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Welfare Reform: Competitive Grants in the Welfare-to-Work Grant Program

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Summary

The Balanced Budget Act of 1997 (P.L. 105-33) made funding available for a welfare-to-work program to assist “hard-to-serve” welfare recipients with the transition to work. In addition to formula grants awarded to the states, the Department of Labor awarded 191 competitive grants totaling \$712 million directly to local workforce investment boards, city and county governments, and private or non-profit entities in FY1998 and FY1999. The Consolidated Appropriations Act of 2001 (P.L. 106-554) gave grantees an additional 2 years from the date of award to expend welfare-to-work funds, allowing available welfare-to-work expenditures (which would otherwise expire in FY2002) to continue through FY2004. The most common work activities planned by the competitive grant awardees have been skills training and job placement assistance. Title VIII of the Consolidated Appropriations Act of FY2000 (P.L. 106-113) contained amendments to the welfare-to-work program, but did not provide for additional welfare-to-work funding in FY2000. These amendments modified eligibility and expanded the allowable welfare-to-work activities effective January 1, 2000 for competitive grantees. This report will be updated to reflect any program developments.

The Welfare-to-Work Grant Program

The Balanced Budget Act of 1997 (P.L. 105-33) made funding available for a welfare-to-work program to assist “hard-to-serve” welfare recipients with the transition to work.¹ The welfare-to-work program is administered by the Department of Labor (DoL). After set-asides for Native American tribes, evaluations, and a high performance bonus to the states, 25% of available welfare-to-work funding was awarded in competitive grants directly to local workforce investment boards (LWIBs), city and county governments, and private or non-profit entities. The remaining 75% of welfare-to-work

¹ P.L. 105-33 made available \$3 billion for the welfare-to-work program. While subsequent legislation has reduced this amount, these reductions did not impact the amount available for competitive grant funding. For a discussion of the welfare-to-work program, see CRS Report RS20134, *Welfare Reform: Brief Summary of the Welfare-to-Work Grant Program* by Christine Devere.

funding (approximately \$2 billion) was awarded in formula grants to the states. States receive welfare-to-work formula grants in addition to \$16.5 billion received annually under the block grant program of Temporary Assistance for Needy Families (TANF), administered by the Department of Health and Human Services (HHS).

All available competitive grant funding (\$712 million) has been awarded by the DoL in 191 competitive grants in three rounds of competition. As of March 31, 2001, approximately \$333.8 million of awarded competitive grant funding had been spent, serving 102,098 participants.² The Consolidated Appropriations Act of 2001 (P.L. 106-554) gave grantees an additional 2 years from the date of the award to expend welfare-to-work funds, allowing available welfare-to-work expenditures (which would otherwise expire in FY2002) to continue through FY2004. Round 1 competitive awards will be the first to expire in May, 2003. Round 2 funding must be spent by November, 2003, and Round 3 funds must be spent by September, 2004.

Competitive Welfare-to-Work Grants

Selection of Competitive Grant Awardees. Competitive welfare-to-work grants were awarded directly to localities by the DoL. The DoL took into consideration characteristics of the applicant, the proposal, the population to be served, and the distribution of the funds in making the competitive grant awards. In soliciting the applications, the DoL expressed interest in proposals targeting the following populations: individuals requiring substance abuse treatment, individuals with learning and other disabilities, noncustodial parents, public housing residents, victims of domestic violence, and individuals with limited English proficiency. Awardees that planned to target only one of these populations were given special consideration in the second and third round of competitive grant applications.

The DoL used similar criteria to evaluate the applicants in all 3 rounds of competition. Its most recent solicitation for the grants that were awarded in the final round (Round 3) indicated that the following criteria would be used: 1) the relative need for assistance in the area proposed to be served; 2) the extent to which the project proposed innovative strategies for moving welfare recipients into lasting work; 3) the quality of the proposed outcomes of the project; 4) the degree that the project was coordinated with other services; and 5) the demonstrated capability of the grant applicant. The DoL also aimed to distribute approximately 70% of the competitive welfare-to-work funds for projects that would serve cities with large concentrations of poverty and 30% for projects that would serve rural areas. Applicants that agreed to participate in a random assignment evaluation and applicants that proposed to serve Empowerment Zones or Enterprise Communities were also given special attention.³

² This information was provided by the Department of Labor.

³ U.S. Department of Labor. Employment and Training Administration. Welfare-to-Work Competitive Grants: Notice of Availability of Funds; Solicitations for Grant Applications. *Federal Register*, v.64, no. 16, January 26, 1999. p.4010-4023.

Eligibility for Welfare-to-Work Services

Title VIII of the Consolidated Appropriations Act for FY2000 (P.L. 106-113) amended the welfare-to-work program, but did not provide for additional welfare-to-work funding for FY2000 as proposed by the Administration. These amendments, which make significant changes to the welfare-to-work program, took effect for competitive grant awardees on January 1, 2000.

Under the original welfare-to-work program, at least 70% of welfare-to-work funds were to be spent on long-term welfare recipients, defined as individuals who have received assistance (AFDC or TANF) for at least 30 months (not consecutive) or individuals who would become ineligible for assistance within 12 months because of a time limit. In addition, these *long-term welfare recipients* had to possess two of three specified barriers to employment: 1) lacks a high school diploma or GED *and* has low math or reading skills; 2) requires substance abuse treatment prior to employment; and/or 3) has a poor work history. Up to 30% of the welfare-to-work funds were to be spent on *individuals with characteristics associated with long-term welfare receipt*, as defined by the grant awardee.

The Title VIII amendments expand the population eligible for services under the welfare-to-work program. Under these amendments, the welfare-to-work program will continue to serve *long-term welfare recipients*, but these recipients will no longer be required to possess barriers to employment (as previously defined). In addition, up to 30% of welfare-to-work funds can still be spent on individuals in other groups. The amendments add to these groups: 1) welfare recipients with significant barriers to self-sufficiency as defined by their local workforce investment board; 2) youths between 18 and 24 years of age who were in foster care before their 18th birthday); and 3) custodial parents with incomes below the poverty line who are not recipients of assistance under their state TANF program.

Noncustodial parents who met the former eligibility requirements could be served with welfare-to-work funds. However, the 1999 amendments modify eligibility requirements to allow welfare-to-work funds to be spent on noncustodial parents who are unemployed, underemployed, or who are having difficulty paying child support obligations. To be eligible, the minor child of the noncustodial parent must meet certain requirements, and the noncustodial parent must commit to pay child support in some manner. The amendments also give state agencies responsible for enforcing child support orders the authority to disclose the names, addresses, and telephone numbers of eligible noncustodial parents to LWIBs, but this information may only be used to identify eligible noncustodial parents.⁴

Populations targeted. Noncustodial parents were one of the populations the DoL expressed interested in during the solicitation of grant proposals (as discussed above). **Table 1** illustrates the number of grant awardees targeting each of the populations of special interest to the DoL. Because awardees may target more than one special population, the column totals do not equal the total number of grants awarded.

⁴ For a more detailed discussion of changes made by this legislation, see CRS Report RS20134 *Welfare Reform: Brief Summary of the Welfare-to-Work Grant Program*, by Christine Devere

Table 1. Number of Awardees Planning to Target Populations of Interest

Target population	Round 1	Round 2	Round 3	Total
Domestic violence victims	8	3	10	21
English-as-a-second-language	0	9	18	27
Learning or other disabilities	12	17	12	41
Noncustodial parents	13	43	21	77
Public housing residents	17	40	3	60
Rural residents	17	30	9	56

Source: Table prepared by the Congressional Research Service (CRS). Round 1 awards were coded by the DoL. Round 2 and 3 awards were coded by CRS using information provided by the DoL. The numbers take into consideration the description of the projects provided by DoL.

Welfare-to-Work Activities and Services

Work Activities. Welfare-to-work funds must be spent on the following work activities: community service programs, work experience programs, job creation through wage subsidies, on-the job training, job readiness and placement services, job retention services, post-employment services, and supportive services for employed recipients (if otherwise not available). The Title VIII amendments included in P.L. 106-113 expand this list to include vocational education or job training for a maximum of 6 months. In addition, under the original welfare-to-work program rules, entities conducting welfare-to-work projects were required to contract out for job readiness, placement, and post-employment services. The Title VIII amendments allow all entities, *except* the LWIBs, to directly provide these services.

Table 2 shows the breakdown of the type of work activities that competitive grantees planned to offer. Because awardees may provide multiple services, the numbers in each column do not total to the number of grants awarded. **Table 2** was prepared using information submitted prior to the Title VIII welfare-to-work amendments. Therefore, vocational education or job training for a maximum of 6 months are not included.

Table 2. Number of Awardees Planning to Provide Specified Work Activities

Work activity/service delivery	Round 1	Round 2	Round 3	Total
Job creation	8	10	6	24
Job placement	21	38	40	99
Job readiness	19	19	33	71
Job search	13	19	6	38
Skills training (includes on-the-job training)	26	46	39	111
Work experience (includes community service programs)	20	21	21	62

Source: Table prepared by the Congressional Research Service based on information provided by the DoL. The numbers take into consideration the description of the projects provided by DoL.

Supportive Services. Welfare-to-work funds may be used to provide supportive services for employed recipients, if those services are not otherwise available. **Table 3** illustrates the number of competitive grants that plan to provide three supportive services: child care, substance abuse treatment, and transportation. Because awardees may provide multiple services, the numbers in each column do not total to the number of grants awarded.

Table 3. Number of Awardees Planning to Provide Supportive Services

Supportive service	Round 1	Round 2	Round 3	Total
Child care	19	36	25	80
Substance abuse treatment	20	38	20	78
Transportation	16	42	29	87

Source: Table prepared by the Congressional Research Service. Round 1 awards were coded by the DoL. Round 2 and 3 awards were coded by CRS using information provided by the DoL. The numbers take into consideration the description of the projects provided by DoL.

Awardees plan to use these funds to provide transportation vouchers, to coordinate van pools, and in some instances, to provide funds for limited car repairs and insurance. Some awardees plan to provide child care at non-traditional hours. And, since welfare-to-work funds cannot be used for medical substance abuse treatment, the range of substance abuse treatment services planned includes group and individual counseling, as well as other non-medical forms of assistance.

Entities Receiving Competitive Grants

Coordination with LWIBs/Governor. Welfare-to-work competitive grant funds are meant to complement formula grant activities. Entities other than LWIBs or a political subdivision of the state (entities not receiving formula grant funds) must have consulted with the LWIBs in developing their application to ensure that the activities proposed in the application will be consistent with, and will be coordinated with, the welfare-to-work efforts of the LWIBs/political subdivision. All applicants must also submit their applications to the Governor for review and comment.

Under the Workforce Investment Act (WIA) of 1998 (P.L. 105-220), states are required to establish One-Stop Centers to coordinate the delivery of employment and training services. Welfare-to-work competitive grant awardees are mandatory partners of their state's One-Stop Centers.⁵ Under the One-Stop system, WIA-eligible welfare-to-work clients will be able to access WIA services.

⁵ The Workforce Investment Act (WIA) of 1998 repeals the Job Training Partnership Act (JTPA) effective July 1, 2000. See Department of Labor interim final regulations in the *Federal Register*, v. 64, no. 72, April 15, 1999. p. 18662-18764.

Competitive Grant Entities. One hundred and sixteen grants were awarded to private or non-profit entities (examples include faith-based organizations). Twenty-eight grants were awarded to LWIBs. City and county government entities were awarded 45 grants.⁶

Competitive grant awardees may receive welfare-to-work money from more than one source. Of the formula funds awarded to the states, the Governor may retain 15% for projects that move long-term recipients into unsubsidized employment. In California, the Governor has chosen to award this money competitively. For example, Goodwill Industries of Southern California received \$1.0 million in a grant from the Governor of California. Goodwill was also awarded \$4.1 million from DoL as a competitive grant.

The remaining 85% of the formula grant funding is passed-through directly to the LWIBs based on each individual state's substate allocation formula. While many LWIBs have been awarded competitive grants from DoL, these LWIBs may already receive formula grant funds (of at least \$100,000) from their state.⁷

Competitive welfare-to-work funds were awarded in most states. However, in eight states and territories (Delaware, Guam, Idaho, Nevada, North Dakota, Oregon, the Virgin Islands, and Wyoming), no entities have received competitive grant funds. In FY1999, Delaware, Idaho, North Dakota, and Wyoming also opted out of the formula grant program. Several competitive grants have been awarded to entities planning national projects, so individuals in these states may still be served by competitive welfare-to-work funds.

Census Enumerator Award. On May 14, 1999, the DoL (in partnership with the Department of Commerce) announced a special round of competition under the welfare-to-work competitive grant program to facilitate the employment of welfare recipients as Census 2000 enumerators. In awarding the grant, emphasis was placed on finding a national organization with an established system of local affiliates throughout the states. On September 28, 1999, Goodwill Industries, International was awarded \$20 million to train and place as many as 10,000 welfare-to-work participants in unsubsidized census jobs. The 2000 Census Jobs are expected to last 8 to 12 weeks, and will pay between \$8 and \$18 per hour. Goodwill Industries will also be responsible for providing supportive services and for helping place these participants in permanent employment at the end of the program.

⁶ The 191 competitive grants were awarded to 189 different entities. Two entities received 2 grants.

⁷ If a LWIB is eligible for less than \$100,000 based on this formula, the Governor may retain these funds.