

fiscal forum

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FEDERAL WELFARE-TO-WORK GRANT: WHAT IS IT? HOW CAN IT BE SUCCESSFUL?

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The Balanced Budget Act of 1997 (BBA), signed into law by President Clinton on August 5, 1997, included a number of changes affecting state programs funded under the federal Temporary Assistance for Needy Families (TANF) block grants. The most noteworthy change was creation of the \$3 billion Federal Welfare-to-Work grant.

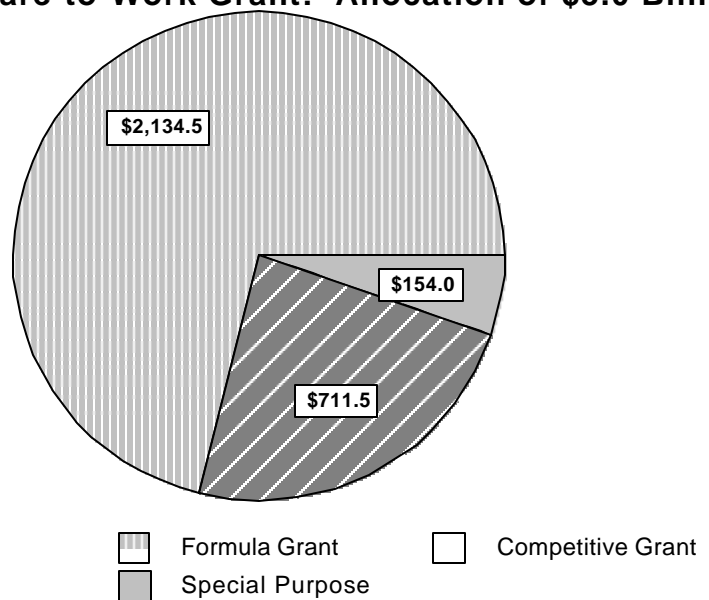
Overview of

Welfare-to-Work Grant

This grant is administered by the U.S. Department of Labor. The \$3 billion grant (\$1.5 billion for fiscal year [FY] 1997-98 and \$1.5 billion for FY 1998-99) consists of two main parts: formula grants to states and competitive grants to local communities.

A small amount of the total grant will also be set aside for special purposes: \$24 million (0.8%) for evaluation, \$30 million (1%) for Indian tribes; and \$100 million (3%) for performance bonuses to successful states. **Chart 1** indicates how total federal funds are to be allocated.

Chart 1
Federal Welfare-to-Work Grant: Allocation of \$3.0 Billion



Formula Grants to States

After reserving the \$154 million special purpose funds previously described, 75% of the remaining grant will be allocated to states based on a formula that equally considers each state's share of the national number of poor individuals and adult recipients of assistance under TANF. States will be required to pass through 85% of the money to Private Industry Councils (Work Force Development Boards in Michigan) which oversee and guide job training programs in service delivery areas. A state is allowed to retain 15% of the Welfare-to-Work money for projects of its choice.

However, there is a catch. Funding received by the states on a formula basis is subject to a matching requirement. States must provide \$1.00 in non-federal funds in order to receive \$2.00 of federal formula grants. The estimated formula allocation of federal funds to Michigan is \$42.2 million for FY 1997-98 and \$39.4 million for FY 1998-99. Such an allocation would require Michigan to provide matching funds of \$21.1 million and \$19.7 million, respectively.

In December 1997, Michigan filed its FY 1997-98 state plan and was awarded the full \$42.2 million allocation of federal Welfare-to-Work funding. However, subsequent spending authority for FY 1997-98 was limited to \$30 million (which includes \$10 million in GF/GP funding). This appropriated amount is not necessarily indicative of Michigan's future spending plans in this area as each year's allocation can be spent over a three-year period. Accordingly, the total federal allocation of \$81 million can conceivably be spent over a four-year period (i.e., through FY 2000-01) and Michigan has chosen to appropriate roughly 25% of the total in the program's first year.

Competitive Grants to Local Communities

The 25% of funds not allocated by formula will be used for competitive grants awarded directly to local governments, Private Industry Councils (Work Force Development Boards in Michigan), and private entities that apply in conjunction with a local government entity or a Private Industry Council. The Secretary of Labor will give special consideration to rural areas and to cities with large concentrations of poverty.

Who is Eligible?¹

Formula grant funds must be used to help move eligible individuals into jobs. At least 70% of funds must be spent on individuals who have received assistance (i.e., TANF recipients) for at least 30 months, *or* who are within 12 months of reaching the time limit for TANF assistance, *or* who are non-custodial parents of minors whose custodial parent meets one of the two previous requirements, *and* who meet at least two of the following criteria:

- ' Not a high school graduate, or do not have a GED *and* have low skills in reading *or* math
- ' Require substance abuse treatment for employment
- ' Have a poor work history

Up to 30% of the grant may be spent on recent recipients of TANF assistance or non-

¹ Information provided by Michigan Family Independence Agency.

custodial parents who have characteristics associated with long-term welfare dependency: i.e., school dropout or teen pregnancy. Assistance in this category may

How Funding Must Be Used²

Both formula grants and competitive grants must be used for allowable activities, i.e., activities to move individuals into, and keep individuals in, lasting unsubsidized employment by any of the following methods:

- ' Job creation through public or private wage subsidies;
- ' On-the-job training;
- ' Contracts (through public or private providers) for job readiness, job placement, or post-employment services;
- ' Vouchers for job readiness, job placement or post-employment services;
- ' Job retention support services, if not otherwise available;
- ' Technical assistance and related services that lead to self-employment through the microloan demonstration program; or
- ' Community and work experience programs.

Michigan's Work First Program

Michigan utilizes a program entitled *Work First* to move TANF recipients into jobs. *Work First*, (which was previously administered by the Michigan Jobs Commission but is now administered by the

also be provided to individuals who have reached the 60-month TANF time limit.

Department of Career Development per EO 1999-1) focuses on employment connection.

Effective October 1, 1996, adult TANF recipients must participate in *Work First* unless they are already working or are specifically exempt by state law. It should be noted, however, that non-custodial parents are not currently served under the *Work First* program. Public Act 109 of 1997 requires the Family Independence Agency (FIA), in conjunction with the Michigan Jobs Commission (now the Department of Career Development), to provide semiannual outcome reports for program participants to House and Senate Appropriations Committees.

Table 1 shows that while the *Work First* program has been in effect, Family Independence Program (FIP) caseloads have decreased 16% from FY 1995-96 to FY 1996-97. Additionally, over the same time period, the number of overall FIP recipients with some earned income has increased to 33.5% of the total caseload from 29.5% for the previous year. Most observers agree that this performance was partially the result of a booming Michigan economy, but the fact remains that the *Work First* program philosophy of work connections has also helped to increase the number of FIP recipients with earned income.

Michigan also uses the *Project Zero* program to move TANF recipients into jobs. *Project Zero* is a targeted research project designed to identify and overcome barriers to employment. Phase I of the program was initiated in June 1996 in six areas of the state. Phase II expanded the program to six additional sites in October 1997, and Phase

² Information provided by Michigan Family Independence Agency

III, effective October 1998, expanded the program to 23 more locations. The number of *Project Zero* locations throughout the State of Michigan now totals 35 sites.

State agencies and community organizations will use the best practices from this pilot

program to develop and implement programs to decrease the number of recipients without earned income. The program's goal is to reach 100% employment for clients within the targeted areas.

Table 1

Work First Results*

	<u>FY 1996</u>	<u>FY 1997</u>	<u>+ or (-)</u>	<u>+ or (-)%</u>
Work First Referrals	116,658	207,682	91,204	78%
Work First Participants	50,730	130,349	79,619	157%
Percent Participating	43.5%	62.8%	19.3%	44%
Placed in Employment	34,904	51,081	16,177	46%
Cost Per Employment	\$1,312	\$1,105	(\$207)	(16%)
FIP Cash Assistance Cases	167,208	140,854	(26,354)	(16%)
Percent of Total Cases With Earned Income (point-in-time data)	29.5%	33.5%	4.0%	13.6%

*Data for FY 1998 not yet available.

Source: FIA ICON, December, 1997

Chart 2 indicates that the percentage of cases with earned income at Phase I sites has increased from 40% in June 1996 to 63% in September 1998.

Chart 3 presents Phase II sites (where the program began in October, 1997) and indicates that there is still plenty of work to be done.

because they get frustrated with their supervisors, their transportation or child-care arrangements break down, a drinking or drug problem gets them fired, or they just get discouraged and quit because they find themselves worse off financially than when they were on welfare. In other instances, their jobs are terminated or their hours are reduced to the point that the small amount earned hardly made a difference.

What Happens to Recipients of Entry-Level Jobs?

Work connection, generally translated, means entry-level jobs. History indicates that many recipients who obtain entry-level jobs which result in their leaving the welfare roles eventually do return to public assistance. Sometimes clients return

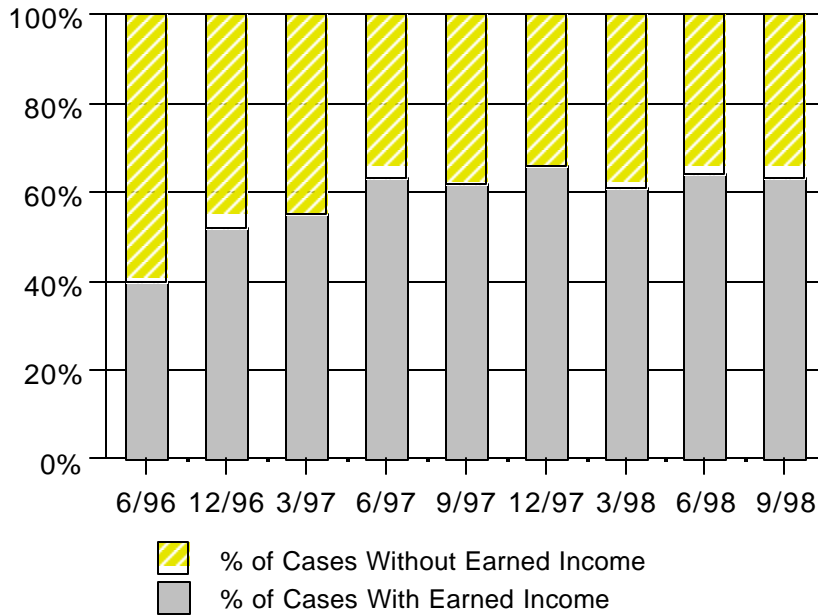
Programs for Non-Custodial Parents

Support programs and funding are often needed to help new job market entrants stay employed. A number of states have programs which are innovative and calculated to lead to and maintain employment for non-custodial parents.

Many of the unemployed citizens in Michigan are the non-custodial parents of children receiving FIP. A Kent County, Michigan program, *Parent's Fair Share*, helps parents make good on child support payments. This program, the only program of its kind in Michigan, helps non-custodial parents find jobs that allow them to earn enough money to keep up with the

payments. *Parent's Fair Share* targets non-custodial parents whose children are on or were on TANF assistance. Originally part of a federal demonstration project, the program is now supported by a small amount of state funding and funding from several foundations.

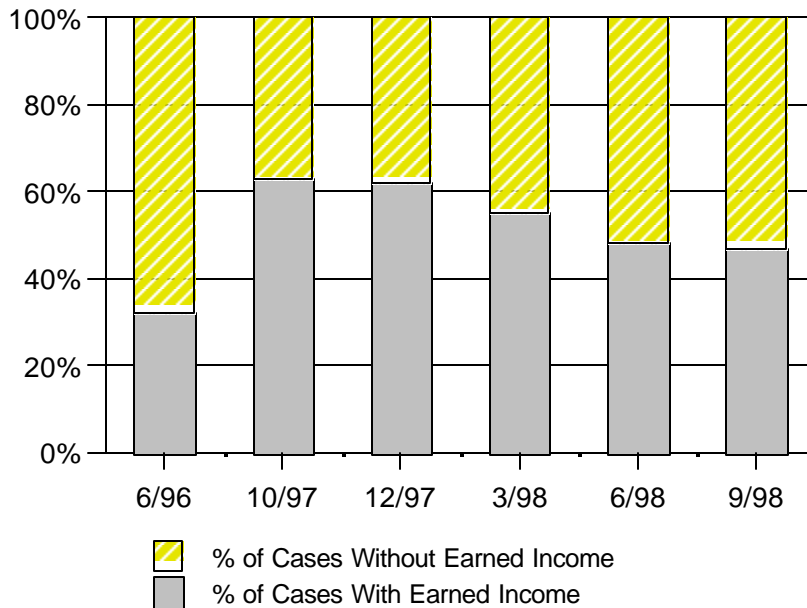
Chart 2
PROJECT ZERO: PHASE I SITES



Point-in-Time Data; Phase II sites are Berrien, Hillsdale, Kent, Manistee and Wayne, Greydale and Warren/Conner.

Source: FIA

Chart 3
PROJECT ZERO: PHASE II SITES



Point-in-Time Data; Phase II sites are Berrien, Hillsdale, Kent, Manistee and Wayne, Greydale and Warren/Conner.

Source: FIA

The *Parent's Fair Share* program provides job search assistance and opportunities for education and skills training. It seeks to quickly engage participants in income-producing activities and to establish the practice of paying support. Participants may be encouraged to reach an agreement with regard to arrearage in support payments.

Finally, the program encourages mediation to settle disagreements between custodial and non-custodial parents about visitation, household expenditures, lifestyles, child care, school arrangements, and the roles and actions of other adults in their children's lives — all of which have been found to influence child support patterns.

Parent's Fair Share results for the period of April 1994 through December 1996 show that a total of 553 individuals were served. Of the total served:

- ' 329 (59.5%) obtained employment,
- ' 181 (55%) of the individuals employed received starting wages greater than \$6.50 per hour,
- ' 370 (67%) made child support payments, and
- ' 221 (40%) participated in mediation services with the custodial parent.

Under the new federal Welfare-To-Work grant, elements of this program could be expanded statewide.

What About Transportation?

Recent studies have found that it may be easier to find a job than it is to get to and from work. For many, transportation is the greatest hurdle to the attainment of self-sufficiency. Reliable transportation is often the difference between getting a job and

being able to keep a job. Following are summaries of how various states are dealing with this problem:

- ' The states of Michigan and Arkansas encourage recipients to own dependable transportation by disregarding the entire value of the car when making cash assistance eligibility determinations.
- ' Utah makes it a priority to give immediate financial assistance to clients for car repairs in order to avoid future transportation dilemmas.
- ' In the southwest counties of Virginia, the Human Services Departments purchase used governmental vehicles and resell them to program recipients for about \$100 per month, including regular maintenance and tires.
- ' In Wisconsin, a new *Job Access Loan* program allows recipients to purchase used cars or to make repairs to existing cars.
- ' Texas' *Wheels to Work* program makes donated vehicles available to recipients at low cost, usually about \$500. The individual or company donating a car receives a tax receipt for a charitable contribution. North Carolina, Florida, and Michigan's down-river area (in the southeastern part of the state) have similar programs.

Creation of the programs noted above, as well as many others throughout the country, is the result of necessity. *You can't keep a job if you have no way to get to work.*

Who's Watching The Children?

Another major obstacle to maintaining employment is the lack of safe, affordable,

and dependable child care. Challenges range from finding competent child care providers who will accept children and/or infants from low-income households to finding child care providers who will extend service to

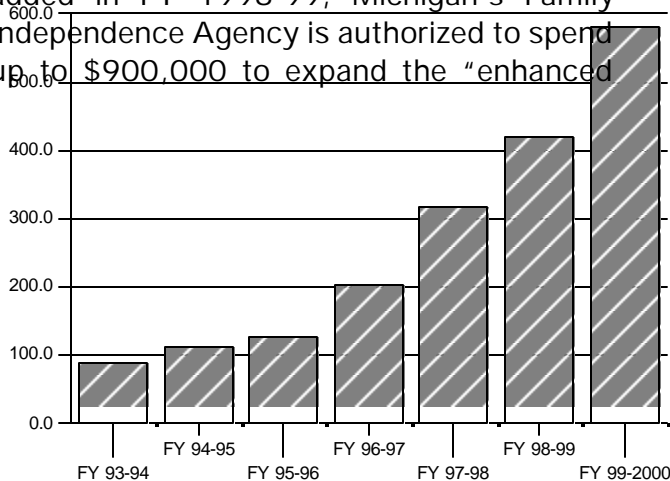
accommodate the second- and third-shift work schedules of many cash assistance recipients.

Michigan addressed this problem in the FY 1997-98 budget by adding \$800,000 for additional training for in-home aides and persons providing child care for relatives. In an attempt to attract more professionals to the child care field, \$5.2 million was added to increase payment rates for providers. Additionally, \$315,000 was added to the FY 1997-98 budget to improve child care referral services for clients.

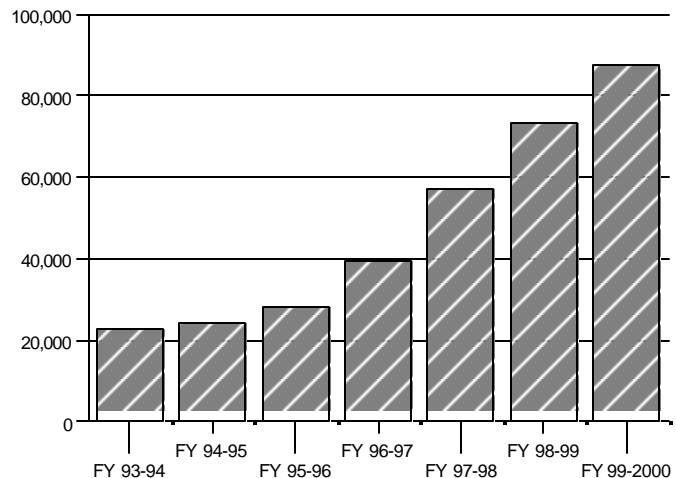
quality improvement program" (EQUIP), with emphasis on child care providers who extend hours of services for clients working second and third shifts. No new funding for enhancements was proposed for FY 1999-2000.

Increased emphasis on work participation can lead to increased child care expenditures and caseloads (**Charts 4 and 5**). Accordingly, in FY 1997-98, \$16.7 million in additional funding was appropriated to the Family Independence Agency to cover anticipated child care caseload increases.

While no new funding for enhancements was added in FY 1998-99, Michigan's Family Independence Agency is authorized to spend up to \$900,000 to expand the "enhanced



**Chart 5
CHILD CARE CASELOADS**



NOTE FOR CHARTS 4 AND 5:
 FYs 1993-94 through 1997-98 are actual data;
 FYs 1998-99 and 1999-2000 are

projections.

A significant \$92 million increase in funding was then appropriated in FY 1998-99 to cover caseload increases in this area. Finally, a whopping \$281.2 million increase has been proposed for FY 1999-2000 to cover anticipated child care caseload increases.

It is too early to know whether the programs recently initiated will be effective. However, during the first quarter of FY 1998-99, child care caseloads have increased to 64,059 cases — in line with projections. Thus, it appears that more providers are now available and more clients are receiving child care services.

Summary

Michigan currently is addressing the problem of employing the hard-to-employ. While Michigan's *Work First* program, in place since October 1996, is a form of Welfare-to-Work program that emphasizes job connection for custodial parents, it does not emphasize the needs of non-custodial parents.

Since the federal government has made additional funds available (Welfare-to-Work program) to train hard-to-employ individuals, Michigan has applied for, and has been granted, a federally-funded Welfare-to-Work grant to address the employment needs of the hard-to-employ, including non-custodial parents.

Helping the unemployed non-custodial parent find and keep a job is critical to the success of the Welfare-to-Work program. Increased employment of non-custodial parents should increase the receipt of child support payments, as well as raise the self-esteem of program participants. This should help improve the relationship between the non-custodial parent and the child.

Several programs throughout the United States deal with problems involving transportation to and from the workplace. If Michigan is to successfully keep the initially hard-to-employ working, this transportation problem must also be addressed.

Safe, affordable, and dependable child care is a must if Welfare-to-Work is to be successful. In FY 1997-98, Michigan appropriated significant additional funding for training and referral services. In FYs 1997-98 and 1998-99, significantly more resources were appropriated to cover increased child care caseloads.

Although there is no quick solution to the age-old problem of how to employ those hardest to employ, states must continue to seek new ways to address the problem. Will Welfare-to-Work be successful in Michigan? Only time will tell.