

Welfare-to-Work Grants

Background

In August 1996, the Personal Responsibility and Work Opportunity Reconciliation Act reformed the nation's welfare laws. It created a new system of block grants to the States for Temporary Assistance for Needy Families (TANF) changing the nature and provision of welfare benefits in America.

Moving people from welfare to work is now one of the primary goals of federal welfare policy. The new Balanced Budget Act of 1997, signed by the President on August 5, 1997, helps achieve that goal by authorizing the U.S. Department of Labor to provide Welfare-to-Work Grants to States and local communities to create additional job opportunities for the hardest-to-employ recipients of TANF. These grants will provide many welfare recipients with the job placement services, transitional employment, and other support services they need to make the successful progression into long-term unsubsidized employment. On November 29, 1999, the President signed the Welfare-to-Work and Child Support Amendments of 1999 which make programmatic changes that simplify eligibility for the Welfare-to-Work program.

Summary of Welfare-to-Work Grants

FUNDING: The grants total \$3 billion split between fiscal years 1998 and 1999. There are two kinds of grants: (1) Formula Grants to States and (2) Competitive Grants to local communities. A small amount of the total grant money also has been set aside for special purposes: 1 percent for Indian tribes and 0.8 percent for evaluation. Grantees have up to three years to spend the funds. As of October 1, 1999, the Welfare-to-Work program has allocated all of its grant funds to States, communities and tribes.

FORMULA GRANTS TO STATES: After reserving the special purpose funds described above, 75 percent of the grant funds were allocated to States based on a formula that equally considers States' shares of the national number of poor individuals and adult recipients of assistance under TANF. States were required to pass through 85 percent of the money to local Private Industry Councils (being replaced by Workforce Investment Boards in most areas), which oversee and guide job training programs in geographical jurisdictions called Service Delivery Areas (SDA). A State was allowed to retain 15 percent of the money for welfare-to-work projects of its choice. States must provide one dollar of non-federal funding match for every two dollars of federal funding provided under the formula.

Substate Allocations: Funds are distributed to local areas by a formula. At least half of the funds passed through to local Private Industry Councils (PICs), local workforce boards (WIBs) or alternate administering agencies must be distributed to each SDA based on a poverty formula, i.e., the number of poor individuals in excess of 7.5 percent of the total population. Not more than half of the funds may be distributed based on two additional factors: (1) the number of adults receiving TANF assistance for 30 months or more and (2) the number of unemployed in the SDA.

State Plan and Administration: In order to receive formula funds, the State must submit a plan for the administration of the Welfare-to-Work grant. The Secretary of Labor must determine that the plan meets the statutory requirements. Governors are responsible for administering formula funds and for assuring that they are coordinated with funds spent under the TANF block grant.

Local Administration of Formula-Allocated Funds: In general, programs at the local level are administered by PICs or WIBs established under the Job Training Partnership Act, in coordination with chief elected officials. However, the Secretary of Labor may permit an alternative administering agency to administer the program if a Governor requests and successfully demonstrates that the alternative agency would improve the effectiveness or efficiency of program administration.

Performance Bonuses: \$100 million of WtW funding was set aside for performance bonuses to successful States. (This performance bonus allotment was reduced to \$50 million as part of the Welfare-to-Work Amendments of 1999.) States may qualify for a performance bonus in fiscal year 2000 based on a formula for measuring performance that was developed by the Secretary of Labor, in consultation with the Secretary of Health and Human Services and organizations representing States and localities. Relevant factors include job placement, duration of placement, and increased earnings.

COMPETITIVE GRANTS TO LOCAL COMMUNITIES: The 25 percent of funds not allocated by formula were used for competitive grants awarded directly by the Secretary of Labor to local governments, Private Industry Councils, and other entities (such as community development corporations and community-based organizations, community action agencies, and other private organizations) that applied in conjunction with a Private Industry Council or local government. The Secretary of Labor gave special consideration to cities with large concentrations of poverty as well as to rural areas.

FEATURES WHICH APPLY TO BOTH FORMULA AND COMPETITIVE GRANTS:

Allowable Uses of Funds: Funds may be used to help move eligible individuals into long-term unsubsidized jobs using strategies such as: job creation through short-term public or private sector wage subsidies; on-the-job training; contracts with public or private providers of job readiness, job placement, and post-employment services; job vouchers for similar services (except for grantees which are not Private Industry Councils or Workforce Investment Boards, which may provide these services directly); community service or work experience; job retention and supportive services (if such services are not otherwise available); or six months of pre-employment job training or vocational educational training.

Targeted Participant Eligibility:

Required Beneficiaries -- At Least 70 Percent of the Grant Funds: According to the Balanced Budget Act of 1997, at least 70 percent of grant funds must be expended to provide services to long-term TANF recipients who meet two of three specified barriers to employment and to noncustodial parents who meet the barriers and whose children are long-term TANF recipients. The 1999 Welfare-to-Work Amendments remove the requirement that the long-term TANF

recipients must meet additional barriers to employment. Therefore, TANF recipients are eligible if they have received assistance for at least 30 months, if they are within 12 months of reaching their TANF time limit, or if they have exhausted their receipt of TANF due to time limits.

In addition, under the 1999 Welfare-to-Work Amendments, noncustodial parents are eligible if they meet the following requirements. First, they are unemployed, underemployed, or having difficulty making child support payments. Second, their minor children are eligible for, or receiving, TANF benefits (with a priority for parents with children who are long-term TANF recipients); received TANF benefits during the preceding year; or are eligible for, or receiving, assistance under the Food Stamps program, the Supplemental Security Income program, Medicaid, or the Children's Health Insurance Program. Third, they enter into a personal responsibility contract under which they commit to cooperate in establishing paternity, paying child support, and participating in services to increase their employment and earnings to enable them to support their children.

The amendments also require grantees to consult with domestic violence organizations in developing projects to serve noncustodial parents.

Other Eligible Populations – Up to 30 Percent of the Grant Funds: Under the Balanced Budget Act of 1997, projects may also spend up to 30 percent of grant funds on TANF recipients and noncustodial parents who have characteristics associated with long-term dependency. Although the Welfare-to-Work Amendments of 1999 delete the noncustodial parent provision from this category, it adds youth who have formerly received foster care services, custodial parents with incomes below the poverty line, and TANF recipients who face barriers to self-sufficiency under criteria established by the local workforce investment board or private industry council.

Labor Protections: Labor protections that are applicable to activities carried out under the grant program include non-displacement, health and safety standards, non-discrimination including gender-based discrimination, and grievance procedures to address violations of these protections.

Evaluation: The Department of Health and Human Services has awarded a contract to Mathematica Policy Research, Inc. to evaluate the Welfare-to-Work program. HHS is conducting the evaluation in consultation with the Departments of Labor and Housing and Urban Development.

November 1999 Amendments' Effective Dates: As of November 29, 1999, all provisions of the Welfare-to-Work Amendments of 1999 are effective for Indian and Native American grantees. Amendments to the eligibility criteria and the allowable activities apply to Competitive grantees on January 1, 2000. Formula grantees may begin serving the individuals under the amended eligibility criteria and providing pre-employment job training on July 1, 2000. However, federal WtW formula funds may not be expended for these purposes until October 1, 2000.