

WR - WTW
Reauthoriz.

WELFARE REFORM BUDGET IDEAS (October 29, 1998)

Help the Hardest to Employ Move Into Jobs

There are several ways to expand the Administration's efforts to help those who may face greater challenges to making a successful transition from welfare to work, including people with low basic skills, substance abuse problems, and disabilities. We can address these issues both by refocusing the \$3 billion Welfare-to-Work fund and increasing resources through other funding streams and agencies, as described below.

In addition, in order to target resources to the hardest to employ, we may wish to amend the \$1.5 billion Welfare-to-Work program during reauthorization to direct more funds to the highest poverty areas, increase funds for tribes, increase funding for competitive grants, and encourage assistance for two-parent families (many of whom face issues related to literacy, substance abuse and disabilities). We are also exploring whether in the TANF program we could offer additional incentives to the states to invest more of these funds in innovative, work-focused efforts to help those with substance abuse, low literacy, and disabilities make a successful transition from welfare to work.

Increase Employment Opportunities for Individuals with Low Literacy Levels

Historically, individuals with low education levels have remained on welfare longer, and there is an increasing concentration of individuals with English language barriers on the welfare rolls in some places.

- **Set aside within WTW competitive grant funds for work-based literacy projects.** (new policy, should not require legislation) Low education level is currently an eligibility criteria for WTW funds, and a few competitive grants are focusing on work-based approaches to increasing basic skills, for immigrants and other populations. To encourage additional services for individuals who need to learn English and other adults with low basic skills, we could direct DOL to set aside approximately \$100 million of the \$375 million competitive grant funds for work-based literacy projects. A high priority should be given to projects with strong employer involvement. (Cost: None).
- **Create 21st Century Workforce Education Initiative.** (new grant idea submitted by ED, not currently included in their FY 2000 budget proposal). Barriers preventing more adults from participating in Adult Education include time, the need to work, and child care and transportation. Providing access to services on or near the work site that complement work and are supported by employers would greatly assist individuals to raise their literacy

Monday

✓

Faith-based

~~1.5 B/yr~~ → Jobs for Hardest Serve
 300m/yr - literacy, drug testing + treatment, + disabilities
 200m/yr - Fathers ^{screening}
 1 B/yr - WTW → gas? → Faiths

levels and succeed in the workplace. Education has proposed grants to help support partnerships of business, labor, and education organizations to improve the basic literacy skills of current or newly hired workers to meet the demands of a global economy. These should be closely linked to the One-Stop system created under the Workforce Investment Act. While Adult Ed programs are not income-targeted, many of those with the lowest literacy levels are poor and either unemployed or working in low-wage, part-time jobs. Nearly half are black or Hispanic, and one-quarter are immigrants. Adult Ed programs typically require a 25% state match -- we may want to allow this match to be met by employers and/or by WTW and TANF funds. [ED is refining and costing out the proposal for NEC's E&T meeting on 11/6.]

- Why not in WTW?*
- **Increase funding for Adult Education, including ESL.** There is evidence of large unmet need for adult ed services, particularly for ESL in urban areas and for basic education for out-of-school youth. ED has proposed a \$15 million increase in Adult Ed Basic Grants for FY 2000, from \$385 million in FY 1999 to \$400 million. States provide a 25 percent match, and decide how much of the Adult Ed funds to use for ESL. ED also received \$7 million in FY 1999 for ESL discretionary grants, and has proposed a \$20 million expansion in FY 2000. Within the Department's proposed funding level, or with additional funds, ED could create incentives for states or communities to expand adult basic skills and ESL services to address the long-waiting lists in some areas and also to expand capacity of work-focused ESL. (Cost: Need 5 year cost from Ed)

Increase Employment Opportunities for Individuals with Substance Abuse Problems

Various estimates show at least 20 percent of welfare recipient have substance abuse issues, and this percentage rises within those remaining on the rolls. In general, programs that effectively integrate treatment and welfare to work efforts, and knowledge about how to do so, are both lacking, although a handful of states have developed innovative approaches.

- **Set aside within WTW competitive grants for work-focused substance abuse treatment.** (new policy, should not require legislation) Substance abuse is one of the eligibility criteria for WTW funds and several competitive grants focus specifically on this issue. We could direct DOL to set aside approximately \$100 million within the competitive grants for work-focused substance abuse services. (Cost: None). *drug testing*
 - **Support employment-focused substance abuse treatment.** States have flexibility within the SAMHSA block grant to determine which populations to serve and what kind of treatment models to fund. Block grant funding increased significantly in FY 1999 and we believe SAMHSA is proposing
- Tobacco Menu?*

another significant increase in FY 2000. In order to encourage the development of innovative programs that effectively combine treatment and work, there is a need for new models, better information about promising practices, and better information about available resources that can be tapped to expand capacity (including TANF and WTW funds). SAMHSA awards targeted capacity grants to communities who demonstrate the need to target specific substance abuse issues. We could target a certain portion of these grants to communities who propose work-focused treatment models, with priority to joint applications from treatment providers and TANF or WTW agencies. This initiative would be accompanied by a technical assistance/best practices effort for states and communities, jointly funded and managed by DOL, SAMHSA and ACF. We are also exploring how to focus prevention efforts on children in TANF families. (Cost: grants within current funding levels, \$1 million for technical assistance).

Increase Employment Opportunities for Individuals with Disabilities

There are a significant number of things we can do to help people with disabilities who are on TANF, SSI, or SSDI go to work.

- **Set aside within WTW competitive grants for employment services for welfare recipients with disabilities.** (new policy, should not require legislation) While disability is not a specific eligibility criteria for WTW funds, there is a close correlation with other hard-to-serve factors. For example, a learning disability may contribute to a poor work history or low education level. Several non-profit competitive grantees are focusing on this population, and several states have formed good partnerships between their TANF and Vocational Rehabilitation services. To attract additional communities and providers to develop innovative approaches, we could direct DOL to set aside approximately \$100 million in competitive grants to help welfare recipients with disabilities get and keep jobs. This would be accompanied by an interagency technical assistance effort to improve coordination across agencies and programs. (Cost: None)
- **New BRIDGE grant program.** In March, you issued an Executive Order directing the federal agencies to create a coordinated and aggressive national policy to increase employment of adults with disabilities. The "Building Resources for Individuals with Disabilities to Gain Employment" ("BRIDGE") program is one of several new proposals to grow out of this effort. BRIDGE is a competitive grant program designed to increase the employment rate of adults with disabilities by fostering integration at the local level of employment-related services and support services to adults with disabilities. (Cost: \$750 million over 5 years)
- **Information and Communication Technologies for People with Disabilities.**

NEC has developed draft proposals now being vetted to ensure that new technologies will be designed from the beginning to be accessible to people with disabilities. Ideas include leveraging federal government procurement, investing in R&D, funding industry consortia, training the next generation of engineers (NEC will provide a more detailed write up.)

- **Expanding the Defense Department's "CAP" program.** The Defense Department's Computer Accommodations Program ("CAP") purchases equipment for DOD employees with disabilities to allow them to keep working if they become disabled, or for new employees just joining the workforce. By using a central \$2 million fund for such purchases, individual offices do not have to bear the cost within their own budgets, and are less likely to be deterred from hiring a person with a disability. Making this program available to other agencies has the strong support of the Administration's appointees with disabilities, in particular for Tony Coelho, chair of the President's Committee on Employment of People with Disabilities. (Cost \$10-\$25 million over five years).
- **Kennedy-Jeffords/Employment-Related Tax Credit.** In addition, the Kennedy-Jeffords legislation, described in the health section, will play a critical role increasing access to health care for people with disabilities returning to work.

Helping New Workers Succeed in the Workforce

Skill Upgrading for Entry Level Workers

As part of its FY 2000 budget request, DOL has proposed amending WTW to allow up to one-third of the WTW funds (\$500 million of the \$1.5 billion) to be used to upgrade the skills of entry level workers. Eligible individuals would include former welfare recipients and other low income individuals who qualify for the EITC, with priority given to certain non-custodial parents. This initiative would be permissive rather than mandatory -- states could opt to use a portion of their formula grant for this expanded purpose and population. Employers would be required to match the federal contribution and commit to hire former welfare recipients for the positions vacated by the upgraded employees. DOL's proposal would provide access to upgrade training to a broader range of entry level workers, not just those who have been on welfare. DOL is currently refining the proposal, but one option is to use \$250 million to help low income/entry level workers upgrade skills so they can move up the career ladder and increase their earnings, and target the other \$250 million for a broader responsible fathers initiative (see below).

Expand Access to Cars for Individuals Moving from Welfare to Work

NO

NOT
JOBS

No

Yes

We continue to pursue several small initiatives that would increase access to cars without having the federal government directly purchase cars for individuals. Possibilities include: 1) Donate surplus federal vehicles to welfare to work programs who could in turn lease or sell them to current and former welfare recipients for whom public transit is not a viable option, including those living in rural areas. This could be modeled after the initiative to donate federal computers to schools. 2) Identify a modest amount of seed money for a new national intermediary established to expand the number of community-based revolving loan programs for low income families to purchase cars (\$5 - \$10 million).

Welfare to Work Tax Credits

See Community Empowerment section.

Connection between TANF and Unemployment Insurance.

While there continues to be substantial interest in this issue, it is probably best considered within the broader context of UI reform. DOL's FY 2000 budget has a placeholder for UI reform, and OMB is convening a discussion on the issue later this week.

Additional Welfare-to-Work Housing Vouchers.

See Community Empowerment section.

Full Funding for Job Access and Reverse Commute Grants.

The Omnibus Budget Act appropriated \$75 million for FY 1999 (\$25 million above the FY 1999 guaranteed funding level). TEA-21 set guaranteed funding from the Highway Trust Fund at \$60 million for FY 2000. DOT has requested \$150 million in its FY 2000 budget. We may also want to pursue a legislative change to the way funds flow to tribal areas -- currently, states must select tribes as applicants.

Promote Responsible Fatherhood

Responsible Fatherhood Grants

There is growing interest at all levels of government and across a broad spectrum of society in helping fathers be responsibly involved in their children's lives through both financial and emotional support. Increasing the employment and earnings of low income fathers will increase the financial support they can provide for their children. This support is particularly critical for children whose custodial parents are moving from welfare to work. These fathers are generally motivated to

work, but they tend to have intermittent, low-paying jobs. They also have high rates of involvement with the criminal justice system. Employment efforts should therefore focus on helping these fathers succeed and advance in the formal workforce through a combination of retention and rapid re-employment services, and work-based skill upgrading.

No

We continue to work through a number of funding and scope issues, but one option would be to designate \$250 million from the WTW funds that could be matched by TANF and child support funds. Funds could be allocated on a formula basis to states who submit a joint plan from their TANF, child support, and WTW agencies. This plan would identify a local service delivery approach that ensured involvement of appropriate local stakeholders, including community-based organizations. While the primary focus would be employment, funds could also be used to support parenting, peer support, mediation and other services for fathers who were participating in work and cooperating with child support. States could propose innovative modifications to the child support system to remove barriers preventing the system from working appropriately for this population. We might also consider expanding funding for Access and Visitation grants for fathers who are 'playing by the rules', i.e. paying their child support obligations and participating in activities to increase their employment. For equity reasons, it may be appropriate to allow some level of service to any low income father who is supporting his children (whether living with them or not), but the primary focus could be non-custodial fathers (or parents) whose children are current or former TANF recipients.

Congressman Shaw is expected to reintroduce his Fathers Count block grant proposal next session and this grant proposal could be a basis for developing a bipartisan initiative. He proposed \$2 billion over 5 years, beginning with \$200 million in Year 1, growing \$100 million per year to \$500 million in Year 5.

No

Other options for expanding the federal focus on low income fathers include: requiring states to serve a certain proportion of fathers in their formula grant programs or designating a competitive grant set aside. We could also broaden WTW eligibility criteria to include any non-custodial parent of a child on welfare who needs employment assistance in order to meet their child support responsibilities (currently, the father needs to meet the WTW hard-to-serve criteria).

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Any fathers initiative should be accompanied by a strong interagency technical assistance and evaluation component since this is a relatively new field. We could direct HHS and DOL to identify existing resources, or request approximately \$5 million in FY 2000 funding, for: a how-to guidebook that compiles lessons from past programs, promising practices, and resource information; electronic clearing house with links to research, existing programs, and resources with an interactive forum for information; and an 800 number

communities can call for information. It may also be appropriate for DOJ and HUD to participate.

Child Support Law Enforcement Initiative

TINY!

This initiative will increase the prosecution of egregious child support violators by establishing multi-agency investigative teams to identify, analyze, and investigate cases for prosecution. This investigative effort will result in more cases being referred to the U.S. Attorney offices ready to prosecute. HHS's Office of Child Support Enforcement, Office of the Inspector General, and Office of Investigations, working with state and local law enforcement and child support agencies, have already launched a pilot project in Columbus Ohio, which will cover 5 states (Illinois, Indiana, Michigan, Minnesota, and Ohio). This proposal would put these units in place all across the nation within the next several years.

Additionally, it would provide paralegals dedicated to child support cases to the 83 U.S. Attorneys offices that do not now have them. In July, you signed into law the Deadbeat Parents Punishment Act, creating two new categories of felonies for the most egregious child support evaders. (Cost: about \$10 million over 5 years).

WR - WtW
Reauthorization

Welfare to Work Reauthorization -- Proposed Provisions
(See italics for issues where your reaction would be particularly helpful)

Responsible Fathers Initiative

- **Funding Flow:** Require states to use at least 20% of their formula funds for services to help non-custodial parents increase their employment and child support.

We think it makes sense to include the funding for Fathers as part of the WtW formula grant rather than a separate funding stream--*do you agree?* It ensures a significant amount of resources and attention are focused on this population without creating yet another employment program (after we worked so hard to consolidate in the Workforce Investment Act). The downside is that it may be slightly harder to talk about.

This is also a clever resolution of the substate funding options we raised previously. Governors could choose whether to meet the 20% floor with a few concentrated projects or to pass this requirement down to every local PIC. A Governor who does not want to have a statewide fathers initiative could spend most or all of the Governor's 15% discretionary funds on fathers and make up the remaining amount by encouraging one or two localities to focus on fathers (not every PIC is ready or willing to have a fathers program). On the other hand, states such as MI, WI, and MO who have made non-custodial parents the primary focus of their WtW formula program could still do so.

Options for what happens if state does not meet the 20% floor for fathers could include: a) allow Governor to redirect funds to basic WtW services for hard-to-serve recipients, b) take back funds and put in same pot as unclaimed formula funds (see below), c) give to other states who commit to spend these funds on fathers. *Any preference?*

Eligibility: Generally, low income non-custodial parents (primarily fathers) who enter into a personal responsibility contract. States would have some flexibility to target services among the following groups, listed in priority order. Eligibility would be tied to status of the children rather than the parent.

Non-custodial parents of:

- (1) children on public assistance for over 30 months or who are within 12 months of hitting a time limit;
- (2) child eligible for TANF;
- (3) child who left TANF within one year;

Why 20%? (?)
 Any other way besides 20%?
 Should it just be an option?
 •
 → Could we increase gov's share to 25% if use it for fathers?
 (optional)

(4) child eligible for food stamps or Medicaid (this would allow services to a broader population of low-income fathers).

We think this approach would keep eligibility relatively simple, while targeting services to fathers who are most likely to need help increasing their employment and child support and whose children are most in need of their fathers' support. ***If you support this basic approach, we will work further with DOL and HHS to refine the details.***

Personal Responsibility Contract: Every father would sign a personal responsibility contract requiring them to establish paternity, pay child support, and work or participate in community service or another work activity in order to participate in the program. ***We need to decide how prescriptive to be in the statute -- we're inclined to make a general statement like the sentence above and let the rest be defined in regs or by the locals. What do you think?***

We would also propose these state options. ***What do you think?***

If a father is in community service or another work activity and temporarily unable to pay current support, the state could have the option to temporarily suspend or reduce current child support obligation (not past due support).

NO -
has to pay something

If a father has another child out of wedlock, the state would have the option to deny him services. This would be consistent with the state option on family cap, which is a roughly parallel policy for the moms.

YES

If a father marries the mother of his child, the state could cancel or suspend the child support debts the father owed the State for past TANF payments to the mother.

YES
(discuss)

- **Allowable Activities:** Use the same list as the current WtW statute, which allows funds to be used to move individuals into and keep individuals in lasting unsubsidized employment through: community service or work experience; job creation through public or private sector wage subsidies; on the job training; job readiness, placement, and post-placement services through contracts or vouchers; and job retention or support services if not otherwise available.

Through regulation or guidance, DOL could explain how a broader array of services to help fathers work and meet their child support responsibilities could be provided within the definition of job readiness and support services. Child support agencies and community and faith-based providers could

Be careful

OK, but no loopholes (what defn. of work activity?)

deliver some or all of the services under contract with the state (in the case of 15% discretionary funds) or PICs (in the case of 85% formula funds). We think this approach will promote a strong focus on work, and avoid opening the statutory definition of allowable activities. *Do you agree with this approach?*

Yes -
also avoids
visitation etc.

- **Performance Measures:** Use current WtW measures listed in the statute (employment, retention, earnings gain) and use the existing statutory authority for the Secretary to identify other measures as appropriate to add increased child support via regulations. *Is this okay, or would you prefer a statutory change?*
- **State Plan:** There would be a special part of the State WtW plan focused on fathers developed jointly with the workforce, child support and TANF agencies. It would document how the state planned to meet the 20% floor, and how it would ensure strong, ongoing coordination with the child support system, welfare agency, and community and faith-based groups working on fathers issues at both the state and service delivery level. DOL proposed that the child support agency sign off on the WtW plan to ensure adequate attention to issues related to non-custodial parents. *This seems to make sense.*

OK

OK, I guess

Other WtW Reauthorization Proposals

- **Duration:** DOL has proposed 5 year reauthorization. *Are we supporting only a one year extension or multi-year reauthorization?*
- **Hard-to-Serve Eligibility Criteria:** Retain the general focus on the hardest to serve, with some changes to make the criteria less burdensome. Currently, PICs must spend at least 70% of their funds on individual who (a) have been on public assistance for at least 30 months or are within 12 months of hitting a time limit and (b) have 2 of the 3 following barriers:
 - (1) lack a HS diploma/GED and have low math or reading skills;
 - (2) require substance abuse treatment; or
 - (3) have a poor work history.
 Non-custodial parents whose children meet (a) and themselves meet (b) are also eligible.

1-yr
for now;
5 yrs in
Congress

PICs can also spend up to 30% of their funds on custodial or non-custodial parents who have characteristics associated with long-term welfare dependency, i.e. school dropout, teen pregnancy, poor work history.

DOL has proposed simplifying eligibility by requiring individuals to meet one rather than two of the "barriers" under the 70% category; decoupling the education barrier to be *either* lacking a HS diploma/GED *or* having low math,

reading, or language skills; and adding physical or mental (including learning) disability to the list of "barriers". DOL also proposed getting rid of the 70/30 split and allowing local flexibility to spend an unlimited portion of funds on those with characteristics associated with long term welfare dependence.

There have been lots of complaints from states and locals about how hard it is to find people who meet the current 70% criteria, with most concern about the "and" in the education barrier. *We think that simplifying the 70% eligibility requirements as proposed, but leaving the 70/30 split intact, will go a long way to addressing these concerns without diluting the focus on the long-term/hard to serve population. The addition of language skills should help highlight the ESL issue. DOL also proposed adding homeless to the list of barriers but we're not convinced this is necessary--most homeless welfare recipients are likely to have one of the other barriers.*

Agree

- **Unclaimed Formula Funds:** Add authority for DOL to make formula funds not accepted by states available to Native American WtW programs and/or for additional competitive grants, with preference to tribes or competitive grants in the states who chose not to accept formula funds. *DOL is still working through the mechanics, but we think the intent makes sense--to make sure services are still available to people in a given area, even if the Governor opts not to accept funds.*
- **Tribal Set-Aside:** Increase set-aside for tribal grants from 1% of total funds to either 2% or 3% (if funding level drops from \$1.5 B to \$1.0 B, a 3% set aside would double the funds available to tribes). Tribes would be encouraged to serve non-custodial parents, but would not be required to spend at least 20% of their grant on this population.
- **Tribal Authority for Competitive Grants:** Provide new authority for tribes to apply directly to DOL for competitive grants. Currently they must do so "in connection with" other entities, i.e. the local PIC.
- **Reporting and Evaluation:** DOL wants to move responsibility for all WtW program reporting and evaluation to DOL. Current law earmarks .06% (\$18 M over two years) for evaluation and gives HHS responsibility for conducting the WtW evaluation and for collecting program data from formula grantees, while DOL has overall administrative responsibility, collects program data from competitive grantees, and financial data from both formula and competitive grantees.

Weird incentive

Why?

This 'bifurcated' system has been challenging for all involved. We're not sure how HHS would feel about losing this responsibility, and there are some on the Hill who deliberately gave HHS this role. We propose to leave the evaluation with HHS. *Do you have a preference?*

HHS

- **Match:** Retain current formula grant match requirement of \$1 non-federal for \$2 federal. Regulations allow up to 50% of non-federal match to be "soft" or in-kind match. DOL has proposed increasing this to 75%.

DOL is responding to complaints from some states who are having trouble making the match. *We're not convinced reducing the "hard" match requirement is warranted, especially if the total funding level for formula grants is reduced by approximately one-third as the total funding level decreases from \$1.5 B to \$1.0 B.*

Keep
at 50%

- **Technical Assistance and Research:** DOL has proposed reserving 2% of total funds for national TA and R&D projects (\$20 M). Half of this money (\$10 M) would be focused on fathers initiatives, of which about \$5 M would be directed to the OCSE to ensure a strong focus on parental responsibility through child support and paternity. DOL currently has no WtW funds for TA/Research. We're not sure OMB supports this, though some TA does seem warranted, especially on the new fathers component. OCSE is sending over additional justification.
- **Formula/Competitive Split:** Retain current split of about 75% for formula grants to states and 25% for competitive grants. Retain requirement that 85% of formula funds get passed to local PICs/workforce boards (unless state requests a waiver) and 15% is available as Governor's discretionary funds for special projects to help long term welfare recipients become employed.

Mush

NOTE: *DOL continues to propose that up to one-third of the formula funds could be used to upgrade the skills of low-wage incumbent workers. We're not aware of any support within EOP for this proposal, and DOL has wisely made it their third priority (after hard-to-serve welfare recipients and fathers).*

NO