention and/or mentoring.
- Increased available support services. Transportation, childcare, housing, and referrals to substance abuse and domestic violence programs are included in WtW service networks.

- Spurred development of community service or supported work jobs focusing on the least job-ready and providing them an opportunity to work for wages in a transitional setting as preparation for mainstream employment.

## TEXAS EXAMPLES

As noted earlier, Texas has obligated \$13.9 million as state matching funds, enabling it to draw down \$27.8 million in federal formula funds. Texas organizations were also awarded 5 competitive grants in the first two rounds of competition, worth \$19.3 million. (Multi-state grants worth \$15.9 million also targeted Texas.) Four more grants (worth \$19.4 million) were recently awarded to state organizations. Here are some examples of services currently being provided by Texas grantees.

- **Tarrant County—community-focused services**

The Tarrant County Workforce Development Board (TCWDB) received a competitive grant for \$3.3 million in the second round (awarded November 1998). As a local workforce development board it also receives formula funds. TCWDB has developed a network of community-based services focused on neighborhoods where eligible people are concentrated. Such services include life skills training, job placement and retention, transitional housing, a homeless day center, transportation, substance abuse treatment, and childcare accessible to neighborhood residents. They are currently weaving services together through their new computer network--the Safety Network--which will allow for development of electronic case files, on-line information and referral, assessment, and case management. TCWDB has tried to use formula and competitive funds in complementary ways, although this has made reporting to funders quite complicated. The board also formed a partnership with the Attorney General's Office and the local family court to increase referrals of non-custodial parents.

- **Goodwill of San Antonio—transitional employment**

Goodwill Industries of San Antonio received a competitive grant in the first round (awarded May 1998). Goodwill places hard-to-employ welfare recipients in transitional employment in its own stores. Participants receive one week of career development training before starting their temporary jobs as retail clerks, cashiers, and warehouse workers in one of 12 stores around the city. They work 32-40 hours per week for \$6.00 per hour. Throughout the three-month period of paid employment, job coaches and job developers remain in constant contact with participants, helping them find permanent jobs and gain the skills

they need to secure these jobs once they leave their temporary positions. Referrals of welfare recipients who meet WtW criteria have been low but Goodwill staff expect to serve 300-350 under their current contract.

## CONCLUSION

After a slow start, WtW funds are starting to flow into low-income communities. Changes in eligibility requirements should help. Changes allowing providers to work with clients before placement should also help. Providers have found that few are able to attend classes or programs once they are employed. Another strategy is to combine services with part-time work, in cooperation with employers. In the current economy, many employers are open to this strategy.

In regions where finding employment is more difficult, the challenges are different. Services may need to focus on job creation strategies such as temporary placements in nonprofit or government agencies. Future policy pages will provide information on how job creation projects are going around the country.

As time limits approach for many recipients with significant barriers to work, services such as those supported by WtW funds will become critical. Putting together an effective, coordinated array of services, which begin before placement in work and continue afterward, is essential. Texas has just begun to undertake this work. WtW funds represent an opportunity that boards—and the state--must seize in order to give hard-to-serve clients a chance at longer term self-sufficiency.

## ADDITIONAL RESOURCES:

"The Welfare-to-Work Amendments of 1999"  
<http://www.doleta.gov/documents/amendments99.htm>

Leonard, Paul. "Welfare to Work Block Grants: Are They Working" Brookings Institution, October 1999.  
<http://www.brookings.edu/es/urban/urban.htm>

Martinson, Karin. "Serving Non-Custodial Parents Through Welfare-to-Work Grants: Labor Market Characteristics, Employment Barriers, and Service Strategies," The Urban Institute, October 1998.  
<http://www.urban.org/welfare/noncustodial.html>

Nightingale, Demetra Smith, John Trutko and Burt Barnow. "The Status of the Welfare-to-Work Program After One Year," The Urban Institute, September 1999.  
[http://www.urban.org/welfare/wtw\\_labor.html](http://www.urban.org/welfare/wtw_labor.html)

Primus, Wendell, "The Initial Impacts of Welfare Reform on the Incomes of Single-Mother Families," Center on Budget and Policy Priorities, August 22, 1999.  
<http://www.cbpp.org/8-22-99wel.htm>

Center for Public Policy Priorities, Policy Page no.60. "Welfare to Work Grants: New Funding Available to Texas and Local Communities," October 31, 1997.  
<http://www.cppp.org>

Texas Workforce Commission:<http://twc.state.tx.us/>