Comptroller General
of the United States
Washington, D.C. 20548

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August 29, 1986

The Honorable Matthew G. Martinez
Chairman, Subcommittee on Employment
Opportunities
Committee on Education and Labor
House of Representatives

Dear Mr. Chairman:

As requested by your office, the following comments are provided for your use in considering H.R. 4929 and H.R. 4986. These bills propose changes to employment-related programs for recipients of Aid to Families with Dependent Children (AFDC) benefits. Our comments are based on our current and past work in the area focusing on work programs run by state AFDC agencies as a result of 1981 legislative changes. This work was requested by Ted Weiss, Chairman, Subcommittee on Intergovernmental Relations and Human Resources, House Committee on Government Operations. Past work resulted in testimony on July 9, 1985 before that Subcommittee and a GAO report, Evidence Is Insufficient To Support The Administration's Proposed Changes To AFDC Work Programs (GAO/HRD-85-92).

Both bills would establish comprehensive work and training programs for AFDC recipients. H.R. 4929's purpose is to require each state to establish a comprehensive work program with a central intake and registration process and services selected on the basis of applicability to the individual client. In accomplishing this purpose, the bill would incorporate the current major work program, the Work Incentive (WIN) program, as well as other work program options into a larger program, the Work Opportunities and Retraining Compact (WORC).

The purpose of H.R. 4986 is to reform the WIN program and establish a comprehensive program providing training, education, and employment services to help AFDC clients achieve self-sufficiency. The bill would replace WIN with a program providing different administrative options and altering the priorities for clients served.

CONTEXT OF PROPOSED CHANGES

The WIN program was established in 1967 to provide AFDC recipients a range of training and employment services including skill assessment, job training, and placement services. The program has experienced problems, however. Some registrants have remained in the program for long periods of time without receiving services. In addition, a lack of financial resources led some states to serve primarily clients with few barriers to employment.

Currently, federal law provides four different work program options the states may operate in lieu of or in addition to WIN. WIN is run jointly by the State Employment Security Agency (SESA) and the AFDC agency, while the other options are run by the AFDC agency alone. The options include:

- WIN demonstrations, an alternative WIN program allowing single agency administration and providing more flexibility in program design and resource allocation, though most of the same services are offered;

- Community Work Experience Programs (CWEP), or what is usually known as workfare, in which clients work off their welfare grants;

- Employment Search, in which clients look for jobs; and

- Work Supplementation (sometimes called Grant Diversion), where the welfare grant is used to subsidize an on-the-job training position.

These four programs may be run together or separately. The latter three options may be operated by the AFDC agency in states which also have a regular WIN program run by the SESA. Thirty-eight states run at least one option, with 26 choosing to run WIN demonstrations.

Our work shows that the programs are making some progress in dealing with the complex problems of helping welfare recipients enter the work force. State AFDC agencies that have assumed responsibility for WIN are building administrative structures and relationships to assess their clients' problems and tap into other resources available in the community. Recent evaluations of several programs show positive, though modest, effects on the employment and earnings of welfare recipients. We have also seen, however, that a lack of financial resources hampers some programs in providing needed services, such as training.

There are several reasons for changing the current program options. First, authority for the WIN demonstrations, which have formed the basis for several well-publicized work program experiments, will expire in 1987. If the authority expires with no replacement program, the states will have to revert to the regular WIN program, recreating the administrative structure for that form of WIN and dismantling some of the structure in the AFDC agency.

Second, the numerous options have resulted in administrative fragmentation, most notably in states where the SESA retains primary responsibility for WIN, while the AFDC agency runs its own program, such as a CWEP. At the

federal level, administration is split between the Departments of Labor (DOL) and Health and Human Services (HHS).

Third, federal financial support for the WIN program, the major funding source for AFDC work programs, has declined by 42 percent over the past five years. Insufficient financial resources can cause barriers to program operation such as staffing problems or support service gaps.

Fourth, the various options have different federal matching rates. WIN and WIN demonstrations receive 90 percent federal funding, while CWEP, Employment Search, and Work Supplementation receive a 50 percent federal share. Because WIN funds have declined, some states may have to emphasize services under the other options to get more federal funds, instead of choosing the services their clients need.

These conditions create uncertainty about the federal government's support for, and future role in, efforts to enhance the employability of welfare recipients.

In addition to our overall comments on the proposed legislation presented below, we have several observations on specific sections of the bills. These comments concerning the bills' provisions on program administration, program structure and services, funding, targeting client groups, coordination with other programs, support services, performance standards, and reporting and evaluation requirements, are enclosed.

OVERALL COMMENTS ON THE BILLS

Changes in federal work program policy seem warranted. With WIN, WIN demonstrations, and the other options, states already can operate comprehensive programs. However, the complex array of program options and services, which has led to an administration divided among agencies and to programs operating with different federal funding arrangements, could be simplified. Also, states plan future work program efforts while the WIN demonstration authority is scheduled to expire and federal support for the major work program funding source, WIN, declines.

Although each bill would provide overall federal support for state work-related efforts, neither fully addresses the problems of administrative fragmentation and differing funding levels. Further, neither bill substantially adds to the services which the states can offer under the comprehensive options already available--WIN and WIN demonstration.

H.R. 4929 would retain all of the current authorizations, including both regular WIN and WIN demonstration programs, giving them uniform federal funding levels. (The bill does not specifically include the separate Employment Search authorization in Section 402 (a)(35) of the Social Security Act, but does not repeal it either.) The bill would create a new administration within the AFDC agency to coordinate the activities under the current authorizations, plus services from other sources such as the Job Training Partnership Act (JTPA) (Sec. 416 (b)(4)).[1] It is not clear why the bill retains both the WIN and WIN demonstration authorities or why it places these programs, which themselves can provide comprehensive employment and training services, within another program. In addition, although the umbrella authority would provide a centralized intake process for all work program clients, the bill does not fully clarify the administration of the various options in relation to the new overall structure. By adding an umbrella administration and retaining the authorizations for two comprehensive programs, the bill complicates the existing authorizations, without substantially enhancing the services available through current work programs.

H.R. 4986 takes a different approach, replacing the two authorizations for WIN and WIN demonstrations with one authorization which defines the comprehensive services available to the program (Sec. 436). Prior to selecting one of the program's services, the client would be told of and assisted in applying for services from other sources, such as JTPA (Sec. 435 (a)(1)(C)). The bill prohibits expenditures of the new program's funds for workfare activities such as might be provided under CWEP (Sec. 433 (c)(7)). It does not specifically mention this option, however, nor does it address the fact that this and other options, Employment Search and Work Supplementation, would still be available. The states could continue to run these options, since they are funded with AFDC administrative funds, but they might be separate from the major program, especially in the case of CWEP. If this situation occurred, the current fragmentation of work program administration would continue.

We believe a streamlined and cohesive program authorization is needed, one which would unify and simplify work program administration. Work program reform should address all existing authorizations, combining them to ensure a single, more efficient comprehensive program and eliminating any conflicting provisions. Reform should also clarify the permissible program services, as H.R. 4986 does when it lists such services. If they included

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1Section numbers in parentheses refer to the section of the Social Security Act the bills would amend.

the current range of services, such changes would simplify program design for the states while retaining the flexibility to meet local needs.

Both H.R. 4929 and H.R. 4986 emphasize serving clients with severe barriers to employment, allow states to provide a range of services, including remedial education, and provide for an extension of support service benefits during the difficult period of transition to work. We believe, however, that some provisions such as administrative and reporting requirements should be modified or clarified. In addition, there is one aspect of H.R. 4986 that is of particular concern to GAO as it affects our ability to do our work.

PROVISION RESTRICTING COMPTROLLER GENERAL'S INVESTIGATIVE POWERS

H.R. 4986 contains a provision prohibiting either the Secretary of Labor or the Comptroller General from requesting the programs to compile any new information not readily available. The term "readily available" is not defined. This provision could inhibit the ability of the Secretary to oversee the program properly and of the Comptroller General to evaluate and report to the Congress on a program receiving federal funds. The Secretary would be able to influence the information routinely collected through the establishment of the data the programs would be required to report. However, few programs have all information needed in GAO investigations or evaluations readily at hand.

CONCLUSIONS

In summary, we recognize the need for changes in current work program authorizations. Both bills have provisions which could help employment-related programs better serve their clients. However, neither would fully solve the problems of administrative fragmentation and differing funding levels in the current programs.

Sincerely yours,

for Charles A. Bowsher
Comptroller General
of the United States

Enclosure

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ADDITIONAL COMMENTS ON H.R. 4929 AND H.R. 4986

PROGRAM ADMINISTRATION

H.R. 4929 would place authority for the comprehensive program at the Department of Health and Human Services (HHS). It would also alter federal authority for the Work Incentive (WIN) program, moving it totally to HHS (Sec. 432 (a)). However, the bill does not clarify which state agency would operate WIN. If it is to be the Aid to Families with Dependent Children (AFDC) agency, perhaps both the WIN and WIN demonstration authorities need not be retained, because they would both be administered by the AFDC agency. If the State Employment Security Agency (SESA) is chosen, then the arrangement whereby a state agency normally responsible to the Department of Labor (DOL) would also report to HHS could be unworkable and burdensome to the state.

H.R. 4986 places program responsibility in DOL. The bill does not specify DOL in its early sections, only later in the appropriations section (Sec. 442). Because this bill amends the Social Security Act, primarily administered by the Secretary of HHS, we believe the bill should specifically name the Secretary of Labor as the administering official, if that is the bill's intention. At the state level, the governor could choose which agency would administer the program (Sec. 433 (b)), making permanent the choice now available to the states by applying to run a WIN demonstration. If the AFDC agency were chosen, this arrangement most likely would result in a situation similar to that discussed above, in which a state agency has to report to a federal agency to which it is not normally responsible. In addition, it could perpetuate the dual work program system that exists in some states where the SESA runs WIN and the AFDC agency runs its own Community Work Experience (CWEP) or job search program.

PROGRAM STRUCTURE AND SERVICES

Both bills permit programs to offer a wide range of services, from job search to skills training, which would enable programs to meet the varied needs of their clients. Both would provide essentially the same sequence of events once a client entered the program: assessment, counseling on skills and needs, and selection of or assignment to an activity. Neither bill specifies a time frame for completing these initial services, leaving the possibility that at least some clients could be without services for long periods of time, as has been the case with WIN. This possibility is further suggested by a requirement in H.R. 4986 that eligible participants not actively enrolled in an activity be reevaluated every six months (Sec. 435 (a)(4)).

In addition to assessment and counseling, H.R. 4929 requires that an employment plan be developed for each client "in partnership with the administering authorities of the programs" with which the umbrella administration has made arrangements for services (Sec. 416 (b)(5)). This provision underscores the

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need for clarity about the administrative relationships in the program. Some examples of issues which need clarification include:

- The relationship of the umbrella authority to other programs run by the same agency, and whether the umbrella agency would have to negotiate with these programs for services and involve their staff in the employment plans.

- The need for a separate employability plan under WIN. Language retained in the WIN authorization also requires an employability plan. The bill does not clarify whether the new employment plan that the bill establishes would satisfy the WIN requirement.

- Participation of programs funded through other sources, the Job Training Partnership Act (JTPA) for example, in the employment plan's development. If these programs are to be involved, it is unclear who would pay for their services.

As an alternative approach, the AFDC staff in the overall program together with the client could decide what services the individual needs, without involving staff from other programs, and then select a source or sources to provide those services.

H.R. 4986 specifies remedial education and literacy training as a service which programs may provide (Sec. 436 (a)(2)) and states that "lack of educational attainment and work experience are severe impediments to self-sufficiency for a significant proportion of welfare applicants," (Sec. 430 (a)(2)). Programs we visited often mentioned literacy as a problem. In some cases it prevented participation in the most basic activity. Programs currently deal with the problem in different ways: some attempt to provide remedial tutoring, some require participation in other activities, and others exempt clients with severe literacy problems from participation.

Two other activities in H.R. 4986 need clarification. First, the bill specifies that attendance at an accredited post-secondary institution and satisfactory progress in a vocational or undergraduate education or training program meets the program's participation requirement (Sec. 436 (d)). This provision clarifies the current situation in which some programs allow such participation and others do not, believing the AFDC grant should not subsidize a person's college education. The bill does not specify whether the program would be allowed to pay for such education, however, or whether the individual must finance it through some other means, such as Pell Grants. Neither does it specify whether an individual attending postsecondary classes would be eligible for support services such as child care and transportation.

Second, the bill allows transitional employment, or temporary employment with wages subsidized by the program agency (Sec. 437). The bill needs to clarify

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the treatment of wages received in such employment in determining eligibility for AFDC (presumably they would be considered earned income) and whether the individual would retain eligibility for Medicaid.

FUNDING

H.R. 4929 would provide 70 percent federal funding for program activities, increased to 75 percent after the first year for programs meeting or exceeding performance standards. Administrative costs, including support services such as child care, would be matched at 50 percent (Sec. 416 (e)). The bill does not specify, however, what other items would be included in administrative costs. For example, how would staffing costs be allocated? Work program activities such as assessment and counseling require staff involvement with clients on an individual basis. The bill is not clear on whether such costs would be program costs, matched at 70 percent, or administrative costs, matched at the lower rate. In addition, the lower rate for support services could discourage states from extending these benefits after employment is found to aid in job retention. (This issue is discussed further under Support Services, page 6.)

H.R. 4986 would match state contributions at 90 percent up to the amount a state received under its 1986 WIN allocation. Beyond that amount, the federal match would be 75 percent (Sec. 434). Five percent of the total program appropriation would be set aside for technical assistance and planning grants in the program's first two years (Sec. 432 (b)), and for incentive payments to states meeting or exceeding performance standards in succeeding years (Sec. 432 (c)).

Moving to a lower federal matching rate would require greater contributions from some states, which could cause inequalities if those states could not afford higher funding levels. However, from a national perspective, the overall proportion of federal support for the work programs run by the AFDC agencies, 72 percent, is similar to the primary matching rates of 70 and 75 percent the bills would provide. Yet, the actual matching rates in the bills would differ from their primary rates: H.R. 4929's effective matching rate would be lower than 70 percent, because of the lower match for administrative costs, while H.R. 4986's rate would be higher than 75 percent, because of the 90 percent match for part of the funds.

In the programs we studied, the comprehensive WIN demonstrations accounted for 94 percent of total 1985 spending on work programs run by AFDC agencies, so it is useful to examine the funding patterns in these programs. Overall the WIN demonstrations received at least 73 percent of their funding from federal

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sources, of which over four-fifths came from WIN funds.[2] Twenty-five percent of the WIN demonstrations received 90 percent or more of their 1985 funds from the federal government. These states would have to increase their contributions considerably to maintain their service levels. On the other hand, there are indications that some states could absorb a higher required state contribution. At least half the WIN demonstrations in 1985 received 20 percent or more of their funds from non-federal sources. The Employment Committee of the National Council of State Human Services Administrators, composed of officials from various state work programs, has endorsed a 75 percent federal matching rate, with the amount of federal reimbursement not subject to an appropriations limit as it is now under WIN.

The graduated matching system in H.R. 4986 would ease the transition from the current WIN matching levels for states now contributing the minimum amount federal law requires, but it could also make the funding arrangement more cumbersome. Indefinite extension of this two-tiered matching arrangement might not be needed as these states adjusted to increasing their contributions.

TARGETING CLIENT GROUPS

H.R. 4929 does not specifically target a particular group of AFDC recipients, although the section on performance standards specifies that such standards will "encourage States to give appropriate recognition to the greater difficulties in achieving self-sufficiency which face individuals who have greater barriers to employment." (Sec. 416 (e)(4)(C)) The bill should define the characteristics of these individuals. However, by preserving the current WIN authorization largely intact, the bill may be discouraging states operating WIN programs from serving the hard-to-employ. Section 433 (a) of the Social Security Act establishes priorities for receiving WIN services, placing Unemployed Parents who are the principal wage earners first. These clients are more likely to be men with employment histories, who are thus easier to place than AFDC-basic clients, who are more likely to be women with little or no work experience. Again, retaining most of the existing WIN provisions creates such a conflict.

Another problem with serving the hard-to-employ could arise with clients who might face multiple barriers of child care, transportation, and other needs, in addition to lacking education or work experience. Matching support services at a lower rate than program services could encourage programs to serve mainly clients who do not need support services to participate.

2The funding proportion could be higher, because some programs could not determine the total amount of federal funds received or included federal sources which we could not quantify in an "Other" category.

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H.R. 4986 more specifically targets the hard-to-employ, as defined by work experience, duration of welfare dependency, and educational attainments, to receive priority for services (Sec. 435 (a)(3)). It, too, would recognize the provision of services to this group in performance standards (Sec. 431 (b)(2)).

Evaluations of previous work programs and current research on welfare usage suggest that targeting the hard-to-employ can produce the greatest impact. In controlled work program experiments, people in work programs who had no prior work experience showed the greatest improvement over their peers in control groups. Individuals with no work experience as well as low educational attainment are most likely to be on welfare for long durations. Thus they consume a sizeable proportion of AFDC benefits. Programs which can reduce their stay on welfare are likely to save a greater amount of program funds in the long term than programs which concentrate on people with a work history, who are likely to leave welfare quickly on their own. However, since all people on AFDC by definition have some type of problem preventing their employment or limiting their earnings, at least temporarily, defining who is hard to employ and deciding who should receive services is difficult.

COORDINATION WITH OTHER PROGRAMS

Both bills would utilize the services of other programs, such as JTPA and vocational education institutions. H.R. 4929 permits the program agency to enter into agreements with such programs for services (Sec. 416 (b)(4)) and requires coordination of services furnished (Sec. 416 (c)(2)). In addition, the WIN legislation that is retained contains requirements for coordination of services. No new mechanism is established, however, to ensure that this coordination occurs.

H.R. 4986 makes a similar provision for coordination and, in the case of JTPA, carries it further. The state job training coordinating council under JTPA would review the state program plan before it is forwarded to the governor (Sec. 433 (e)(1)). More important, Section 3 of the bill requires Private Industry Councils (PIC's) under JTPA to include a representative from the state welfare agency. We have found that, while some AFDC work programs have developed good relationships with JTPA, others have had difficulties stemming in part from different program goals. Such coordination is critical to using available resources efficiently. A mechanism such as the one H.R. 4986 provides would promote such a relationship.

H.R. 4986 also requires the state plan to provide assurances that programs will not duplicate services otherwise available (Sec. 433 (c)(6)). However, we believe that some duplication is likely to occur. Programs providing training such as JTPA, may not be able to handle all AFDC program clients needing such services. Therefore, the AFDC work program might have to provide training activities similar to those available elsewhere.

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SUPPORT SERVICES

Both bills permit the programs to provide support services, such as child care and transportation. H.R. 4929 allows the state agency to continue support services for whatever period it deems appropriate after an individual accepts employment, training, or education (Sec. 402 (a)(19)(G)(ii)). H.R. 4986 provides that services may continue for up to 6 months after the client has found a job (Sec. 436 (c)). Extending support services as these bills provide could help clients retain their jobs after they become employed. According to program officials, the transition period from program to work can be the most difficult for clients, who may need time to accustom themselves to their responsibilities as workers and make arrangements on their own. As noted above, however, support services under H.R. 4929 would be funded at a lower matching rate than program services, possibly reducing a program's incentive to extend them after a client finds work.

PERFORMANCE STANDARDS

Both bills require the establishment of program performance standards. Under H.R. 4929, the Office of Technology Assessment, in conjunction with HHS, DOL, and state officials, would establish the standards, which must be coordinated with JTPA standards (Sec. 416 (e)(4)). Under H.R. 4986, a group composed of representatives of the state agencies administering the programs, state job training coordinating councils, labor organizations, education agencies, and organizations representing eligible participants would develop standards and recommend them to the Secretary (Sec. 431 (d)). Both bills would require that the standards consider local economic conditions, such as unemployment rates and, as mentioned above, encourage serving the hard-to-employ.

Although performance standards are desirable, establishing meaningful standards related to reducing welfare dependency can be difficult, because of differences among state methods of determining benefit levels and calculating income as well as differences in client mix and local economic conditions. In any case, if the hard-to-employ are to be targeted as both bills provide, standards need to go beyond simple rates of placement in jobs. Emphasis on placement rates could encourage programs to work primarily with the easiest to employ. Further, they do not measure the quality of jobs clients find. Indicators of quality could include wage rates, benefits provided, length of job retention, and extent of AFDC grant reduction. In addition, serving the hard-to-employ suggests a need for standards which also recognize interim achievements by severely disadvantaged participants, such as improved reading levels. In defining standards for job quality and serving clients with barriers, H.R. 4929 is more specific than H.R. 4986, including among its standards improvements in educational levels and the extent to which individuals are able to obtain jobs with health benefits.

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REPORTING AND EVALUATION REQUIREMENTS

In section 440 (a)(1), H.R. 4986 provides that the federal agency overseeing the program may require quarterly reports on program performance and that the state agency will keep records necessary to provide those reports. H.R. 4929 makes no provision for recordkeeping or reporting, although the diverse and in some cases minimal requirements of individual program types most likely would be retained. Reliable and valid information is critical to tracking a program's progress and comparing it to performance standards. Our work has found that few reporting requirements or standard data definitions exist for current programs, making assessing and comparing programs difficult. While we recognize that the federal government does not wish to unduly burden the states with record keeping requirements, some standards should be set to ensure adequate oversight. In addition, an evaluation program is needed if the true effects of the programs are to be determined. Measures such as simple job placement rates without reference to appropriate comparison group placement rates can be misleading. Further, comparisons across programs should allow for the influences of local economic conditions and the characteristics of the clients served.

H.R. 4986 also provides that the Comptroller General may conduct investigations of the use of program funds (Sec. 440 (b)(1)(B)). However, the bill does not expressly state that the Comptroller General has access to the records necessary to conduct such investigations. We would construe the authority to audit as impliedly incorporating a right of access to any necessary records. We think it preferable, however, that such right of access be explicitly stated.

In addition, the bill prohibits either the Secretary or the Comptroller General from requesting "the compilation of any new information not readily available" to the program. The term "readily available" is not defined. Although minimizing reporting burdens on the states is important, equally important are the Secretary's ability to oversee the programs properly and the Comptroller General's ability to report to Congress as fully as possible on the performance of federally funded programs. Such a provision could inhibit these abilities. The Secretary would be able to influence the information routinely collected through the establishment of reporting requirements. However, few programs have all the information GAO needs in performing investigations or evaluations readily at hand. The situation is exacerbated in cases such as the current AFDC work programs, where few federal reporting requirements make obtaining comparable information, even to describe the programs, difficult.