



Congress Should Not Rescind Welfare-to-Work Funds

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Summary

A provision in an appropriations bill passed by the U.S. Senate would rescind \$211 million in Welfare-to-Work (WtW) funding that states and localities had been authorized to spend over the next year. The loss of these funds would force states and localities to reduce or eliminate programs providing employment services for welfare recipients with serious employment barriers. A House-Senate conference committee must decide whether to adopt the Senate provision. The conference committee should reject the Senate provision, because it would force reductions in needed services at a time when states cannot compensate for the lost funding. Moreover, states and localities were authorized to spend these funds over the next year; a rescission would violate the express terms under which states and localities were authorized to use these funds.

Background

The Balanced Budget Act of 1997 authorized \$3 billion in funding for WtW grants to create job opportunities for the “hardest-to-employ” TANF recipients. These grants were intended to provide job placement assistance, transitional employment, and other support services to welfare recipients and non-custodial parents of children receiving cash assistance. The program provided formula grants to states and competitive grants to local communities. The \$3 billion in funding was appropriated for fiscal years 1998 and 1999. The initial eligibility rules for program participants were very restrictive, and after grantees experienced significant challenges in enrolling participants in their programs, the Welfare-to-Work and Child Support Amendments of 1999 simplified eligibility for the program.¹ Subsequently, as part of the Consolidated Appropriations Act of 2001, grantees were given up to September 30, 2004, to spend WtW funds, with the actual deadline dependent upon when the grantee was awarded the funds.

The interim evaluation of the WtW grants program concluded that WtW grantees focused on the most disadvantaged, and that WtW programs were going beyond job readiness and self-directed job search assistance, with many programs providing intensive individualized case management and intensive developmental components and activities, including supported work or transitional employment and post-employment services.

¹ Source: <http://wtw.doleta.gov/resources/factsheet.pdf>.

While evaluation data is not yet available concerning program effectiveness, the report noted that study sites developed a number of potentially promising program strategies, which included extensive involvement of nonprofit organizations, collaboration with employers, transitional work activities, and intensive programs for hardest-to-employ TANF recipients.²

Despite Congressional authorization for grantees to spend WtW funds over this extended period, a provision in the Labor, Health and Human Services and Education appropriations bill (S. 1356), passed by the Senate on September 10, 2003, would rescind \$210,833,000 allotted as formula grants. This provision appears to require the rescission of all or nearly all unspent funds, since the amount of unspent WtW funds as of June 30, 2003 was \$254 million.³ (A state-by-state chart of unspent funds as of June 30, 2003 is attached to this document.) The measure directs the Secretary of Labor to recapture funds based on the relative amount that remains unexpended in each state as compared to the total amount that remains unexpended in all states as of September 30, 2003, seemingly without regard to whether the unexpended funds had already been legally obligated by grantees.⁴ The Senate bill is currently being conferenced with the House Labor, Health and Human Services and Education appropriations bill (H.R. 2660), which does not contain the rescission provision.

Rescission of WtW funds would force states and localities to cut needed employment services and would violate the terms under which states and localities were allowed to spend these funds.

The proposed rescission is a regrettable policy proposal:

The proposed cut would eliminate funding needed to provide employment services to the most vulnerable and disadvantaged families. WtW funds must be used to serve long-term TANF recipients, noncustodial parents, and other TANF recipients who have barriers to work. Families with multiple barriers have the most difficult time leaving welfare and obtaining and retaining employment.⁵ The loss of these funds will translate

² Nightingale, D.S., Pindus, N., & Trutko, J. (August 2002). *Implementation of the Welfare-to-Work Grants Program*. Princeton, NJ: Mathematica Policy Research, Inc. Available at <http://www.mathematica-mpr.com/pdfs/impgrants.pdf>.

³ Federal Funds Information for States (FFIS). (September 4, 2003). *Senate Proposes to Rescind Welfare-to-Work Funds*, Issue Brief 03-41. Washington, DC: Author.

⁴ The applicable language of the Senate bill (S. 1356) says: "Sec. 105. Of the funds appropriated for fiscal year 1999 under section 403(a)(5)(H)(i)(II) of the Social Security Act (42 U.S.C. 603(a)(5)(H)(i)(II)) that were allotted as welfare to work formula grants to the States under section 403(a)(5)(A) of such Act (42 U.S.C. 603(a)(5)(A)), \$210,833,000 is hereby rescinded. In order to carry out this section, the Secretary of Labor shall recapture unexpended funds from the States that have received such allotments based on the relative amount of funds from such allotments that remain unexpended in each State as compared to the total amount of funds from such allotments that remain unexpended in all States as of September 30, 2003. The Secretary of Labor is authorized to establish such procedures as the Secretary determines are appropriate to carry out this section."

⁵ See, for example, Zedlewski, S. (2003). *Work and Barriers to Work Among Welfare Recipients in 2002*. Washington, DC: Urban Institute. Available at http://www.urban.org/UploadedPDF/310836_snapshots3_no3.pdf.

directly to a reduction in services to families that could benefit from such services to attain employment. For example:

- In Baltimore, the rescission is estimated to result in a loss of approximately \$1.2 million, which would translate into loss of services to 700 hard-to-serve welfare recipients.⁶
- In Detroit, the rescission is projected to cut about \$9 million and would impact 6,000 individuals receiving services. Further, the elimination of this funding would potentially result in layoffs of both city and contractor employees.⁷
- In Santa Ana, California, the program administrator estimates that the rescission's effect would be "devastating," forcing termination of support services and case management to families who have attained employment. It also would eliminate services to families currently in work experience who are receiving job training assistance, child care, and transportation and gas vouchers. All contracts with providers, such as child shuttle, a labor apprenticeship program, and training consultants, would need to be canceled immediately.⁸
- In Illinois, WtW funds are used to fund an innovative career advancement pilot project through which TANF clients receive much needed assistance from community providers. The project is one site in a multi-state, multi-year research project funded by the Department of Health and Human Services. Rescission of the WtW funds would stop provision of these services and would likely hamper successful completion of the study.⁹

States facing severe fiscal crises will be unable to compensate for the loss of these funds. States faced gaps of more than \$150 billion in their combined fiscal year 2003 and 2004 budgets. Twenty-five states were forced to cut eligibility for public health insurance in 2003, and 18 states did so for 2004. At least thirty-two states have cut eligibility for child care subsidies or otherwise limited access to child care.¹⁰ Over the last year, many states have already cut TANF services or benefits.¹¹ Moreover, current TANF spending is already exceeding the amount of state block grants by \$2 billion, a pace that cannot be sustained in the coming years. Accordingly, states cannot compensate for the loss of these funds by shifting funds from other state or federal funding sources; the loss of the WtW funds will simply result in cuts in services for needy families.

The proposed rescission would violate the terms under which grantees planned to spend the funds. States and local areas had planned to spend these funds and had, in many cases, obligated these funds toward contracts with vendors to provide services to families through 2004. This was an entirely reasonable approach to take in pacing the

⁶ Source: Office of Employment Development, City of Baltimore.

⁷ Source: City of Detroit Employment and Training Department.

⁸ Source: Santa Ana Work Center.

⁹ Source: Illinois Department of Human Services.

¹⁰ McNichol, E., & Schiess, J. (2003). *Fiscal Crisis Is Shrinking State Budgets*. Washington, DC: Center on Budget and Policy Priorities. Available at: <http://www.cbpp.org/10-22-03sfp3.pdf>.

¹¹ Parrott, S., & Wu, N. (2003). *States Are Cutting TANF and Child Care Programs: Supports for Low-Income Working Families and Welfare-To-Work Programs Are Particularly Hard Hit*. Washington, DC: Center of Budget and Policy Priorities. Available at: <http://www.cbpp.org/6-3-03tanf.pdf>.

spending of funds that were supposed to be available during this next year. If the funds are rescinded, grantees would face an uncertain and potentially chaotic situation in seeking to meet their contractual obligations. Moreover, grantees would effectively be penalized for having budgeted and planned their spending in accordance with the terms under which the funds were made available.

The proposed rescission is not needed to ensure that the federal government will recapture unspent funds. As a matter of law, any funding that is not spent within the allowable time periods for spending will revert to the federal treasury. Thus, this provision is not needed to ensure that unspent funds are returned to the federal government. Instead, its principal effect will be to require grantees to return funds that would otherwise be spent for needed employment services to low-income families.

Conclusion

Congress should reject the proposed rescission of WtW funding.

Welfare-to-Work Allotments and Unspent Funds (as of June 30, 2003)					
(dollars in thousands)					
<i>State</i>	<i>FY 1998 Allotment</i>	<i>FY 1999 Allotment</i>	<i>Total Funds</i>	<i>Unspent Funds</i>	<i>Unspent Funds as a % of Total</i>
Alabama	\$13,978	\$13,017	\$26,995	\$12,513	46%
Alaska	2,927	2,709	5,635	45	1
Arizona	17,418	16,247	33,665	n/a	n/a
Arkansas	8,490	7,932	16,422	5,225	32
California	190,417	177,228	367,645	24,974	7
Colorado	9,879	9,214	19,093	3,806	20
Connecticut	12,006	11,184	23,190	n/a	n/a
Delaware	2,762	2,574	5,336	n/a	n/a
DC	4,646	4,327	8,973	1,710	19
Florida	50,757	47,414	98,171	21,377	22
Georgia	28,409	26,489	54,899	3,972	7
Hawaii	5,086	4,719	9,804	941	10
Idaho	2,794	2,620	5,414	n/a	n/a
Illinois	48,663	45,324	93,987	8,312	9
Indiana	14,552	13,578	28,131	857	3
Iowa	8,332	7,779	16,111	1,181	7
Kansas	6,668	6,202	12,871	1,266	10
Kentucky	17,723	16,521	34,244	n/a	n/a
Louisiana	23,707	22,113	45,820	n/a	n/a
Maine	5,156	4,804	9,961	3,770	38
Maryland	14,941	13,915	28,855	5,363	19
Massachusetts	20,692	19,260	39,953	2,039	5
Michigan	42,226	39,345	81,572	33,763	41
Minnesota	14,503	13,537	28,041	862	3
Mississippi	12,991	12,117	25,108	n/a	n/a
Missouri	19,767	18,432	38,199	1,952	5
Montana	3,194	2,975	6,169	n/a	n/a
Nebraska	4,022	3,763	7,785	603	8
Nevada	3,384	3,174	6,558	430	7
New Hampshire	2,762	2,574	5,336	0	0
New Jersey	23,257	21,709	44,966	10,301	23
New Mexico	9,716	9,059	18,775	699	4
New York	96,886	90,324	187,210	49,947	27
North Carolina	25,332	23,634	48,966	3,793	8
North Dakota	2,762	2,574	5,336	n/a	n/a
Ohio	44,608	41,587	86,195	n/a	n/a
Oklahoma	11,742	10,920	22,662	3,235	14
Oregon	8,637	8,084	16,721	n/a	n/a
Pennsylvania	44,296	41,358	85,654	10,227	12
Rhode Island	4,420	4,109	8,529	n/a	n/a
South Carolina	12,006	11,107	23,114	2,774	12
South Dakota	2,762	2,574	5,336	n/a	n/a
Tennessee	21,644	20,215	41,859	n/a	n/a

Center for Law and Social Policy

Welfare-to-Work Allotments and Unspent Funds (as of June 30, 2003)					
(dollars in thousands)					
<i>State</i>	<i>FY 1998 Allotment</i>	<i>FY 1999 Allotment</i>	<i>Total Funds</i>	<i>Unspent Funds</i>	<i>Unspent Funds as a % of Total</i>
Texas	76,059	70,934	146,993	10,600	7
Utah	4,628	4,321	8,949	n/a	n/a
Vermont	2,762	2,574	5,336	n/a	n/a
Virginia	16,549	15,404	31,953	4,597	14
Washington	22,675	21,143	43,818	1,219	3
West Virginia	9,806	9,143	18,949	1,949	10
Wisconsin	12,886	12,032	24,918	7,647	31
Wyoming	2,762	2,574	5,336	n/a	n/a
Puerto Rico	34,566	32,219	66,786	12,292	18
Virgin Islands	554	516	1,069	174	16
Territories	585	546	1,131	n/a	n/a
Unallocated	15,000	15,000	30,000	n/a	n/a
TOTAL	\$1,119,750	\$1,044,750	\$2,164,500	\$254,415	12%
Source: Federal Funds Information for States (FFIS). (September 4, 2003). <i>Senate Proposes to Rescind Welfare-to-Work Funds</i> , Issue Brief 03-41. Washington, DC: Author. (Numbers from Employment and Training Administration, Department of Labor).					