

**THE STATUS OF THE
WELFARE-TO-WORK (WtW)
GRANTS PROGRAM
AFTER ONE YEAR**

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EXECUTIVE SUMMARY

The Welfare-to-Work (WtW) Grants Program was authorized under the *Balanced Budget Act of 1997*. Congress established a very fast time frame for WtW to allow maximum use of the funds to supplement states' welfare reform efforts. Over \$2 billion has now been distributed by the U.S. Department of Labor to about 700 local programs in 48 states and territories and 93 tribal programs.¹ This paper summarizes the objectives and rationale of WtW, the funding and program activities in the first year, and early implementation issues.

Rationale and Objectives of WtW

The “Work” Focus of Welfare Reform. The nation has begun a massive effort to reform its public welfare system, with employment at the center of the reform. Since the mid-1990s, the federal government and many states have implemented major initiatives to replace former welfare programs that primarily provided income maintenance and monthly welfare checks with a new public assistance system intended to provide temporary aid to families with children and to move parents into the regular labor market. The 60-year old Aid to Families with Dependent Children (AFDC) program was replaced with a federal block grant to states for the Temporary Assistance to Needy Families (TANF) program.

Attainment of the work objectives of welfare reform has been supported by the long period of economic prosperity in the 1990s, with historically low unemployment rates and sustained economic growth. The TANF/AFDC caseload has declined by 39 percent since 1995, with some states reporting a caseload reduction of over 70 percent. The employment rate for all women, including disadvantaged mothers and welfare mothers, is increasing nationwide. Over half of the mothers leaving the welfare rolls report being employed at the time they left welfare or soon after.

Continuing Labor Market Concerns. However, the welfare “problem” is not yet solved. While many current and former welfare recipients are able to find jobs in the very strong labor market, their average wages are relatively low (about \$6.16 an hour), their families' incomes hover around the poverty level, and their opportunities for moving up the occupational ladder are quite limited because of minimal education, work experience, and job skills. Studies indicate that many former recipients are struggling to feed and house their families, even though they may be working.² And a very recent study reports that the disposable incomes of the lowest fifth of families headed

¹This includes local administrative entities for the Job Training Partnership Act (JTPA) in 44 states, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands that received formula grant funds passed through from their state WtW agency, plus 80 other types of agencies that directly received competitive grants under Rounds 1 or 2, and 93 tribal grantees.

²Pamela Loprest, “Families Who Left Welfare: Who Are They And How Are They Doing,” Urban Institute Discussion Paper 99-02, Washington, D.C.: Urban Institute, 1999.

by women have declined since 1995, in large part because of their low earnings and loss of welfare.³

When noncustodial parents fulfill their child support obligations, children are economically better off. However, many fathers of welfare children are themselves low skilled, with limited income, and face difficulties in the labor market. Real earnings (i.e., after adjusting for inflation) of non-college educated men have actually declined since 1973, with African American men experiencing the steepest decline. Their earnings potential, and therefore their ability to pay regular child support, is limited.

And while the welfare caseloads have declined dramatically, there are still about 3 million families receiving TANF. Those remaining on the rolls are reportedly even less skilled than those who have already left welfare--a high proportion are long-term recipients nearing their five-year lifetime limit on TANF, with very little work experience, and with multiple personal and family problems that can interfere with job search and working. In addition, as the caseloads have declined, a very large share of the remaining recipients reside in inner cities. Much of the nation's job growth, meanwhile, continues to occur outside the urban centers, in suburbs that are generally difficult to reach by public transportation. And recent statistics indicate that persons who live in poor cities and rural areas, especially young adults, have substantially higher unemployment and poverty rates than persons in non-poor communities.

Purpose of WtW. The intent of Congress in authorizing the WtW grants was to address these continuing concerns by: (1) providing additional resources to assist the most disadvantaged welfare recipients move from welfare into jobs, recognizing that this population may need extra services to succeed; (2) supplementing TANF funds with grants that are to be used only for work and work-related activities, not cash assistance; (3) expanding employment services to non-custodial parents of welfare children (mainly poor fathers), to improve their economic outcomes and thereby increase their ability to support their children; and (4) targeting resources to poor communities. WtW grants are intended to supplement, not duplicate or substitute for, TANF-funded services. WtW-funded programs are to be implemented within the context of the relevant TANF programs and policies, but they are also to focus on improving participants' job skills over the long run. To reinforce the employment focus of WtW, the programs fall under the authority of DOL and, at the local level, Private Industry Councils (PICs) that administer the Job Training Partnership Act (JTPA), and now the Workforce Investment Act (WIA).

General Funding

Congress authorized \$3 billion for the WtW grants program -- \$1.5 billion in FY 1998 and \$1.5 billion in FY 1999. About \$2.5 billion of this is to be distributed to state and local programs (the rest is set aside at the national level for research and for Native American and tribal programs).

³Wendell Primus, Lynette Rawlings, Kathy Larin, and Kathryn Porter, "The Initial Impacts of Welfare Reform on the Incomes of Single-Mother Families," Washington, D.C.: Center on Budget and Policy Priorities, August 1999.

One-quarter of the program dollars are distributed competitively based on applications submitted to DOL (these are referred to as competitive grants). The other three-quarters of the federal WtW funds are allocated to states according to a formula based on each state's share of the poverty population and number of adults on welfare. A total of 44 states, the District of Columbia, Puerto Rico, Guam and the U.S. Virgin Islands requested and received WtW formula funds for FY 1998. The amount of federal funds available under the annual state formula grants for FY 1998 and FY 1999 ranged from about \$3 million each year in small states such as Wyoming, New Hampshire, and North Dakota, to over \$190 million each year in California.

To receive WtW formula funds, a state submits an amendment to its TANF plan to the U.S. Department of Health and Human Services (HHS) and DOL explaining generally how the new funds will be used. The federal WtW formula funds require a 50 percent match (meaning the federal government pays for two-thirds of the costs), but up to half of the state match can be in kind rather than cash. Governors designate which state agency will receive and administer the federal formula funds. The state WtW agency (usually the state workforce development or employment/training department) must then distribute 85 percent of the state's formula grant to local Job Training and Partnership Act (JTPA) service delivery areas (SDAs)/Private Industry Councils (PICs) (or alternative local administrative entity selected by the Governor and approved by DOL).

A total of \$2.5 billion in WtW grant funds was distributed by DOL for fiscal years 1998 and 1999: \$2 billion (including the funds about to be released for FY1999) was allocated by formula to states (formula grants), \$472 million was allocated competitively to grantees that submitted applications (competitive grants), and \$12.8 million was distributed to 93 tribal program grantees (the final half a billion dollars will be awarded in subsequent rounds of competitive grants).

Funds to Poorest Communities

While welfare caseloads nationwide have continued to decline, there is some evidence that the rate of reduction is less in large urban areas than in other communities, and that an increasing portion of welfare cases that are left on the rolls are concentrated in inner cities. Relatively more of the parents in the cases still on welfare have employment difficulties than those who have left welfare over the past two years. And in poor urban and rural areas there are much higher rates of unemployment than in the nation as a whole, especially for African American and Hispanic young adults.

In keeping with Congressional intent, about \$1.2 to \$1.3 billion of the FY1998 and FY1999 WtW funds so far have gone to poor communities (51-53% of the \$2.5 billion distributed to date). This includes \$949 million to poor cities (over 50,000 population), \$210-\$240 million to poor rural areas and Indian reservations, and \$111-137 million to poor areas in mid-sized communities.

Program Spending and Enrollment

The first WtW grant formula funds were distributed by DOL in March 1998, followed by two rounds of competitive grants awarded in July 1998 and January 1999, and the second round of formula grants were awarded in summer 1999. As of June 1999 (the latest available data), over 95,000 persons had been reported as enrolled in WtW grants programs, and about \$182 million in federal funds and about \$60 million in state/local matching funds had been spent.

For a number of reasons, the program activity and spending has been somewhat slower than initially expected. While the slow pace of enrollment and spending is frustrating to administrators at all levels, it is in some ways understandable. Organizational analysts indicate that new programs typically take between 12 and 36 months to start up and reach “steady state” operations; more complicated programs take longer. The WtW program, while fairly straightforward in terms of its mission and intent, has quite complex mechanisms for financing, program authority, eligibility criteria, and timing. There is some evidence that programs that started operations in the first phase of WtW (between fall 1998 and spring 1999) were by summer 1999 beginning to see enrollment rates increase, even though some newer programs (e.g., those that did not begin operations until summer 1999) are still in a startup mode. While about 50,000 persons were enrolled into WtW in the first year, nearly that many more have enrolled in the last quarter (April-June 1999), indicating that the pace of enrollment is increasing.

A number of startup issues contributed to the delay in implementation, some of which reflect the complexity of WtW legislative provisions and some of which are to be expected with any new program.

In some states, the federal WtW formula funds were not available immediately to the local programs, although, as required by the legislation, all state WtW agencies obligated WtW formula funds to SDAs within 30 days of receiving federal notification of funds.

- C In several states, there were difficulties obtaining the necessary matching funds (e.g., legislatures were out of session, or decisions had to be made about whether local governments would contribute any of the match).
- C Some states developed WtW goals and performance objectives that were negotiated with local agencies. The negotiations delayed the start of local operations.
- C A few states chose to spend their state matching funds first and thus delayed drawing down the federal WtW funds.

At the local level, there were also a number of operational factors that delayed the flow of funds.

- C Many PICs and SDAs decided to use competitive procurement procedures to select WtW service providers, just as they do for JTPA-funded services. This proposal,

review, and contracting typically takes several months, and the process could not begin before the SDA had authority to spend the federal (and usually state) funds.

- C PICs and SDAs are very sensitive to federal reporting and financial requirements, and they take a cautious approach to determining eligibility and authorizing allowable expenditures.⁴ WtW eligibility criteria, as noted below, are very specific; and there are restrictions on when education and training can be funded under WtW. These eligibility and fiscal concerns raised many questions from the field and, until resolved and clarified, PICs and SDAs proceeded cautiously to avoid any possibility of fiscal audit exceptions. The requirement that 70 percent of WtW funds be spent on particular eligible groups caused the most serious delays, since the necessary criteria (e.g., receiving welfare for 30 cumulative months) were difficult to verify.
- C Many grantees, particularly non-profit organizations, are developing new programs with the WtW funds. The benefits of such program development include improving access of some types of participants (e.g., public housing residents, non-English speaking welfare recipients, and minority low-income fathers) to services. But in many places, the program development and capacity building phase is taking time.
- C In some communities the interagency coordination and planning is taking considerable time. WtW is, by design, to be coordinated to some degree with TANF. Grantees that are using the WtW funds to operate new programs (rather than using the funds as an additional funding stream) have had to devote considerable time to program development, hiring and training staff, and establishing procedures to receive client referrals from and share client data with welfare agencies.

Perhaps the most important factor that has slowed implementation is the very tight eligibility criteria. The primary target population is TANF recipients, but not all TANF recipients are eligible. The legislative provisions require that at least 70 percent of all grant funds be spent on persons who have 1) received TANF or AFDC for 30 months or more, or are within 12 months of reaching a TANF time limit; and 2) face two of three specified barriers: (a) lacks a high school diploma or GED and have low reading or math skills, (b) has substance abuse problems, or (c) has poor work history. Noncustodial parents who face two of the three barriers also qualify under the 70 percent criteria, if their child(ren) are in long-term welfare cases. Up to 30 percent of the funds can be spent on TANF recipients or non-custodial parents who have characteristics associated with long term dependency, such as being a teen parent, or a high school dropout. Enrolling individuals under the 70 percent provision has been particularly troublesome. Many welfare systems can only identify the length of the current spell or number of months of welfare receipt in the past two or three years,

⁴This caution reflects the fact that under most DOL programs, every dollar spent on a person not verifiable if audited, must be repaid by the administrative entity. Other federal agencies, including HHS, apply tolerance levels for error cases before states or localities are required to reimburse the federal government.

meaning some recipients who qualify for WtW based on number of months of welfare cannot be officially verified. They are generally excluded from program services. In addition, recipients who have high school diplomas but also have very limited basic reading and mathematics ability, are not eligible under the 70 percent category.

One result of the difficulty programs are having with the 70 percent criteria has been that many programs are reluctant to enrol persons under the 30 percent criteria because they cannot be sure they will meet their 70 percent spending requirement. In many states, especially in large cities, there is a strong feeling that there are many individuals who have serious barriers to employment and who could benefit from the intensive services allowed under WtW, but who do not meet the strict eligibility criteria. They “qualify under the spirit, but not the letter, of the law.” Despite the complications over eligibility criteria, there is a sense in the field that the need for employment services is high.

There are, however, no firm data on the number of persons who are eligible for WtW, in part because the eligibility criteria are so complex. It is fair to assume, though, that some significant portion of the remaining 3 million TANF adults do qualify, even under the current tight eligibility criteria. In addition, one analyst estimates that between 660,000 and one million men might also be eligible for WtW services as non-custodial fathers of welfare children.⁵ At the rate of spending to date (about \$2,500 per participant), the current WtW funds might optimistically allow programs to serve about 900,000 persons. To serve all welfare mothers and non-custodial parents in need would presumably require coordination of resources from both WtW and TANF.

Program Innovations and Challenges

Despite the complexities of the WtW legislation and the intricacies involved in distributing funds, sharing authority among different levels of government and different agencies, and the added challenges in finding, verifying, and enrolling eligible participants, a number of potentially promising program developments are emerging in the WtW system. While there are no hard data at the federal level on the number or types of services participants are receiving, there is some evidence from early program studies that the following types of innovations are occurring at the local level:

- C The WtW funds have caused a proliferation of programs, especially in urban areas, that are attempting to reach out to populations under-served in the past.** In some large cities (e.g., Los Angeles, New York, Chicago, Houston) there are a dozen or more new programs funded entirely or in large part by WtW funds. Most are decentralized, operating in specific low-income neighborhoods; and many are

⁵Karin Martinson, “Serving Non-Custodial Parents Through Welfare-to-Work Grants: Labor Market Characteristics, Employment Barriers, and Service Strategies,” Washington, D.C.: The Urban Institute, October 1998.

targeting special populations such as non-English speaking welfare mothers, or low-income underemployed non-custodial fathers.

- C **WtW has created an expanded role for non-profit and community-based organizations**, which traditionally have strong linkages to the disadvantaged population and low-income neighborhoods. Dozens of non-profit organizations received competitive grants directly from DOL; and many others are also participating as subcontracted service providers to competitive and/or formula grantees.

- C **The presence of WtW funds has encouraged increased efforts to improve coordination between the JTPA system and welfare agencies.** Nearly all WtW grantees expect to receive most of their participants by referrals from the TANF agency. And in order to effectively assist their participants, staff in WtW programs must be knowledgeable about the state's welfare policies, programs, time limits, and client work requirements. Similarly, TANF agencies are also actively encouraging or requiring clients to work and/or participate in work programs, one of which can be WtW. Thus, more than in the past, each type of agency has a need to understand policies and programs of the other, which appears to be encouraging increased interagency communication.

- C **The inclusion of non-custodial parents as a target group in WtW has accelerated the development of programs for this population.** There are increasing state and local efforts to develop initiatives for fathers, identify appropriate ways to inform fathers of available services, and seriously consider the types of services these low-income men need to improve their employment outcomes. Despite a heightened focus on serving non-custodial parents, at the operational level, WtW programs in most localities have found it very difficult to find and serve non-custodial parents. But, in response to early difficulties with recruiting fathers, many WtW programs are beginning to expand their own referral sources (often through subcontracts or linkages with other agencies, such as Friends of the Court, child support enforcement agencies, and agencies serving the homeless) and develop special targeted outreach efforts.

- C **A number of WtW programs are developing creative strategies for providing education and training that is linked to work and offered in a work-based setting.** Despite initial frustration at not being able to use WtW funds for education and training unless it is done after an individual enters a job (i.e., post-employment education and training), there are now many examples of programs integrating work and skills training or education, including several partnerships with private businesses. According to a survey of early grantees, over 85 percent plan to provide job retention services, half will provide mentors to new workers, and over 60 percent

will subsidize enhanced work experience or other supported work assignments in the public, private, and non-profit sector.⁶

- C **WtW has provided an additional resource base for local programs to expand the availability of support services.** Many local WtW grant programs are using a portion of their WtW resources to provide supportive services and are linking with other agencies and programs in their localities to expand the availability and range of support services available to WtW participants. Transportation, child care, housing, and referrals to programs addressing substance abuse and domestic violence are all generally included in WtW service networks.

Conclusion

The WtW grants program is a complicated federal policy initiative that requires substantial coordination between the employment and training system and the welfare system at the national, state, and local levels. The funds are distributed through multiple streams, which has helped expand services into low-income neighborhoods under-served in the past, particularly in inner cities. The funds have not been distributed all at once; rather, the legislation instructs DOL to gradually allocate funds to states and, through a competitive process, to other entities as well. But at the same time, the legislatively-mandated funding and administrative structure has added to the complexity of the program. In addition, the legislative provisions that restrict eligibility to very specific target groups have made it difficult for programs to identify and verify eligible participants. The immediate result of the complexity is that the startup phase--normal for all new programs--has been somewhat drawn out. A secondary result is that enrollment and spending during the first year were somewhat slow.

However, in recent months the enrollment rates have been rising. In addition, programs that implemented WtW programs early (e.g., round 1 competitive grantees and SDAs which received FY1998 formula funds in 1998) are now beginning to stabilize and show promise, particularly in terms of reaching out to the most disadvantaged welfare recipients and low-income fathers, establishing procedures for coordinating with welfare agencies, and developing creative strategies for integrating education and skills training in the workplace.

⁶Irma Perez-Johnson and Alan M. Hershey, "Early Implementation of the Welfare-to-Work Grants Program: Report to Congress," Princeton: Mathematica Policy Research, Inc., March 1999.

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1. Introduction

The Welfare-to-Work (WtW) Grants Program was authorized in the Balanced Budget Act of 1997. Congress established a very fast time frame for WtW to allow maximum use of the supplemental funds as states move forward with welfare reform. Over \$2 billion has now been distributed to about 700 state and local programs in 47 states and territories and to 93 tribal programs. This is an appropriate time to review the status of the initiative and the role WtW is playing in welfare reform. This paper first provides an overview of the objectives of and rationale for WtW. Section 3 summarizes the status of funding allocations, particularly to poor communities, and the status of program enrollment as of mid-1999. In Section 4, the experiences of early-implementing state and local programs are discussed, highlighting factors that seem to be related to some of the more promising approaches, particularly in serving special target populations such as noncustodial parents. Section 5 summarizes the key challenges to implementation and suggestions from the field about ways to address those challenges.

2. Rationale and Objectives of WtW

Sustained economic growth accompanied by strong demand for workers and the employment-focus of welfare reform policies have resulted in large decreases in welfare caseloads across the United States over the past five years. The nation's caseload continues to decline dramatically -- there were 48 percent fewer TANF cases in March 1999 than there were AFDC cases in January 1995, with some states (e.g., Wisconsin, West Virginia, Wyoming, Idaho) reporting caseload reductions of 70 percent or more.¹ The U.S. Department of Health and Human Services (HHS) also notes in its *First Annual Report* that a higher percentage of the welfare (TANF) cases than ever before include a worker with earnings, consistent with the overall trend of increasing labor force activity among disadvantaged, single mothers. Using the Census Bureau's *Current Population Survey* (CPS) data, HHS reports that the share of all single mothers with incomes under 200 percent of poverty who are employed rose from 48.2 percent in 1995 to 54.4 percent in 1997.²

A similar increase occurred for welfare mothers: of those women who reported receiving some welfare in 1995, 22.6 percent also reported working; in 1997, this increased to 31.5 percent. The rates at which welfare recipients are becoming employed is reportedly increasing substantially. A review of over a dozen studies of people who have left welfare (the state welfare "leavers" studies) indicates that half to two-thirds were employed shortly after leaving welfare, and that in the 6- to 12-

¹U.S. Department of Health and Human Services, Administration on Children and Families, "Change in Welfare Caseloads as of June 1999," Washington, D.C., August 1999.

²U.S. Department of Health and Human Services, *Temporary Assistance for Needy Families (TANF) Program: First Annual Report to Congress*, August 1998.

month period after leaving welfare, between 70 and 80 percent were employed at some point.³

However, there is little evidence yet that these former welfare recipients are doing any better than in the past in terms of their poverty status or moving up in the job market. Their median wage is only \$6.61 per hour, or about \$1,100 a month. One-third of families that left welfare report having to eat smaller or fewer meals because food is in short supply, and nearly 40 percent report problems paying rent, mortgage or utility bills. And about one-third of those who left welfare during the first year after TANF began had returned to the welfare rolls within the next year.⁴ A recent GAO study also found that 61-71 percent of welfare leavers were working at some time in the next year, meaning that roughly 30-40 percent were not working at any point in time, which is a high rate of nonemployment by any standard. Also, GAO reports that 19-30 percent of those who left welfare subsequently actually returned to the rolls.⁵

Thus, while many welfare recipients are entering the labor market, they are entering at the low-end of the market, earning low wages and income that still hovers around the poverty level. Low skills limit their employment opportunities. Well-paying jobs for individuals with low or moderate skills that were once available within the manufacturing sector have generally been replaced by lower paying jobs in the service sector. Some analysts estimate that in today's labor

³Sarah Brauner and Pamela Loprest, "Where Are They Now? What States' Studies of People Who Left Welfare Tell Us." Policy Brief Series A, No. A-32, Washington, D.C.: The Urban Institute, 1999.

⁴Pamela Loprest, "Families Who Left Welfare: Who Are They and How Are They Doing," Discussion Paper 99-02, Washington, D.C.: The Urban Institute, 1999.

⁵U.S. General Accounting Office, *Welfare Reform: Information on Former Recipients' Status*, GAO/HEHS-99-48. Report to the Chairman, Committee on Finance, US Senate, and the Chairman, Subcommittee on Human Resources, Committee on Ways and Means, House of Representatives, Washington, D.C.: USGPO, April 1999.

market, most welfare recipients can be expected to only earn between \$5.00 and \$8.00 an hour.⁶ While such entry-level jobs may provide a starting point and much needed job experience for welfare recipients, earnings are not high enough to promote long-term self-sufficiency for welfare recipients with dependent children. In addition, many of these low-skill, low-paying jobs are temporary -- often with high turnover rates -- and offer minimal, if any, fringe benefits.

A recent study similarly reports that while more low-income single mothers are working and leaving welfare, the poorest fifth of single-mother families are actually experiencing declines in their total disposable incomes. The decline is a result of the combined effect of working in very low-wage jobs and the loss or reduction of means-tested benefits such as welfare and food stamps.⁷

The welfare population also has a number of demographic and geographic characteristics that are associated with poverty and unemployment. In 1997, the latest year for which detailed poverty statistics have been published, the nation's poverty rate was 13.7 percent. However, for individuals living in central cities, the poverty rate was more than double the rate for those living outside central cities—18.8 percent compared to 9.0 percent.⁸ Female household heads without a husband present,

⁶Gary Burtless. "The Employment Experiences and Potential Earnings of Welfare Recipients," in *Welfare Reform 1996-2000: Is There A Safety Net?* Edited by Robert Morris and John E. Hansan, Westport, Conn.: Greenwood, 1999. In addition, Burtless and other labor economists caution that if welfare reform adds millions of additional unskilled workers to the economy, the job entry wage could actually been driven lower in the next couple of years.

⁷Wendell Primus, Lynette Rawlings, Kathy Larin, and Kathryn Porter, "The Initial Impacts of Welfare Reform on the Incomes of Single-Mother Families," Washington, D.C. Center on Budget and Policy Priorities, August 1999.

⁸Joseph Daleker and Mary Naifeh, U.S. Bureau of the Census, Current Population Reports, Series P60-201, *Poverty in the United States: 1997*. U.S. Government printing Office, Washington, DC, 1998.

the primary group in TANF, had a poverty rate of 31.6 percent in 1997. Unemployment rates are also significantly higher in poverty areas, where welfare populations are concentrated, especially for young (ages 16 to 24) minority men and women. For the three-month period from November 1998 through January 1999⁹, the unemployment rate for young African American men was 25 percent in urban poverty areas compared to 14.7 percent for African American young men in non-poverty areas. The pattern was the same for young African American women: 22 percent unemployment in urban poverty areas and 10.6 percent in non-poverty areas. Young Hispanic men and women also have such higher unemployment rates in poverty areas.¹⁰

Despite the caseload reductions and the fact that many on public assistance are combining work with welfare, there are, also still about 3 million TANF cases. And there is growing evidence that the remaining recipients on the TANF caseload will have an even more difficult time in the labor market than those who left in the past two years. According to HHS data, of those left on the caseload in 1999, a higher percentage than in 1995 are Hispanic, long-term recipients, and teen mothers (with an increasing share concentrated among 18 and 19 year olds).¹¹ Anecdotal information from local TANF agencies also suggests that those left on the rolls also tend to have more personal problems, less education, and less work experience, though there are no systematic data yet available to validate these program observations. A recent University of Michigan study

⁹Based on special unpublished tabulations conducted by the Bureau of Labor Statistics for the Employment and Training Administration, using the Current Population Survey data for the 3-month period November 1998 to January 1999

¹⁰U.S. Department of Labor, Employment and Training Administration, *Analysis of Census Data*, unpublished, 1999.

¹¹HHS, *TANF First Annual Report to Congress*.

reports that almost two-thirds of Michigan's welfare mothers have multiple barriers and that recipients with multiple problems have more difficulty entering the labor market.¹²

Similar labor market difficulties exist for non-custodial parents of welfare children. While increased child support payments would help improve the economic and financial stability of children living with a single parent, many fathers are also facing serious economic hardships themselves. Since 1973, real wages (adjusted for inflation) for men with less than a college education have actually declined by over 20 percent. Low income noncustodial fathers have high rates of unemployment, and relatively low educational levels.¹³ Their ability to regularly pay child support is severely limited by their own economic situations.

Thus, dramatic welfare caseload reductions since 1994 and the increase in reported employment among those still receiving welfare suggest that welfare recipients can obtain jobs.¹⁴ Work First programs and similar rapid employment strategies attest to this fact as well. Despite the low education levels and personal problems, and despite the fact that those left on welfare are probably less employable than those who have left the rolls, there is fairly strong evidence from

¹²Sandra Danziger, et al. "Barriers to the Employment of Welfare Recipients," Ann Arbor, Michigan, Poverty Research and Training Center, University of Michigan, Revised Version, July 1999.

¹³Elaine Sorensen. "Obligating Dads: Helping Low-Income Noncustodial Fathers do More For Their Children. Strengthening Families Policy Brief No. 2. Washington, D.C.: Urban Institute, May 1999; and Karin Martinson, "Serving Non-custodial Parents Through Welfare-to-Work Grants: Labor Market Characteristics, Employment Barriers, and Service Strategies. Washington, D.C.: Urban Institute, October 1998.

¹⁴The caseload reduction consists of those who left welfare (either voluntarily or were terminated by the agency) and those who never went on in the first place. Data are not yet available to conclusively determine how many of these two groups are employed. However, the very large caseload reduction at least suggests that some substantial number are working.

research and from the field that welfare mothers can and do work. Nonetheless, there is also growing concern that those who have left welfare, even those working, are not able to earn enough to move their family incomes up, and many are still in poverty. In addition, those remaining on the welfare rolls tend to have even more limited education, less job experience, and family and personal problems, all of which complicate further the task of achieving self-sufficiency. The employment opportunities remain weak for those residing in poor urban and rural areas, especially young African American and Hispanic adults. And noncustodial parents, mainly fathers, of welfare children are themselves facing difficulties in the job market that limit their earnings potential.

The WtW grants program was enacted in large part to address these concerns. The resources are to be used to supplement state TANF funds and services, not duplicate them. WtW funds can be used after an individual leaves the rolls, and the legislation encourages post-employment education and training as one vehicle for upward occupational mobility and skills development. WtW is targeted on the hardest-to-employ welfare recipients and non-custodial parents of children on welfare. While TANF funds can be used to provide many of the services allowed under WtW, the primary differences relate to intensity. For example, work is a primary feature of TANF nationwide. States have flexibility in how they use their TANF funds, and some are funding longer term employment services and developing job retention services. In most states, however, at least until 1999, the primary objective of TANF work programs has been to move individuals quickly into regular unsubsidized jobs. The WtW legislation, in contrast, recognizes the need for long-term services to achieve economic self-sufficiency--beginning a job, either subsidized or unsubsidized, is assumed to be just the first step. WtW funds are also to be targeted more intensively in high poverty urban and rural communities; and more specifically on individuals in need of intensive

services: long-term recipients, high school dropouts, substance abusers, and persons approaching their TANF time limits. In addition, while TANF legislative provisions require states to have mechanisms in place to provide noncustodial parents with employment activities if court ordered child support orders require such participation. But WtW programs can reach deep into the noncustodial parent population and serve persons those with severe employment problems, regardless of their legal child support status. Again the focus of WtW is to provide intensive services to those with the most serious employment problems. The additional funds appropriated by Congress for WtW are intended to recognize that these target groups and target communities have more serious barriers to employment that are likely to require higher investments of resources over a longer period of time than the regular welfare caseload.

3. Level and Distribution of Program Funds

Congress authorized \$3 billion for the WtW grants program -- \$1.5 billion in FY 1998 and \$1.5 billion in FY 1999 -- to help move welfare recipients into jobs. This section summarizes the general distribution of funds and analyzes the extent to which funds have been directed to poor communities, which was a stated objective of the legislation.

General Funding Pattern

The legislation included specific provisions that govern how the WtW funds are distributed. Some funds are set aside at the national level for Indian and Native American programs (\$30 million), for evaluation activities (\$24 million), and for performance bonuses for “successful” states (\$100 million). One-quarter of the remaining grant funds are distributed competitively based on applications submitted to DOL (these are referred to as competitive grants). The other three-quarters of the federal WtW funds are allocated to states according to a formula based on each state’s share of the poverty population and number of adults on welfare. A total of 44 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands requested and received WtW formula funds for FY 1998,¹⁵ in amounts ranging from about \$3 million in small states such as Wyoming, New Hampshire, and North Dakota, to over \$190 million in California.

Unlike TANF, which is administered at the national level by the U.S. Department of Health

¹⁵Six states (Idaho, Mississippi, Ohio, South Dakota, Utah, and Wyoming) decided not to request WtW funding for FY 1998. All states, regardless of whether they received WtW formula funds in FY 1998 -- can elect to receive WtW funds in FY 1999. Even if states do not request the formula funds in either year, local groups and organizations can submit applications to receive WtW competitive funds.

and Human Services (HHS), the WtW program is administered by the U.S. Department of Labor (DOL). But to receive WtW formula funds, a state submits an amendment to its TANF plan to the HHS and DOL explaining generally how the new funds will be used. The federal WtW funds require a 50 percent match (meaning the federal government pays two-thirds of the costs), but up to half of the state match can be in kind rather than cash. Governors designate which state agency will receive and administer the formula funds. The state WtW agency (usually the state workforce development or employment/training department) must then distribute 85 percent of the grant to local Job Training and Partnership Act (JTPA) service delivery areas (SDAs)/Private Industry Councils (PICs) (or Workforce Investment Boards when they are established under the new Workforce Investment Act), according to the same formula used for allocation of funds to the states. States can request DOL to approve an entity other than an SDA to administer WtW in a local area, but the request for an alternative administrative entity must be justified in terms of administrative or managerial limitations of the SDA. Locally, competitive grantees and SDAs (primarily as formula sub-grantees) have responsibility for program design, administration, and service delivery approaches. Fifteen percent of each state's formula grant can be used for state administration (limited to 5 percent), data systems modifications, or special purposes or projects related to WtW as determined by the Governor or state WtW agency.

A total of \$2.5 billion dollars in WtW grant funds was distributed by DOL in fiscal years 1998 and 1999: \$2 billion was allocated by formula to states (formula grants), \$472 million was allocated competitively to grantees that submitted applications (competitive grants), and \$12.8 million was distributed to 93 tribal program grantees.

Funds to Poorest Communities

As intended by Congress, a substantial portion of the WtW funds are being directed to poor urban and rural areas. Based on analysis of DOL data on grantees awarded funds and census statistics about the communities expected to be served with the grants, it is estimated that about \$1.2 to \$1.3 billion of the FY1998 and FY1999 WtW funds so far have gone to poor communities (51-53 percent of the \$2.495 billion distributed to date), as summarized in Table 1.¹⁶

Table 1: Estimated Distribution of WtW Funds to Poor Areas		
	FY98 and FY99 Funding	Percent of all FY98 and FY99 Funding
Poor cities with population over 45,000	\$948.9 million	38%
Poor mid-sized towns with population between 25,000 and 46,000	\$111-\$137 million	4-5%
Poor small towns (population less than 25,000), rural areas, and Native American programs, tribes and Alaskan villages	\$210-\$240 million	8-10%
Total to poor communities	\$1.27-\$1.33 billion	51-53%

About 38 percent of WtW funds distributed by mid-1999 have gone to poor cities, defined as having population over 50,000 and either high poverty rates (over 22 percent) or high numbers

¹⁶ This includes formula grants for FY98, expected formula grants for FY99, competitive grants under round 1 and round 2, including all multi-site competitive grants, and tribal grants.

of poor persons (45,000 or more).¹⁷ This means that \$948.9 million of the approximately \$2.5 billion (formula FY98, formula FY99, competitive round 1, competitive round 2, and tribal grants) so far has gone to poor cities--\$628.4 million in cities with high numbers of poor people, \$155 million in cities with high poverty rates, and \$165 million in cities with both high numbers of poor and high poverty rates,¹⁸ as detailed in Appendix A.

Another one-quarter of a billion dollars, approximately \$210-\$240 million (8-10 percent of all WtW funds distributed so far) has gone to poor small towns, rural areas, and Native American tribes/Alaskan villages. This estimate is based on funds distributed to all places with less than 25,000 population and reservations with poverty rates of 22 percent or higher. In addition, approximately \$111-\$137 million (4-5 percent of all funds) has gone to poor mid-size communities.¹⁹

¹⁷These criteria for defining cities as “poor” are based on unpublished Census Bureau listings of the top 56 cities ranked by poverty rate and the top 56 cities ranked by number of poor persons. All 56 on the first list had poverty rates over 22 percent; all 56 on the second list had over 45,000 poor persons. These 1990 Census data were used by DOL and HHS for WtW planning. The list of poor cities would probably not change much if a more recent year was used, although the actual poverty rates might be different.

¹⁸Note that 4 cities in Ohio that are on the “poor cities” lists do not receive WtW funds because the state has chosen not to accept the formula grant and because the cities are not part of any round 1 or 2 competitive grant or multi-site grant: Cincinnati, Youngstown, Toledo, and Dayton.

¹⁹This is a rough estimate, and assumes that a small portion of the funds (15 percent) in the remaining jurisdictions with WtW funds (mostly SDAs located in mid-sized cities, counties and multi-county areas) are serving communities that are poor, even though the SDA overall does not have a poverty rate over 22 percent. This category also includes 15 percent of WtW funds in Guam, the Virgin Islands, and the non-urban portions of Puerto Rico.

4. Program Spending and Enrollment

The first WtW grant formula funds were distributed by DOL in March 1998, followed by two rounds of competitive grants awarded in July 1998 and January 1999, and then the FY1999 formula funds were distributed beginning in the Spring of 1999. As of June 1999 (the latest available data), over 95,000 persons had been reported as being enrolled in WtW grants programs, and about \$182 million in federal funds and about \$60 million in state/local matching funds had been spent.²⁰ The level of enrollment as of June 1999 was nearly double that of the prior quarter (March 1999). Thus, there is some evidence that the pace of enrollment is increasing, probably because some programs were approaching steady-state operations. Programs that started operations in the first phase of WtW (between fall 1998 and spring 1999) were by summer 1999 beginning to see enrollment rates increase, even though some newer programs (e.g., those that did not begin operations until summer 1999) were still in a startup mode.

For a number of reasons, the program enrollment and spending has been somewhat slower than initially expected.²¹ While the slow pace of enrollment and spending is somewhat frustrating to administrators at all levels, it is in some ways understandable. Organizational analysts indicate that new programs typically take between 12 and 36 months to start up and reach “steady state” operations. Programs that involve providing individuals with direct personal services (such as

²⁰U.S. Department of Labor Employment and Training Administration, WtW Grant National Quarterly Financial Status Report, ETA 9068, for Reporting Period Ending 6/30/99.

²¹See results of a survey of local grantees in Irma Perez-Johnson and Alan M. Hershey, “Early Implementation of the Welfare-to-Work Grants Program: Report to Congress,” Princeton, New Jersey: Mathematica Policy Research, Inc., March 1999.

counseling, instruction, and job development) rather than cash or other transfer benefits typically take longer to reach steady state. The WtW program, while fairly straightforward in terms of its mission and intent, has quite complex mechanisms for financing, program authority, eligibility criteria, timing, and service delivery. A number of startup issues contributed to the delay in implementation, some of which reflect the complexity of WtW legislative provision and some of which are to be expected with any new program.²²

First, in some states, the federal WtW formula funds were not available immediately to the local programs, although, as required by the legislation, all state WtW agencies obligated WtW formula funds to SDAs within 30 days of receiving federal notification of funds. In several states, there were difficulties obtaining the necessary matching funds required for the formula grant. Legislatures generally must approve appropriation of state matching funds, and in a number of states, agencies had to wait until the regular legislative session to request funding. In a some states, rather than request additional funds, the state agency and/or Governor decided to require local jurisdictions to put up the match. Both types of matching issues delayed startup. In a few states, startup was delayed while the state agency negotiated performance objectives and standards with local PICs (or alternative WtW administrative entity). And in a couple of states, the state's funds, usually matching funds, were used before drawing down any federal WtW funds, thus delaying the expenditure of the

²²John Trutko, Nancy Pindus, Burt S. Barnow, and Demetra Smith Nightingale. "Early Implementation of the Welfare-to-Work Grants Program," Washington, D.C.: Urban Institute, April 1999.

federal resources. Michigan, for example, has still not drawn down any WtW formula funds, but is using state funds and implementing all the federal WtW eligibility rules and other program regulations, and North Dakota has spent just its state matching funds.

In addition, at the local level, there were also a number of operational factors that delayed the flow of funds, again, particularly in formula-funded programs. First, many PICs and SDAs decided to use competitive procurement procedures to select WtW service providers, just as they do for JTPA-funded services. The process for issuing requests for service delivery proposals, reviewing bids, selecting contractors, and negotiating contracts typically takes several months. The service delivery contracting process could not begin before the SDA had authority to spend the federal (and usually state) funds.

A second local operational issue involves the concerns about federal audits. PICs and SDAs are very sensitive to federal reporting and financial requirements, and their administrators and board members take a cautious approach to avoid any possible audit exceptions that might arise from errors in determining eligibility and authorizing allowable expenditures.²³ WtW eligibility criteria, as noted below, are very specific; and there are restrictions on when education and training can be funded under WtW. These eligibility and fiscal concerns raised many questions from the field and, until resolved and clarified, PICs and SDAs proceeded cautiously to avoid any possibility of fiscal audit exceptions. The requirement that 70 percent of WtW funds be spent on particular eligible groups caused the most serious delays, since the necessary criteria (e.g., receiving welfare for 30

²³This caution reflects the fact that under most DOL programs, if a federal audit of the program identifies an individual whose eligibility cannot be verified, the administering agency must repay 100 percent of federal dollars spent on that person. Other federal agencies, including HHS, apply tolerance levels for error cases before states or localities are required to reimburse the federal government.

cumulative months) were difficult to verify.

A third type of local delay resulted from the large number of new programs being developed specifically with WtW funds. Many of the competitive grantees and subcontractors with formula funds are community-based, non-profit organizations. A number of these are developing new programs with the WtW funds, rather than simply merging WtW funds with other resources such as TANF and JTPA. Many WtW providers are not traditional JTPA or TANF contractors and, therefore, are expanding their services and for WtW. There are many benefits of such program development, such as improving access of some types of participants (e.g., public housing residents, non-English speaking welfare recipients, and minority low-income fathers) to services. But in many programs, the program development and capacity building phase is taking time.

In addition, in many states and localities, the degree of interagency coordination and planning associated with the WtW grants program is taking considerable time. WtW is, by design, to be coordinated to some extent with TANF. Grantees that are using the WtW funds to operate new programs (rather than using the funds as an additional funding stream) have had to devote considerable time to program development, hiring and training staff, and establishing procedures to receive client referrals from and share client data with welfare agencies.

Perhaps the most important factor that has slowed implementation is the very tight eligibility criteria specified in the national legislation. The primary target population is TANF recipients, but not all TANF recipients are eligible. The legislative provisions require that at least 70 percent of all grant funds be spent on persons who have 1) received TANF or AFDC for 30 months or more, or are within 12 months of reaching a TANF time limit; and 2) face two of three specified barriers: I) lack a high school diploma or GED and have low reading or math skills, ii) have substance abuse

problems, or iii) have a poor work history. Noncustodial parents who face two of the three barriers also qualify under the 70 percent criteria, if their child(ren) are in long-term welfare cases. Up to 30 percent of the funds can be spent on TANF recipients or non-custodial parents who have characteristics associated with long-term dependency, such as being a teen parent, or a high school dropout.

Enrolling individuals who can be verified as eligible under the 70 percent category has been particularly troublesome for both welfare agencies and WtW program administrators. For example, welfare agencies' data systems are still being restructured to allow efficient identification of an individual's lifetime cumulative receipt of benefits, which would allow verification of the 30-month criterion. Until the systems are revised, most local WtW programs must instead rely upon welfare agencies' verification of the length of the current spell of benefits, which means some individuals who have received welfare for over 30 cumulative months (e.g., in multiple spells) are not considered eligible for WtW because their past receipt cannot be officially verified.

The education barrier criterion has also caused problems and enrollment delays. Most importantly, if an individual has a high school diploma but lacks basic skills, she or he is not eligible for WtW services, unless she has some other serious problem such as substance abuse. This is the most common problem local program administrators and staff mention. The education provision also causes delays in enrolling and serving individuals who do lack a high school diploma, because many programs administer tests to confirm their low skills, even if an initial assessment by the welfare agency or the WtW program clearly determines they have serious barriers to employment. In many places, especially large cities, there is a strong feeling that there are many individuals who have serious barriers to employment and who could benefit from the intensive services allowed

under WtW, but who do not meet the strict eligibility criteria. They “qualify under the spirit, but not the letter, of the law.” Program staff and administrators feel confident that if the education criteria for eligibility were modified, enrollments would increase.

There are, however, no firm data on the number of persons who are eligible for WtW, in part because the eligibility criteria are so complex. It is fair to assume, though, that some significant portion of the remaining 3 million adults on the TANF welfare rolls do qualify, even under the current tight eligibility criteria. In some states and, especially, cities, welfare and WtW administrators estimate that nearly everyone left on TANF probably could fit the eligibility criteria for WtW, but the data do not currently exist to validate this assumption. In other places, program administrators feel there are very few persons who can meet the strict WtW criteria, especially in places where there are few persons left on TANF in general. As a rough lower-bound estimate, if one were to assume that just one-quarter of the remaining TANF adults can meet WtW eligibility rules, then a low estimate is that 750,000 might be eligible nationwide. For a high estimate, if one were to assume that half of those left on TANF qualify for WtW (many state and local program administrators feel that this estimate is not out of line), then as many as 1.5 million recipients may qualify for WtW. In addition, one analyst estimates that between 660,000 and one million men might also be eligible for WtW services as non-custodial fathers of welfare children.²⁴

It would seem, then, that the need for services is still relatively high, perhaps between 1 and 2 million parents of welfare children may qualify for WtW services. Despite the large amount of federal funding available to states under their TANF block grant, local WtW program administrators

²⁴Karin Martinson, “Serving Non-Custodial Parents Through Welfare-to-Work Grants: Labor Market Characteristics, Employment Barriers, and Service Strategies,” Washington, D.C.: The Urban Institute, October 1998.

indicate that there is still unmet need for employment services related to welfare reform. Over 70 percent of WtW administrators responded in a survey that without the grant, resources in their communities were not adequate to serve this target population; and 45 percent reported that even with the WtW funds, not all needs in the community can be met.²⁵ At the rate of spending to date (about \$2,500 per participant), the current WtW funds might optimistically allow programs to serve about 900,000 persons. Thus, WtW alone cannot meet--and was not designed to meet-- the full demand.

²⁵See Perez-Johnson and Hershey, Table F.1.

5. Program Innovations and Challenges

A number of special challenges have arisen as the WtW grants program is being implemented, as discussed in the prior section. Nonetheless, studies on the early implementation of the program suggest that programs are beginning to stabilize. Perhaps more important, there is evidence that the WtW system is encouraging the development of a number of potentially promising strategies that are important for both welfare reform and workforce development policies.²⁶

Special Targeting on Neighborhoods and Population Groups

First, the WtW funds have caused a proliferation of programs, including many that appear to be targeting neighborhoods and populations that have been somewhat underserved through traditional programs in the past. The Mathematica survey of local grantees found that about half the programs are serving the broadly defined eligible population, but the other half are focusing more narrowly, consciously targeting special groups. Over 70 percent of the programs funded solely by competitive WtW funds are targeting on special populations. The most commonly reported special target is non-custodial parents, followed by TANF recipients nearing or already past their time limits, and high school dropouts.

²⁶This section draws heavily from the following reports: Karin Martinson, “Serving Non-Custodial Parents Through Welfare-to-Work Grants: Labor Market Characteristics, Employment Barriers, and Service Strategies,” Washington, D.C.: The Urban Institute, October 1998; John Trutko, Nancy Pindus, Burt S. Barnow, and Demetra Smith Nightingale. “Early Implementation of the Welfare-to-Work Grants Program,” Washington, D.C.: Urban Institute, April 1999; and John Trutko, Demetra Smith Nightingale, and Burt S. Barnow, “Post-Employment Education and Training Models in the Welfare-to-Work Grants Program,” Washington, D.C.: Urban Institute, May 1999.

In addition, and probably related to targeting on special groups, many programs funded by both formula and competitive grants are targeting services to special neighborhoods. In some large cities (e.g., Boston, New York, Chicago, and Houston) there are a several new programs funded entirely, or in large part, by WtW funds (either as direct grantees or subcontractors). Usually the neighborhood focus was part of a conscious plan developed for the WtW grant, but in some places, the neighborhood targeting evolved as programs sought new ways to reach the population in need of services. In response to the early problems WtW programs had with the slow pace of enrollments when they depended on referrals from other agencies, many WtW programs have begun to conduct their own targeted outreach -- sending recruitment staff into low-income neighborhoods, churches, and community centers, and distributing multi-lingual flyers and brochures door-to-door.

Expanded Role for Community-based Organizations

Second -- and somewhat related -- through WtW there is an expanding role for non-profit and community-based organizations (CBOs) in welfare reform and in employment and training. Community agencies traditionally have strong linkages to the disadvantaged population and low-income neighborhoods, and hundreds of CBOs received competitive grants directly from DOL. Many other non-profit organizations are also participating as subcontracted service providers to competitive grant recipients and/or to formula grantees (usually PICs). In some communities, such as Boston, Chicago, and New York City, where the regular welfare reform policies are also encouraging the development of neighborhood-based programs by extensive contracting for service provision, there is evidence that local non-profit employment support networks are strengthening.

Impetus for Improving Coordination

Third, the WtW grant funds and programs appear to have provided an impetus to improve the coordination between the JTPA system and the welfare system, or at least raised the awareness of each system to the other's programs and resources. This is not surprising, since both the Department of Labor and the Department of Health and Human Services have major policy roles in WtW. Coordination at the state and local levels is not coming easily, especially in places where there has been little historic coordination between the two systems. For example, programs continue to grapple with problems related to assuring that WtW participants meet the work requirements of the TANF agency, while they are engaged in grant-funded services, and that such participation is accurately reported back to the TANF agency. And difficulties have arisen with the procedures for referring potentially-eligible WtW participants from TANF agencies to grant programs.

But in many states and localities, the mere presence of the WtW grants funds has created new reasons for welfare agencies and workforce development agencies to recognize their respective needs and to share information about individuals. At a minimum, arrangements are being developed to refer TANF recipients to WtW programs or to verify WtW participants' TANF status. According to the Mathematica survey, nearly all WtW grantees expect to receive most of their participants by referrals from the TANF agency. And in order to effectively assist their participants, staff in WtW programs must become somewhat knowledgeable about the state's welfare policies, programs, time limits, and client work requirements. Similarly, TANF agencies are also actively encouraging or requiring clients to work and/or participate in work programs, one of which can be WtW. In many places, the coordination has been quite extensive, including totally merging TANF work funds, JTPA funds, and WtW funds, and instituting an integrated service contracting procedures.

Thus, more than in the past, each type of agency has a need to understand policies and programs of the other, which appears to be encouraging increased interagency communication. It is not possible to say whether coordination would have increased even without WtW funds, but their existence at a time when administrative systems on both the welfare side and the workforce development side are being reformed provided added leverage to establish more interaction.

Building Program Capacity to Serve Fathers

Fourth, the inclusion of non-custodial parents as a target group in WtW has accelerated the development of programs for this population. Nationwide, from Congress to neighborhood agencies, there has been a dramatic and visible increase in the emphasis on fathers over the past few years. Despite the heightened attention on and strong political support for serving non-custodial parents, at the operational level, WtW programs and other programs are facing real challenges in engaging and serving this population. However, progress is being made. There are new state and local efforts to establish employment programs for noncustodial fathers involved with the child support enforcement system, particularly those who are in arrears with their payments. Public and non-profit agencies, many with foundation funding as well as WtW and other federal resources, are developing programs for low-income fathers in general, especially young non-custodial fathers. Programs are building their capacity to reach out to these fathers, inform them of available services, and develop the types of services these low-income men need--and are likely to use--to improve their employment outcomes.

WtW programs for fathers are being modified and improved based on operational experiences. For example, many programs had early difficulties recruiting fathers through child

support enforcement agencies, in part because fathers are reluctant to be involved with the collection agency any more than necessary. In response, a number of WtW programs and other community-based programs targeting fathers are beginning to develop additional referral mechanisms, including initiating subcontracts and agreements with agencies other than child support enforcement, such as Friends of the Court, homeless shelters and service centers, and ex-offender programs. Thus, the first year of WtW services to fathers was devoted mainly to gaining a better understanding of this population, developing strategies to reach out to underserved groups, and refining service delivery approaches to be more comprehensive. Many public and non-profit employment programs had served noncustodial parents in the past, but there was no particular emphasis on their special needs, responsibilities, and potential as parents of welfare children.

Creative Strategies for Post-Employment Skills Development

Fifth, a number of WtW programs are developing creative strategies for providing education and training that is linked to work and offered in a work-based setting. State and local agencies express considerable frustration at not being able to use WtW funds for training and education unless it is done so after an individual begins employment. Despite the initial frustration, however, there are now many examples of post-employment education and training in WtW. Programs are integrating work with skills training or education, including several partnerships with private businesses. For example, Boston's WtW grant program consists of partnerships with firms in specific industries (including health care, hospitality, and retail) that provide workplace-based training and agree to hire those who successfully complete short-term training as regular employees. Each firm is partnered with a community-based organization that provides intensive and ongoing

case management to WtW participants at the workplace. In addition, a focus is placed on teaming with employers offering career ladders and working closely with such employers to support their efforts to provide long term education and training to help move former welfare recipients to higher wage and higher skill jobs.

Post-employment job retention services are also a routine part of most WtW grant programs. According to the Mathematica survey of early grantees, over 85 percent plan to provide job retention services, and half will provide mentors to new workers. WtW programs are experimenting with a range of post-employment strategies to help counter the problem of job loss once welfare recipients secure employment and to encourage individuals placed in jobs to continue to upgrade their job-related skills. Several examples of these strategies include the following:

- C maintaining toll-free telephone numbers for individuals and employers to call their case managers and conducting work site visits by case managers (e.g., Moline [IL] WtW program);
- C sending participants postcards periodically once they begin to work reminding them of post-employment assistance that is available (e.g., Chicago WtW program);
- C providing WtW participants with recognition and awards for continuing to be employed -- e.g., at two months on the job, the WtW participants at one subcontracting agency in Dallas are eligible to attend weekend retreats run by the subcontracting agency; at six months on the job, the individual is recognized at a banquet; and at nine months on the job, the subcontracting agency commits to finding the individual a higher paying and higher skilled job either with the existing employer or another employer;
- C WtW participants in Detroit receive follow-up services (e.g., job counseling, job referral, additional education and training and other services) until they obtain a wage of at least \$11.00/hour); and
- C a Wisconsin WtW grant program targeting non-custodial offenders and ex-offenders provides a bonus payment to subcontracting agencies if the agency places over 50 percent of the participants it serves in full-time jobs that last at least six months during which time child support payments are made in each of the months.

Many WtW programs are also establishing subsidized employment programs, most of which include a certain number of hours of on-the-job work assignments each work, supplemented by several hours of remedial education, skills development, and counseling. According to the survey of grantees, over 60 percent offer subsidized enhanced work experience or other supported work assignments in the public, private, and non-profit sector.

Thus, while grantees generally have not been pleased with the education and training restrictions, it may well be that the restriction forced programs to identify creative work-based strategies for combining work and education or training for these very seriously disadvantaged welfare recipients.

Expanded Flexibility for Supportive Services

Finally, WtW has provided an additional resource base for local programs to both expand the availability of support services and fill gaps in services when they arise. Many local WtW grant programs are using a portion of their resources to provide supportive services and are linking with other agencies and programs in their localities to expand the availability and range of support services available to WtW participants. Transportation, child care, housing services, and referrals to programs addressing substance abuse and domestic violence are all generally included in WtW service networks. In several places, WtW funds are being used to pay for child care services immediately when participants begin a job, since certification and payment cannot be authorized quickly enough through the formal child care system. That is, the WtW funds can be more flexibly used to fill the gap in services when other sources cannot be used.

6. Conclusion

The WtW grants program is a complicated federal policy initiative that requires substantial coordination between the employment and training system and the welfare system at the national, state, and local levels. The funds are distributed through multiple streams, which has helped expand services into low-income neighborhoods under-served in the past, particularly in inner cities. The funds have not been distributed all at once; rather the legislation instructs DOL to gradually allocate funds to states and, through a competitive process, to other entities as well. But at the same time, the legislatively-mandated funding and administrative structure has added to the complexity of the program. In addition, the legislative provisions that restrict eligibility to very specific target groups have made it difficult for programs to identify and verify eligible participants. The immediate result of the complexity is that the startup phase--normal for all new programs--has been somewhat drawn out. A secondary result is that enrollment and spending during the first year were somewhat slow.

However, in recent months the enrollment rates appear to be rising. In addition, programs that implemented WtW programs early (e.g., round 1 competitive grantees and SDAs which received FY1998 formula funds in 1998) are now beginning to show promise, particularly in terms of reaching out to the most disadvantaged welfare recipients and low-income fathers, establishing procedures for coordinating with welfare agencies, and developing creative strategies for integrating education and skills training in the workplace. As the system is beginning to stabilize, it is important to summarize the potential role WtW grants programs can play in welfare reform and labor market policies.

First, WtW provides one of the few sources of funds localities have that is specifically designated for upgrading the education and job skills of the most disadvantaged welfare recipients, and for providing support and services to working former recipients. Upgrading skills is critical if employment is intended to be the primary means by which former welfare recipients are to escape poverty. Further, given that many welfare recipients, like low-skilled workers in general, are likely to lose their initial jobs, WtW can provide re-employment assistance in the future.

Second, there are many non-custodial parents who could be supporting their children if they were employed, particularly if they were employed in higher wage jobs. WtW provides one of the few sources of funds available at the local level to enhance job-related skills and employment prospects for non-custodial parents, both those who are already actively involved with the child support enforcement system and those who have the potential of financially supporting their children in the future.

Third, WtW has helped to expand the interaction between the welfare system and the workforce development system, which can be a critical link in connecting welfare recipients to private sector jobs. The incorporation of the workforce development system at the local level into delivery of services for welfare recipients brings labor market information, longstanding links to both training institutions and local employers, and a wealth of experience in assessing employment barriers and tailoring assistance to the needs of each individual. Engaging the local workforce development system ensures an employment-focus to services provided to TANF recipients.

Fourth, early experience suggests that WtW is serving as a laboratory for experimentation with a wide range of employment, training, and support services strategies. For example, the

structure of the WtW competitive grant program emphasizes formation of local collaborative efforts that flexibly respond to local conditions and feature innovative service delivery strategies and systems. The program has also enabled localities to bring together a wide range of governmental agencies, nonprofit organizations, and private businesses to attempt to solve the problems of welfare dependency in their communities.

Finally, most states and some localities have a considerable amount of funds through the TANF block grant legislation, especially where unemployment is very low and welfare caseloads have declined dramatically. However, there are many communities, particularly in inner cities and rural areas, where unemployment and welfare rolls remain relatively high. WtW provides added resources for these depressed areas, allowing programs the flexibility to tailor services and assistance to the needs of the locality.

APPENDIX:

WtW FUNDS TO POOR CITIES

Appendix A.1
Distribution of WtW Funds to "Poor Cities"
(Cities with High Concentrations of Individuals Below Poverty)

Estimated Total Amount of WtW Funds ¹ Distributed to:	
Cities with High <i>Numbers</i> of Individuals Below Poverty (on Table 2 only)	\$628,350,314
Cities with High <i>Percentages</i> of Individuals Below Poverty (on Table 3 only)	\$155,313,607
Cities with <i>both</i> High Percentages and Numbers of Individuals Below Poverty (asterisked on both Tables 2 & 3)	\$165,260,777
Cities with <i>either</i> High Numbers or Percentages of Individuals Below Poverty	\$948,924,698

Source: The Urban Institute

Notes:

1. Includes FY98 & FY99 Formula, Round 1 & Round 2 Competitive, Multisite and Tribal WtW Funds
2. All cities have populations of at least 50,000 individuals.

Appendix A.2
Distribution of WtW Funds Going to Cities
With the Highest Numbers of Individual Below Poverty ^A

Rank	City	State	Poverty Rate	Number of Individuals Below Poverty	Estimated Competitive Grant Amount ¹		Estimated Multi-Site Grant Amount ²		Estimated Formula Grant Amount ^{3,4,5}		Total Amount of WtW Funds
					Round 1	Round 2	Round 1	Round 2	FY 98	FY 99	
1	New York	NY	18.9	1,384,994	9,837,904	11,558,589	176,812	176,812	52,192,399	48,657,184	122,422,888
2	Los Angeles*	CA	24.2	643,809	11,999,650	9,693,273	1,751,313	1,751,313	29,697,756	18,282,980	71,970,823
3	Chicago	IL	21.3	592,298	10,739,506	12,656,081	676,466	676,466	17,947,012	16,715,670	58,734,736
4	Houston	TX	20.4	332,974	5,000,000				9,435,775	8,800,026	23,235,801
5	Detroit*	MI	31.7	328,467	4,860,633				10,547,495	9,827,899	25,236,027
6	Philadelphia	PA	19.8	313,374	6,217,707	4,499,969	877,608	877,608	10,452,654	9,759,446	31,807,383
7	San Antonio	TX	22.1	207,161	5,000,000		2,497,024	2,497,024	5,870,502	5,474,968	18,842,495
8	Dallas	TX	17.7	177,790		5,000,000			5,038,190	4,698,735	14,736,925
9	Baltimore	MD	21.2	156,284	3,330,199	3,330,199	2,099,654	2,099,654	4,989,252	4,646,671	15,065,776
10	New Orleans*	LA	31.5	162,042	5,078,785	5,078,785	176,812	176,812	4,035,278	3,763,845	13,054,719
11	San Diego	CA	12.8	142,382	5,000,000	5,000,000	1,574,501	1,574,501	6,567,827	4,043,384	17,923,598
12	Cleveland*	OH	28.1	142,217			1,987,886	1,987,886			2,164,698
13	Phoenix	AZ	14.0	137,406	5,000,000		545,851	545,851	4,944,818		10,667,481
14	Memphis*	TN	23.0	136,123	4,262,054		737,886	737,886	3,536,906	3,303,332	6,840,238
15	Milwaukee	WI	21.6	135,583					3,899,812	3,641,427	12,541,179
16	El Paso*	TX	25.3	128,886					3,652,355	3,406,272	7,058,627
17	Columbus	OH	16.7	105,494		8,147,614					8,540,471
18	Atlanta*	GA	27.3	102,364	5,000,000		392,857	392,857	2,905,204	2,708,824	11,360,509
19	Boston	MA	17.8	102,092	4,082,065	3,924,818	700,796	700,796	3,374,629	3,141,098	15,223,407
20	Washington	DC	15.9	96,278	1,965,001	5,626,483	1,600,000	1,600,000	3,727,920	3,471,434	17,521,581
21	St. Louis*	MO	24.6	95,271			392,857	392,857	2,690,371	2,508,602	7,191,830
22	San Francisco	CA	12.4	90,019	4,189,231				4,152,415	2,556,372	10,898,019
23	Indianapolis	IN	12.3	89,831	5,000,000				1,830,893	1,708,353	8,539,246
24	Cincinnati*	OH	23.4	85,319							
25	Fresno*	CA	24.0	83,108					3,833,623	2,360,113	6,193,736
26	Buffalo*	NY	25.6	81,601		4,917,903			3,075,069	2,866,781	10,859,753
27	Austin	TX	17.3	80,369			392,857	392,857	2,277,487	2,124,038	4,794,381
28	Jacksonville	FL	12.6	80,016		5,000,000			2,142,053	2,000,992	9,143,046
29	Tucson	AZ	19.6	79,287		3,180,776			2,853,295		6,034,071
30	Denver	CO	16.8	78,515	1,460,864	4,920,740	1,600,000	1,600,000	1,682,514	1,569,244	11,233,363
31	Fort Worth	TX	16.9	75,597					2,142,258	1,997,920	7,395,043
32	Pittsburgh	PA	20.3	75,172		3,254,864			2,507,377	2,341,091	8,018,237
33	San Jose	CA	9.2	71,676			2,992,957	2,992,957	3,306,286	2,035,465	5,341,751
34	Newark*	NJ	26.3	70,702					2,312,690	2,158,746	10,157,873
35	Long Beach	CA	16.2	69,694	3,669,874	4,985,641	700,796	700,796	3,214,859	1,979,180	14,363,568
36	Oklahoma City	OK	15.5	69,096		5,000,000			1,686,678	1,568,683	3,432,173
37	Oakland	CA	18.5	68,781	5,000,000	1,365,336	176,812	176,812	3,172,744	1,953,253	11,491,333

Rank	City	State	Poverty Rate	Number of Individuals Below Poverty	Estimated Competitive Grant Amount ¹		Estimated Multi-Site Grant Amount ²		Estimated Formula Grant Amount ^{3,4,5}		Total Amount of WtW Funds	
					Round 1	Round 2	Round 1	Round 2	FY 98	FY 99		
38	Minneapolis	MIN	17.8	65,556		1,860,000	392,857	700,796	1,814,476	1,693,584	6,461,713	
39	Kansas City	MO	15.0	65,381		4,420,558	1,250,000		1,846,303	1,721,562	9,238,423	
40	Birmingham*	AL	24.8	64,572	4,997,966		545,851		1,158,645	1,078,987	7,781,449	
41	Nashville	TN	12.8	62,497		4,016,694	737,886		1,623,870	1,516,631	7,895,081	
42	Toledo	OH	18.7	62,426					-	-	-	
43	Sacramento	CA	16.8	62,232			545,851	499,654	2,870,651	1,767,273	4,637,924	
44	Portland	OR	14.2	62,058		9,619,684	2,600,000		2,007,455	1,879,016	4,931,977	
45	Seattle	WA	11.9	61,681	4,999,898				3,222,552	3,004,917	18,447,152	
46	Louisville	KY	22.0	59,144					1,669,115	1,555,905	8,224,918	
47	Baton Rouge*	LA	26.2	54,669					1,361,404	1,269,829	2,631,233	
48	Tulsa	OK	14.6	53,768					1,312,511	1,220,692	2,533,204	
49	Albuquerque	NM	13.8	52,903	1,343,133			176,812	1,611,236	1,502,338	4,456,708	
50	Tampa	FL	18.8	52,557					1,406,967	1,314,314	2,898,093	
51	Rochester*	NY	23.5	52,237					1,968,510	1,835,174	3,803,684	
52	Santa Ana	CA	17.6	51,835	1,216,167				2,391,056	1,472,018	5,079,240	
53	Corpus Christi	TX	19.6	50,525					1,431,771	1,335,303	2,767,074	
54	Shreveport	LA	24.8	49,215					1,225,585	1,143,146	2,368,730	
55	Dayton*	OH	26.5	46,480		1,000,000		720,212	-	-	-	
56	Laredo*	TX	37.3	45,126					1,278,775	1,192,616	4,191,602	
TOTAL					7,946,934	105,841,653	128,058,007	16,322,933	19,689,782	255,897,281	212,575,336	738,384,992

Source: The Urban Institute

* Indicates cities which have both high numbers of individuals below poverty and have high rates of poverty.

Notes:

- A. High Poverty Cities ranked based on 1990 Census data.
1. Competitive grant amounts may include funds used to serve areas immediately outside of the city.
2. Grant amounts were calculated by dividing the total grant amount by the number of cities served by the multi-site grant.
3. Formula fund allocations were estimated based on the city's proportion of the state's total poverty population.
4. States not applying for formula funds in FY98 are Idaho, Mississippi, Ohio, South Dakota, Utah, and Wyoming.
5. States not applying for formula funds in FY99 are Arizona, Idaho, Mississippi, North Dakota, South Dakota, Ohio, Utah, and Wyoming.

Appendix A.3

Distribution of WtW Funds Going to Cities

With the Highest Percentage of Individuals Below Poverty^{A,B}

Rank	City	State	Poverty Rate	Estimated Number of Individuals Below Poverty	Estimated Competitive Grant Amount ¹		Estimated Multi-Site Grant Amount ²		Estimated Formula Grant Amount ^{3,4,5}		Total Amount of WtW Funds
					Round 1	Round 2	Round 1	Round 2	FY 98	FY 99	
1	Brownsville	TX	43.9	46,985					1,331,451	1,241,742	2,573,193
2	College Station	TX	38.0	19,928					564,727	526,677	1,091,404
3	Monroe	LA	37.8	20,756					516,870	482,103	998,972
4	Laredo*	TX	37.3	45,841		1,000,000		720,212	1,278,775	1,192,616	4,191,602
5	Camden	NJ	36.6	32,022				1,574,501	1,047,455	977,731	3,599,686
6	East Lansing	MI	33.8	17,129					550,028	512,503	1,062,532
7	Florence-Graham	CA	32.7	N/A					N/A	N/A	N/A
8	McAllen	TX	32.4	27,223					771,436	719,460	1,490,896
9	Detroit*	MI	31.7	325,868	4,860,633				10,547,495	9,827,899	25,236,027
10	Saginaw	MI	31.6	21,966					705,350	657,228	1,362,577
11	New Orleans*	LA	31.5	162,042		5,078,785		176,812	4,035,278	3,763,845	13,054,719
12	Bloomington	IN	30.6	18,977					386,772	360,886	747,657
13	Flint	MI	29.6	41,714					1,339,483	1,248,098	2,587,581
14	Provo	UT	29.4	25,529							-
15	Gary	IN	29.0	33,827		5,000,000			689,453	643,308	6,332,761
16	Youngstown	OH	28.7	27,475							-
17	Waco	TX	28.7	29,730			1,987,886	176,812	842,494	785,730	1,628,224
18	Cleveland*	OH	28.1	142,078							
19	Port Arthur	TX	27.7	16,219							
20	Pine Bluff	AR	27.5	15,714							
21	Albany	GA	27.5	21,671							
22	Hartford	CT	27.5	38,428				499,654	2,353,914	2,192,704	5,046,271
23	Lawrence	MA	27.5	19,307					638,186	594,023	1,232,209
24	Compton	CA	27.5	24,875					1,147,432	706,400	1,853,832
25	Atlanta*	GA	27.3	107,543	5,000,000		392,857	353,624	2,905,204	2,708,824	11,360,509
26	Harrisburg	PA	27.0	14,142					471,693	440,411	912,104
27	Tuscaloosa	AL	26.7	20,762					372,536	346,924	4,443,080
28	Pontiac	MI	26.7	18,993					609,900	568,290	1,178,189
29	Dayton*	OH	26.5	48,231							
30	Newark*	NJ	26.3	72,383		4,985,641		700,796	2,312,690	2,158,746	10,157,873
31	Gainesville	FL	26.3	22,375					598,978	559,534	1,158,512
32	Kalamazoo	MI	26.2	21,033	375,000				675,383	629,305	1,679,688
33	Baton Rouge*	LA	26.2	57,517					1,361,404	1,269,829	2,631,233
34	Danville	VA	26.2	13,688					321,312	299,091	620,403
35	Buffalo*	NY	25.6	84,013		4,917,903			3,075,069	2,866,781	10,859,753
36	El Paso*	TX	25.3	130,382					3,652,355	3,406,272	7,058,627
37	Shreveport	LA	25.3	50,227					1,250,782	1,166,648	2,417,430

Rank	City	State	Poverty Rate	Estimated Number of Individuals Below Poverty	Estimated Competitive Grant Amount ¹		Estimated Multi-Site Grant Amount ²		Estimated Formula Grant Amount ^{3,4,5}		Total Amount of WtW Funds
					Round 1	Round 2	Round 1	Round 2	FY 98	FY 99	
38	Miami Beach	FL	25.2	23,345		6,570,000	1,574,501		624,954	583,799	9,353,253
39	Merced	CA	25.1	56,155	1,879,120				650,173	400,269	2,929,562
40	Birmingham*	AL	24.8	65,806	4,997,966		545,851		1,158,645	1,078,987	7,781,449
41	St. Louis*	MO	24.6	97,585			392,857	1,600,000	2,690,371	2,508,602	7,191,830
42	Macon	GA	24.4	26,197	5,000,000				743,502	693,244	6,436,746
43	Cincinnati*	OH	24.3	88,480					1,955,698	1,203,996	3,159,694
44	Huntington Park	CA	24.3	13,639					405,068	377,776	782,843
45	Galveston	TX	24.2	14,294			1,751,313		29,697,756	18,282,980	71,970,823
46	Los Angeles*	CA	24.2	843,505	11,999,650		545,851		407,095	378,642	785,737
47	Lawrence	KS	24.1	15,812					3,833,623	2,360,113	6,193,736
48	Fresno*	CA	24.0	84,982					345,232	322,126	667,357
49	Muncie	IN	23.8	16,938					414,801	386,899	801,700
50	Lake Charles	LA	23.6	16,657					1,968,510	1,835,174	3,803,684
51	Rochester*	NY	23.5	54,134					402,982	376,237	779,219
52	Iowa City	IA	23.4	13,978					380,376	354,684	905,228
53	Huntington	WV	23.2	12,724		170,168			3,536,906	3,303,332	6,840,238
54	Memphis*	TN	23.0	142,290				499,654	2,301,279	2,139,677	8,799,894
55	Providence	RI	23.0	36,967		3,859,284			1,788,308	1,100,945	2,889,253
56	San Bernardino	CA	22.8	38,768					20,863,365	17,283,048	45,307,048
57	Puerto Rico	PR	59.0	2,257,952			7,160,635				
	TOTAL			3,498,846	34,112,369	44,998,674	3,865,302	9,627,879	101,016,488	81,807,258	275,427,970

Source: The Urban Institute

* Indicates cities which have both high numbers of individuals below poverty and have high rates of poverty.

Notes:

- A. High Poverty Cities ranked based on 1990 Census data.
- B. Poverty Rates for individual cities in Puerto Rico are not available; however, Puerto Rico is included as a result of its high overall poverty rate.
1. Competitive grant amounts may include funds used to serve areas immediately outside of the city.
2. Grant amounts were calculated by dividing the total grant amount by the number of cities served by the multi-site grant.
3. Formula fund allocations were estimated based on the city's proportion of the state's total poverty population.
4. States not applying for formula funds in FY98 are Idaho, Mississippi, Ohio, South Dakota, Utah, and Wyoming.
5. States not applying for formula funds in FY99 are Arizona, Idaho, Mississippi, North Dakota, South Dakota, Ohio, Utah, and Wyoming.