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SENIOR COMMUNITY SERVICE EMPLOYMENT

Program Reauthorization Issues That Affect Serving Disadvantaged Seniors

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Senior Community Service Employment: Program Reauthorization Issues That Affect Serving Disadvantaged Seniors

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to assist you as you discuss the reauthorization of the Older Americans Act (OAA), which provides for the economic well-being of disadvantaged older Americans. One important program under the OAA is the Senior Community Service Employment Program (SCSEP), which is a significant source of jobs for needy elderly Americans. SCSEP finances part-time, minimum-wage community service jobs each year for about 100,000 economically disadvantaged Americans aged 55 and older in schools, hospitals, senior citizen centers, and other community service activities.

The Department of Labor administers this $440 million program through grants to 10 national organizations—called sponsors—and states. Two legislative provisions affect how funds are allocated between the national sponsors and the states. The first is a “hold harmless” provision that guarantees that national sponsors can carry out the same level of activity in states as they did in 1978. The second provision is that national sponsors receive 78 percent of total program funds under annual appropriations statutes. Concerns have been raised about how these provisions affect the distribution of services to needy elderly people.

My remarks today will focus on (1) the effect of the hold harmless provision on allocating funds to where needy elderly people live and (2) the impact of the annual appropriations statutes on the distribution of SCSEP positions within states. My comments are based on the findings from our 1995 report on the SCSEP program, a 1998 report updating program information,[1] and additional work recently done for the Subcommittee.

In summary, we found that existing legislative requirements governing the allocations of SCSEP funds result in distributions of funds among and within states that do not match the distribution of the needy population. Specifically, the hold harmless provision, as interpreted by Labor, limits Labor’s ability to allocate funds among states in a way that ensures that funds are provided to the states where the most needy elderly reside. A majority of SCSEP funds are not responsive to population changes that have occurred since 1978 when the hold harmless provision was put in place because national sponsors are guaranteed funding for the same number of positions in each state that they had in 1978. In program year 1998, 63

[1] Department of Labor: Senior Community Service Employment Program Delivery Could Be Improved Through Legislative and Administrative Actions (GAO/HEHS-96-4, Nov. 2, 1995) and Senior Community Service Employment Program: Status of National Sponsor Grants (GAO/HEHS-98-115R, Apr. 17, 1998).

percent of the total appropriation of $440 million was subject to the hold harmless provision. In addition, because 78 percent of total appropriations go to national sponsors, some areas within states can be over- or underserved. This annual appropriation provision has afforded the states a more limited role in ensuring a more equitable distribution of funds than was envisioned in the 1978 amendments, whereby states were to receive 55 percent of funds above the 1978 appropriation. In our 1995 SCSEP report, we presented matters for consideration by the Congress that would (1) amend or eliminate the hold harmless provision and (2) increase the amount of funds allocated to the states. We believe that these options remain valid today.

Background

SCSEP evolved from Operation Mainstream, which trained and employed chronically unemployed adults under the Economic Opportunity Act of 1964. In 1965, Operation Mainstream provided funding to the Green Thumb organization, at the time a nonprofit affiliate of the National Farmers Union, to conduct a pilot training and employment program for economically disadvantaged older workers in several rural areas. Green Thumb was thus the first of the 10 nonprofit national sponsors that today administer most of the SCSEP funds.

During the next 13 years (1965-78), legislative and administrative actions instituted most of the basic aspects of today's SCSEP:

- responsibility for the program was moved to the Department of Labor;
- the program was made part of the OAA and given the goal of providing subsidized employment in community service organizations to economically disadvantaged older Americans;
- all grantees were asked to attempt to place at least 10 percent of their program enrollees in unsubsidized jobs (the goal has been 20 percent since 1985);
- and 8 of the eventual 10 national sponsors, as well as most state governments, were made grantees for the program.

Of the current 10 national sponsors, 5 were added because of OAA amendments and other congressional guidance to Labor, which directed that Labor add national sponsors whose services were directed primarily toward minority constituencies or ethnic groups with high concentrations of the elderly poor.

Statutory Provisions on Allocating Funds

The OAA contains several provisions governing Labor's allocation of SCSEP funds. The hold harmless provision requires the Secretary of Labor to reserve for the national sponsors a funding amount sufficient to maintain the 1978 activity level. Any balance of the appropriation over the hold harmless amount is to be distributed to the sponsors and state governments mainly on an "equitable distribution" basis—that is, in accordance with the state-by-state distribution of people 55 years old or older, adjusted for per capita income.

Another provision requires that the portion of any appropriation that exceeds the 1978 funding level in subsequent years will be split—55 percent for states and 45 percent for the national sponsors. However, the "55/45" provision—designed to provide state governments more parity with the national sponsors—has never been implemented. Every year since 1978, appropriations acts have overridden the 55/45 provision. These statutes have required that no more than 22 percent of the SCSEP appropriation be allocated to the state governments. At least 78 percent must be allocated to the national sponsors.

A third provision that also still applies is the requirement for an equitable distribution of funds among areas within each state.

SCSEP in Program Year 1998

The SCSEP appropriation for the 1998 program year[2] ($440 million) accounted for about 30 percent of all OAA funds. To receive a SCSEP grant, a national sponsor or state government must agree to provide a match, in cash or in kind, equal to at least 10 percent of the grant award. Many state governments make their match in the form of cash contributions. The national sponsors, on the other hand, normally provide in-kind matches in the form of donated office space, staff time, equipment, and the like. The in-kind matches for most national sponsors come not from the sponsors' own resources but from those of the community service host agencies, where the SCSEP enrollees actually work. These host agencies typically are hospitals, local libraries, nutrition centers, parks, and similar public service entities.

National sponsors and state governments use the SCSEP grants to finance SCSEP part-time jobs in host agencies. The cost of such a job, or enrollee position—which generally must include at least 20 hours of work a week—is the amount determined sufficient to fund (1) an enrollee's

[2]The SCSEP program year runs from July 1 to June 30. For example, the period from July 1998 through June 1999 is the 1998 program year. Funds for the 1998 program year came from the Department of Labor Appropriations Act, 1998.

minimum wages, benefits, training, and incidental expenses for up to 1,300 hours a year in the program and (2) the associated administrative expenses. Labor periodically adjusts this cost amount, termed the "unit cost," in consultation with the Office of Management and Budget (OMB). The unit cost has risen from $6,061 in 1994 to $7,153 in 1998. Labor divides each year's SCSEP appropriation by the unit cost amount to determine how many positions are available. Program enrollees, who must be 55 years of age or older and earn no more than 125 percent of the federal poverty level prior to enrolling in this program, are paid the federal or local minimum wage—whichever is higher.[3] For the 1997 program year, funding permitted the establishment of about 61,300 positions nationwide. An enrollee may leave a program position for such reasons as illness or acceptance of an unsubsidized job, opening the position for another participant. Thus, during the 1997 program year, about 100,000 enrollees occupied the 61,300 positions; about 73 percent of the enrollees were women. National sponsors administered about 47,000 positions nationwide and the states and territories administered about 14,300.

The 10 National Sponsors

Labor distributes 78 percent of SCSEP funds through noncompetitive grants to 10 national organizations, called national sponsors. Labor provides annual grant applications only to national organizations that currently sponsor SCSEP. Labor's action is consistent with the statute and with expressions of intent by the Senate Appropriations Committee. Labor officials rely on annual Appropriations Committee report language such as the following from a recent Senate Appropriations report that seems to indicate support for the current sponsors: "It is the intent of the Committee that the current sponsors continue to build upon their past accomplishments." In addition, although it permits awards to other entities, the OAA creates a specific preference for awards to "national organizations and agencies of proven ability in providing employment services . . .."[4]

As shown in table 1, during program year 1998, the national sponsors received more than $352 million to fund 47,738 enrollee positions. National sponsors administered the program in from 8 to 45 states.

[3]The current federal minimum wage is $5.15 per hour.

[4]Senate Report 103-143, p. 16 (1993).

Table 1: Grant Awards, Employment Positions, and Number of States in Which SCSEP National Sponsors Operate, Program Year 1998

National sponsor	Grant amount[a] (in dollars)	Number of positions	Number of states
American Association of Retired Persons Foundation (AARPF)	$52,781,434	7,071	34
Associacion Nacional Pro Personas Mayores (ANPPM)	13,330,666	1,838	11
Green Thumb, Inc. (GT)[b]	109,137,519	14,896	45
National Asian Pacific Center on Aging (NAPCA)[b]	6,018,169	835	8
National Center and Caucus on Black Aged, Inc. (NCCBA)	13,040,594	1,810	11
National Indian Council on Aging, Inc. (NICOA)	6,001,653	839	14
National Council on the Aging (NCOA)[b]	40,091,501	5,320	19
National Senior Citizens Education and Research Center, Inc. (NSCERC)[b]	66,963,276	9,003	28
National Urban League, Inc. (NUL)[b]	15,622,159	2,142	16
U.S. Department of Agriculture–Forest Service (USDA)	28,469,959	3,984	42
Total	**$352,256,930**	**47,738**	

[a]The total for national sponsors' grant amounts includes state funds when states request that a portion of their funding be provided directly by Labor to a national sponsor for program activities for their particular state.

[b]Labor also provided additional competitive grant awards to several national sponsors. The amounts of the national sponsor awards were, for NUL, $300,000; GT, $800,000; NSCERC, $215,200; NAPCA, $45,000; and NCOA, $204,999.

With the exception of Alaska, Delaware, and Hawaii—which operate their own SCSEP programs and have no national sponsors—at least two national sponsors operate in each state. In one state, nine national sponsors operate SCSEP programs in addition to the state agency. Thirty-six states have four or more national sponsors receiving federal funds to provide SCSEP services within their borders. So, most states have several entities making decisions about where to provide services.

Whenever the SCSEP program has a new appropriation level, Labor conducts with the national sponsors a meeting known as the "melon cutting." At these meetings, Labor makes known its allocations to each of the national sponsors and presides over discussions in which national sponsors often trade enrollee positions in various areas. Sometimes, a representative from the National Association of State Units on Aging is invited to express states' concerns, but the states have no formal control over the distribution of positions.

Hold Harmless Provision Prevents Allocating the Majority of Program Funds to States With the Greatest Need

The hold harmless provision of OAA's title V limits Labor's ability to allocate funds among states in a way that ensures equitable distribution—in accordance with the state-by-state distribution of people 55 years old and older, adjusted to give greater weight to economically disadvantaged areas and persons. The result is a pattern of too many SCSEP positions in some states and too few in other states relative to their eligible populations. Legislative action could correct this problem.

Equitable Distribution Among States Not Fully Achieved

In applying OAA's hold harmless provision, Labor officials establish a reserve amount from each year's SCSEP appropriation to finance the 1978 level of national sponsor positions in each state. Therefore, if the national sponsors together administered 100 positions in a certain state in 1978, they would receive thereafter, from a Labor set-aside of appropriated funds, enough funds to finance at least 100 positions in that state, assuming that the appropriation level is high enough to finance the 1978 total number of positions.

Because the 1978 distribution of SCSEP positions did not, and still does not, correspond to the size of each state's economically disadvantaged elderly population, the hold harmless provision in effect prevents a fully equitable distribution. For the 1998 program year, for example, about $277 million (63 percent) of the total appropriation of $440 million was subject to the hold harmless provision.[5] These funds are allocated to the national sponsors on a state-by-state basis to protect the positions of 1978 enrollees and allow the national sponsors to maintain some long-standing relationships with host agencies. Had the $277 million been distributed in accordance with current age and per capita income data, shifts in the number of positions would have occurred in many states.

In the analysis of the hold harmless issue in our 1995 report (based on program year 1994 data), 25 states would have gained or lost at least $500,000 each, and 13 states would have gained or lost more than $1 million each if the hold harmless provision had been discontinued. While in a majority of states the change would have amounted to less than

[5]This is the amount that Labor determined was needed from the appropriation to fund 38,672 positions nationwide—the 1978 number of positions. Labor derived the $277 million by multiplying the 38,672 positions by the unit cost of each position for 1998—$7,153.

10 percent of total SCSEP funding, a few states would have had a change of more than 20 percent.[6]

Furthermore, in the future, the effect of the hold harmless provision could increase. As the unit cost of each position increases (primarily through increases in the federal minimum wage rate), without SCSEP appropriations increases, the share of the total SCSEP funds needed to support the 1978 hold harmless positions increases. This would result in more funds being allocated on the basis of 1978 state positions and less allocated to states on the basis of up-to-date population and income data that more accurately reflect the needs of low-income elderly populations.

Options for Overcoming the Problem

The hold harmless provision could be modified in two ways. The relevant provision states that the Secretary of Labor will reserve for the sponsors' grants or contracts sums necessary to maintain at least their 1978 level of activities "under such grants or contracts." Labor interprets this provision to require a state-by-state distribution of positions based on the sponsors' 1978 activities. One option is to amend the hold harmless provision to specifically authorize Labor to base the distribution on the national sponsors' 1978 total positions nationwide, rather than on the levels in each state. If the hold harmless provision was amended this way, Labor would still be required to provide sufficient grants to the national sponsors to finance their 1978 number of total positions, but it would not distribute positions according to the number of sponsor positions in each state in 1978. With the amendment, Labor could distribute all of the SCSEP dollars in accordance with the pattern of need, as measured by each state's 55 and older population size and per capita income.

Another approach would be to repeal the entire hold harmless provision. This would remove the authorizing legislation's protection of the national sponsors' historic base of positions. Such a change could significantly shift funding from the national sponsors to the states, unless the annual appropriation acts continue to stipulate that 78 percent of funds is to go to national sponsors.

[6]These results are based on an update of our simulation using Labor's program year 1994 data that also incorporated the OAA provision guaranteeing a .5-percent SCSEP appropriation minimum to the states and a .25-percent minimum to certain other areas, such as Guam and the Virgin Islands.

The "78/22" Appropriations Provision Affects the Equitable Distribution of SCSEP Positions Within States

The annual appropriations acts essentially prescribe that 78 percent of funds go to national sponsors and 22 percent to states, and this provision can result in areas of states over- or underserving the needy elderly. A more equitable distribution of funds might occur if states received a larger share of the program funds.

Equitable Distribution Within States Not Fully Achieved

Once funds are allocated to all entities operating within a state, a provision of the OAA requires an equitable distribution of funds among areas of each state, and state agencies are charged with responsibility for accomplishing this. The 1978 amendments to the act provided that states would receive 55 percent of funds greater than the 1978 appropriation. Under this provision, if appropriations increased, the states' share of SCSEP resources would gradually increase, and the states would eventually achieve parity with the national sponsors. However, this provision—the 55/45 provision—has never taken effect. Instead, every year since 1978, appropriations acts have overridden the 55/45 provision and required that at least 78 percent of the annual appropriation be allocated to the national sponsors.

Because 78 percent of the funds go to national sponsors, factors that inhibit national sponsors from moving positions to where needy elderly people reside could result in an inequitable distribution of enrollee positions. For example, the predominant role of the national sponsors and the relationships they have established with particular host agencies in determining where positions will be located are one barrier to efficient movement of positions within a state. In addition, national sponsors with an ethnic focus have been reluctant to serve areas that do not have significant numbers of their ethnic constituents. Furthermore, national sponsors may not want to enter new or rural areas because that could increase administrative costs. Finally, in any particular state, relationships between the state staff and the national sponsors or among the national sponsors can affect where the SCSEP services are provided.

In our 1995 SCSEP report, we reviewed each state's county-by-county report of equitable distribution for SCSEP positions and found deficiencies in many cases. In three states we cited as examples, we found that most counties had either too many positions or too few positions compared with the number that the distribution of eligible people would indicate.

States can use their 22 percent of SCSEP funds to fill in where national sponsors are not meeting the needs of the elderly, but they can only encourage national sponsors to move their positions. So, it is not possible for some states to fully address the needs of the elderly in underserved areas. Also, as funds become available to national sponsors for new positions, the “melon cutting” meeting that Labor holds with national sponsors may not fully incorporate the views of state agencies about where positions are needed. Our 1995 report acknowledged that other factors such as some states not participating actively in the program affect the equitable distribution of positions within states. However, the 78/22 provision is an important factor in determining the distribution of positions within states.

Option for Overcoming the Problem

One option for more equitably distributing SCSEP positions within the states is to increase the percentage of funds dedicated to state governments from each year’s appropriation from the 22 percent to a higher percentage. If the Congress stopped enacting the 22-percent limit on state funding, the OAA provision requiring that state governments receive 55 percent of all funding above the $201 million 1978 appropriation level would take effect. If the 55/45 provision had been in effect for program year 1998, the funds allocated to national sponsors would have decreased from $343 million to about $268 million and the states’ share would have increased from $97 million to approximately $172 million. With their statewide administrative structures and additional funds, state governments might have more flexibility in serving their eligible populations and greater ability to meet their statutory responsibility.

Conclusions

For almost 30 years, the SCSEP program has been an important source of jobs for needy elderly Americans. Currently, approximately 100,000 enrollees annually work in subsidized community service jobs and are given an opportunity to acquire skills sufficient to leave the program for an unsubsidized position. Because the program continues to operate in the same manner as it has since 1978 and because the states where concentrations of elderly Americans reside have changed over that time, there is a mismatch between where needy elderly live and where the subsidized positions are provided. In 1995, we offered several matters for consideration by the Congress that we believe could help alleviate this problem. These matters included

- amending or eliminating the hold harmless provision and

- increasing the portion of SCSEP grant funds allocated to state governments from the current 22 percent.

We believe that these options are still valid ways to ensure a more equitable distribution of positions and funds. While these represent major changes in SCSEP, we believe that if they are properly phased in over a period of time, states, national sponsors, and program participants will benefit by ensuring that funds are awarded to serve locations with the highest concentrations of needy older Americans.

Mr. Chairman, this concludes my testimony. I will be happy to answer any questions that you or other Members of the Subcommittee may have.

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