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APRIL 2022

PREPARED FOR THE URBAN INSTITUTE

**Acknowledgements:**

This report would not have been possible without the many people who supported me. I would like to extend special thanks to the following individuals: Lucy Bassett, my advisor, who saw me through this project from pre-client days to my final submission. Faith Marshall, my advisor at the Urban Institute, who guided me through this process and connected me to research supports. Colette Marcellin, who connected me to Urban Institute’s American Transformation Project in the first place. Sophie Mariam, the ultimate APP partner. Hallie Griffiths, Jessie Meyers, and Ethan Novak, my housemates. My mom, who let me complain to her ad nauseum. Allisa, Kaytee, Kevin, and Lizzy for being constant friends throughout my time at Batten. Alex, Brendan, Connor, Rachel, and Sarah for helping me land here. Lefty for being a very good boy, and Shenandoah National Park for giving me a place to pretend I was not in school.

**Disclaimer:**The author conducted this study as a part of the program of professional education at the Frank Batten School of Leadership and Public Policy, University of Virginia. This paper is submitted in partial fulfillment of the course requirements for the Master of Public Policy degree. The judgements and conclusions are solely those of the author, and are not necessarily endorsed by the Batten School, by the University of Virginia, by the Urban Institute, or by any other entity.

**Honor Code:**

On my honor as a student, I have neither given nor received unauthorized aid on this assignment.



**Lucy Hopkins**

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# **GLOSSARY**

**AFDC:** Aid for Families with Dependent Children. This program ran for nearly 6 decades, and it was the predecessor to TANF. Enabled states to provide cash benefits to low- or no-income families with children, and empowered states to set benefit levels and income and resource limits, within some federal guidelines.

**ATP:** American Transformation Project. According to the mission statement on the project web page, this project is a new research program at the Urban Institute designed to advance racial equity and dismantle structural racism, with a focus on Black, Latinx, Native American, and Asian young people in the United States. The ATP will leverage the Urban Institute’s research capacities to inform funder practices in four key areas: education, employment, justice, and healthy development.  
  
**CAAs:** Community Action Agencies. According to the Virginia Community Action Partnership (VCAP), CAAs are “local [organizations] with the mission of reducing poverty through locally-designed and delivered programs and services that are targeted to the specific needs of the community,” (Virginia Community Action Partnership, 2022).

**CCDF:** Child Care and Development Fund. A federal block grant program that enables states to provide financial assistance to low-income families who want to access child care (for children 13 years old and under) so they can work or attend a job training or educational program. The CCDF program allows states to set their own rules for recipients.

**DI:** Disability insurance. This program provides benefits to workers who are no longer able to support themselves because of a serious, long-lasting medical impairment.  
  
**Gen Z:** By definition of the American Transformation Project, this group includes young people born after 1996, between the ages of 5 and 24 (*American Transformation Project*, 2020).

**MOE:** Maintenance-of-effort. This is the requirement that states maintain their financial contribution to TANF at a certain level (depending on their WPR), as a condition of eligibility to receive their block grant.

**SNAP:** Supplemental Nutrition Assistance Program. SNAP provides benefits to eligible low-income individuals and families through an electronic benefits card (EBT) which can be used to purchase food from stores. There are restrictions on the types of items this card can be used to buy.

**SSI:** Supplemental Security Income. This is a means-tested program that provides monthly payments to low-income children and adults who fit the criteria for disability and meet certain income requirements.

**TANF:** Temporary Assistance to Needy Families program.

**TANF-leavers:** TANF-leavers are people whose TANF cases were closed. This encompasses all individuals who stop receiving TANF benefits.

**TPR:** TANF-to-poverty ratio. This ratio reflects the number of families receiving TANF for every 100 families experiencing poverty in a given area (usually measured at a state level).

**TWP:** Transitional work program. These are work programs that help individuals transition from welfare support to steady employment.

**Welfare-to-work:** Welfare-to-work is the concept of imposing work requirements on individuals who seek welfare supports and using welfare supports as transitionary tools to move people into self-sufficiency.

**WIOA:** Workforce Innovation and Opportunity Act. Signed into law in 2014, this act "requires states to strategically align their core workforce development programs to coordinate the needs of both job seekers and employers through combined four-year state plans with greater flexibility than its predecessor program (WIA). Additionally, WIOA promotes accountability and transparency through negotiated performance goals that are publicly available, fosters regional collaboration within states through local workforce areas, and improves the American Job Center system, " (U.S. Department of Labor, n.d.).   
  
**WPR:** Work Participation Rate. This measures the share of families working in certain eligible work activities for at least 30 hours per week, although the number of hours required of participants diminishes to 20 hours if they are single parents and/or have at least one child 6 years or younger. The general target WPR for states is 50 percent, but this can be lowered for states that have experienced TANF caseload reductions (Lower-Basch & Burnside, 2021).

# **EXECUTIVE SUMMARY**

Temporary Assistance to Needy Families (TANF) is a program funded at the federal and state levels that provides cash assistance to low-income families with children (Safawi & Schott, 2021). The federal government distributes a $16.5 billion dollar block grant across the 50 states and territories every year, which states are then effectively allowed to use as they see fit, so long as they use the money to meet one of TANF’s four goals. TANF’s main goals are: 1, to provide assistance to needy families so that children can be cared for in their own homes or in the homes of relatives; 2, to end the dependency of needy parents on government benefits by promoting job preparation, work, and marriage; 3, to prevent and reduce the incidence of out-of-wedlock pregnancies; and 4, to encourage the formation and maintenance of two-parent families (The Administration for Children and Families, 2019). Although promoting job preparation and work is one of TANF’s four main goals, the program has not made meaningful progress towards that goal (Center on Budget and Policy Priorities, 2021; Pavetti, 2018).   
  
TANF work programs are unique to states, but many of the issues within them stem from federal legislation. Generally, these problems manifest from three main sources. First, from states’ ability to set eligibility rules and requirements with minimal federal oversight. Secondly, from the federally mandated workforce participation rate (WPR) which only reflects the work rates for families participating in a limited range of activities and does not account for work activity effectiveness. And finally, from underinvestment of TANF funds in work activity programming (Lower-Basch & Burnside, 2021). This report will focus on the issue of state investment of TANF funds.

There is very little federal oversight in TANF fund appropriation, which allows states to use TANF dollars for other programs if they choose to**. States spend an average of only 13 percent of their total annual funding on work activities and work supports** (Center on Budget and Policy Priorities, 2021). Although increasing employment is one of TANF’s few stated, measurable goals, states are not required to track whether TANF leavers get jobs, which creates a barrier for assessing the success of many TANF policies and programs, including transitional work programs (Vallas & Slevin, 2016).

Transitional work programs, as they exist currently, are failing to meaningfully impact participant employment and income. Programmatic inefficiencies exacerbate existing income and education gaps, which could increase racial disparities given the connection between race, poverty, and education in the U.S. Improved transitional work programs have the potential to lift families out of poverty and break the cycle of poverty. **At present, many states’ transitional work programs fail to prepare low-income people for sustained employment, often funneling them back to low-paying, unstable jobs that further the cycle of poverty and disproportionately impact children and families of color** (Safawi & Pavetti, 2020).

The alternatives in this report identify different avenues for more effective public investment in TANF transitional work programs. The alternatives include the following:

1. Maintain the status quo

2. Invest More in Existing Programs

3. Continue Funding Existing Programs and Create a Grants Office to Fund Promising Innovative Approaches

My final recommendation is that states employ alternative three: use the Child Care Development Fund (CCDF) block grant to guarantee subsidized child care to people below a certain income threshold, and institutionalize investing in promising sectoral work programs. States would put their unutilized TANF funds – as well as any additional funds freed up by transferring some cost of providing childcare support for TANF recipients onto CCDF – to set up a state-led grants office to support the development of localized sectoral work programs. Sector-based job training programs are job preparation programs that train people to work in high-demand sectors that pay well for people who do not hold four-year degrees, such as healthcare, manufacturing, and information technology (I.T). This alternative not only shows high, sustained earnings and employment improvements, but it is also adaptable to the needs of local populations and provides additional wrap-around supports, which has shown to be impactful for people of color. This alternative allows the existing state-led programs to continue, and simultaneously encourages innovation and creates work programs with better evaluability.

# **INTRODUCTION AND BACKGROUND**

**What Is Temporary Assistance to Needy Families?**

Temporary Assistance to Needy Families (TANF) is a program funded at the federal and state levels that provides cash assistance to low-income families with children (Safawi & Schott, 2021). Established in 1996, TANF was intended to revolutionize welfare by prioritizing work and enabling low-income families to transition from reliance on welfare supports to financial independence and stability. The prior two decades had been a socially fraught time for welfare policy; racist ideas about ‘dependence’ and ‘welfare queens’ had entered the social discourse, and policymakers looked towards developing welfare programs that aimed at both increasing employment among individuals eligible for welfare and decreasing the number of people receiving welfare (Demby & Meraji, n.d.). In 1997, policymakers allocated $16.5 billion in federal funds to the TANF block grant, which would be split amongst states.

The size of the federal TANF grant has not changed at all since 1997; in fact, because it has not even been adjusted to account for inflation, the real value of the TANF grant had decreased by approximately 40 percent between 1997 and 2019 (Hahn et al., 2017, p. 7; *Virginia TANF Spending*, n.d.). The federal government distributes a fixed amount of money to each state from the block grant; each state’s funding is based on the amount of money that state historically spent on welfare. In order to continue receiving federal TANF funding, each state must meet a minimum level of state contributions to TANF programs; this is the ‘maintenance-of-effort’ (MOE) requirement (Hahn et al., 2017, p. 7). Once states meet their MOE, they are eligible to access their federal funding; the total funding available to states for TANF may be used to further any of the program’s four main purposes, which are as follows (The Administration for Children and Families, 2019):

**1.** Provide assistance to needy families so that children can be cared for in their own homes or in the homes of relatives.

**2.** End the dependency of needy parents on government benefits by promoting job preparation, work, and marriage.

**3.** Prevent and reduce the incidence of out-of-wedlock pregnancies.

**4.** Encourage the formation and maintenance of two-parent families.

States are empowered to pursue these goals as they see fit. All 50 states and Washington, D.C. receive TANF funding, and they have mostly unchecked authority to decide what they will do with that money. There is very little federal oversight in fund Text

Description automatically generated with low confidenceappropriation, which allows states to use TANF dollars for other programs if they choose to. States are not using up all the funding they are given in their block grants; at the end of FY2020, nearly $6 billion dollars of TANF funds had not been spent. Furthermore of the funds states are using, great portions of that money are being spent on programs other than TANF, like Head Start or pregnancy support programs (Falk & Landers, 2021). In fact, only 1 of every 4 TANF dollars is used to provide income assistance for low-income families with children (*see figure one*) (Vallas & Slevin, 2016).

*Figure 1.*

In addition to establishing their own budgets for TANF funds, states are also authorized to design their own programs and benefits, and to establish their own statewide goals for program outcomes (Hahn et al., 2017). Importantly, all states set their own rules for which individuals will receive TANF, what conditions they must meet to receive assistance, how much assistance they will receive, and how long they will receive benefits.[[1]](#footnote-1) Consequently, TANF eligibility and rollout varies across the United States to a shocking degree: in some states, fewer than 10 in every 100 families living in poverty, while in other states more than 60 in every 100 eligible families receive benefit.

**Levers of Control/Authority for TANF Funding in State**

In order to access their allocated funds from the federal TANF block grant, states must contribute a certain amount of money towards their TANF programming – this is called ‘maintenance of effort’ (MOE) funding. MOE payments vary by state and whether or not the state has met its work force participation rates. If a state meets their workforce participation rate, their MOE will be equal to 75 percent of the money they spent on AFDC in 1994; if a state fails to meet their workforce participation rate, their MOE will be 80 percent of what they spent on AFDC programming in the year of 1994 (Safawi & Azevedo-McCaffrey, 2022).

When it comes to the actual use of TANF funding, states are the arbiters of how and where funds will be used. Each state’s funding decisions follow a similar process: the state-level authority responsible for preparing the annual budget will lay out the use of total state funding each year, usually under the guidance of agency recommendations. In almost every state, the governor and executive branch propose the annual budget. Each agency has some ability to advocate for changes in the ways they would like to use their funding, but in the end, the budget is decided by the governor and executive branch and requires legislative approval (Wallin, 1999). After the budget is approved, money is apportioned to each agency to fund their work. The actual rollout of TANF welfare benefits to individual recipients is facilitated through state agencies for social services and welfare.

Diagram

Description automatically generatedThe state budget decides what states can and must do with TANF funding, so changes to the budget have real implications for individuals served and services provided. States’ broad flexibility of funding usage has led to undesirable outcomes (*see figure two*). According to a review completed by the Pew Charitable Trust in 2020, states are using TANF dollars for everything from child welfare to drug courts and counting all those costs as TANF spending (Bergal, 2020). Many TANF experts believe that this leniency was an unintended outcome of the 1996 legislation. Liz Schott, an expert included in the Pew review, said ‘I don’t think anyone envisioned in 1996 that they were giving states such broad authority on how to spend the money… they ended up saying, ‘Gee, we can use this as a cash cow for all kinds of state aid,”’ (Bergal, 2020).

Although funding flexibility can cause negative outcomes, it is also a promising realm for opportunity: bureaucrats have the leeway to advocate for the types of changes they would like to see enacted, which means alternative programming and usage of funds are within the realm of possibility.

*Figure 2. Source: Center on Budget and Policy Priorities*

**TANF And Identity**This section addresses some of the ways that identity influences TANF receipt and experience. It deals primarily with disability, race, and age.

***Disability***A report compiled by the Urban Institute in 2011 found that “the most common work barriers TANF recipients face are a lack of education and work experience, mental and physical health challenges, and caring for a child with special needs,” (Bloom et al., 2012). Approximately one in every four adults living in the United States has a disability; of these adults, 26 percent lived in poverty in 2019 (*2020 Annual Disability Statistics Compendium | Annual Disability Statistics Compendium*, n.d.; Office of Disability and Health Promotion, n.d.).

Disability has strong correlative ties to educational attainment and work experience; the highest level of educational attainment for nearly 60 percent of all adults with disabilities is a high school diploma and within that population only 14.3 percent are employed, as compared to 62.5 percent of able-bodied people with the same level of educational attainment (*People with a Disability Less Likely to Have Completed a Bachelor’s Degree*, n.d.). These are meaningful figures, especially given the prevalence of disability in the United States, because employment is a strong predictor of poverty; consequently, people with disabilities are more likely than able-bodied people to live in poverty.

While the proportion of differently-abled children in the United States is smaller than that of American adults – about one in every 25 children has a disability – the percentage of children with disabilities has increased by 0.4 percentage points between 2008 and 2019 (Young & Crankshaw, 2021). Children of certain racial groups experience disability at higher rates than children of other racial groups: American Indian and Alaska Native (AIAN) children experience disability at the highest rate (5.9 percent), followed by multiracial children (5.2 percent) and Black children (5.1 percent). Furthermore, childhood disability is strongly correlated with poverty: 6.5 percent of children living at or below poverty level have a disability, whereas only 3.8 percent of children living above the poverty level experience a disability (Young & Crankshaw, 2021). This is particularly noteworthy because families living in poverty are constrained in their ability to access adequate care for their disabled child(ren) by their limited financial power. In some families with differently abled children, one or more family members will abstain from workforce participation in order to meet the needs of their child(ren), which can exacerbate financial strain and “in some cases may contribute to a family’s entry into poverty,” (Young & Crankshaw, 2021).

In summation, families with either parents or children that have disabilities are more likely to require TANF assistance than their able-bodied counterparts, and they are also more likely to be people of color. In 2005-2006, 40 percent of adult TANF recipients had a disability, and an additional 10 percent had family members with disabilities (Bloom et al., 2012, p. 2). However, disability is a compounding issue in accessing TANF services at all. As previously mentioned, adults with disabilities are less likely to be employed and have a more difficult time sustaining employment; given the work requirements of a state’s TANF program, this means that disability can keep people from working the appropriate number of hours to be eligible to receive TANF support, which would consequently deprive them of assistance.

***Race***Many of TANF’s problems as a program are inextricably linked to its racist construction. The goals of TANF reflect paternalistic and outdated ideas about families and desirable family structures, and they have disproportionate impacts on people of color. The Center on Budget and Policy Priorities reported on TANF’s racist construction succinctly (Center on Budget and Policy Priorities, 2021):

*“The program’s strict work and behavioral requirements and arbitrary time limits, which disproportionally cut off Black families — as well as Indigenous families and other families of color — reflect inaccurate and racist stereotypes of Black women as “welfare queens” who only had children to receive more assistance and needed to be forced to work.”*

The prevailing stereotypes that laid the groundwork for the creation of TANF are reflected across several dimensions of the program. There are clear inequities in the programmatic barriers to accessing TANF; some requirements of this program, such as the work requirements, were implicitly designed to prevent single mothers from accessing resources. Additionally, families’ access to funding varies greatly based on family resources, size, and other determining factors which vary by state. What’s more, because states can choose to allocate TANF funding however they see fit, discriminatory culture or actions by lawmakers within a state can amplify across the TANF program and meaningfully affect people of color in unequal ways.

**TANF does not serve families of color as well as it serves white families.** The majority of Black Americans live in states that provide TANF cash assistance to 19 or fewer families for every 100 families living in poverty, but a majority of non-Hispanic white people live in states that provide cash assistance to more than 20 of every 100 impoverished families (Hahn et al., 2017, p. 10). The state-to-state variation in TANF programs exacerbates issues of racial disparities nationwide because many of the states that provide the lowest benefits to impoverished families have larger populations of Black Americans (Center on Budget and Policy Priorities, 2021). In fact, a recent analysis done by the Urban Institute shows that “the majority of African American and non-Hispanic white people live in states with less generous maximum benefits, more restrictive behavioral requirements, and shorter time limits [for people to receive benefits],” (Hahn et al., 2017, p. 21).

These disparities are pronounced for youths as well. Black American children are more than twice as likely as white American children to live in poverty, and recent research suggests that “**racial inequities in states’ TANF programs contributed to the impoverishment of approximately 256,000 Black children per year from 2012–2014**,” (Parolin, 2021). Additionally, states with higher percentages of Black populations typically choose to use their TANF funding to discourage ‘lone motherhood’ rather than to provide cash assistance to families in need (Parolin, 2021).

***Age***

At present, young adults and adolescents experience poverty at the highest rates of any age group in the United States. Hardship indicators suggest that the pandemic has exacerbated the already-high poverty levels of young people, which has amplified existing racial disparities as young Black and Latinx individuals experience higher rates of poverty than their white peers (Hahn et al., 2021). This is likely tied in part to young people’s involvement in the US labor market: people aged 18 to 29 felt the negative impacts of the pandemic most acutely, as they were more likely to be employed in sectors that were negatively impacted by the pandemic. Young people–particularly Black and Latinx young people – with less education were hurt the most in terms of employment outcomes (Hahn et al., 2021).

So, can these young people access TANF support? That depends. If they are a dependent under 18 years of age, a parent themselves, or pregnant with a child, they can access TANF. This is more complicated for teen parents – in 2020, every state except for Nebraska and Hawai’i imposed living arrangement restrictions and/or barred minor parents from being head of household (Hahn et al., 2021; *The Welfare Rules Database*, 2020, p. Table I.B.3. Special Rules Imposed on Minor Parents, 2020). This complicates independent teen parents’ ability to access supports. At a more basic level, young people are relatively inexperienced with bureaucracy, which could make them on the whole less aware of the public services that exist and their eligibility/ineligibility (Hahn et al., 2021).

In terms of work participation requirements, federal law gives some slight exceptions to teen parents: education directly related to employment and satisfactory attendance at secondary school or in pursuit of a GED both count as ‘core activities’ in the work participation rate for any recipient under the age of 20 (Schott & Pavetti, 2013). However, young people receiving TANF who do not fall into the aforementioned group are subject to harsher work requirements that actually manifest in imposed limitations and constraints on their ability to pursue education, which has negative implications for their long-term earnings potential (Hahn et al., 2021; Torpey, 2021; U.S. Bureau of Labor Statistics, 2021). Promoting education is a meaningful way to help people out of poverty, especially for low-income individuals and people of color (Robledo Montecel, 2013).

**TANF Work Assistance Programs**

Work assistance programs – also commonly referred to as ‘transitional jobs’ and ‘transitional work’ programs – are state-designed and implemented programs that are meant to help work-seeking individuals prepare for and find employment. Transitional work programs (TWP) are central to TANF, as they clearly align with its goal of promoting ‘welfare-to-work’ outcomes.

Chart, bar chart

Description automatically generatedHowever, as is true with much of TANF, the actual design and implementation of TWP does not align with its stated goals. As previously mentioned, TANF was created on the premise that one of the best ways to lift someone from poverty is to help them find and maintain employment. Reducing poverty is notably not among TANF’s four listed goals, despite its aim to reduce welfare dependence. Along that same vein, although one of TANF’s central purposes is to ‘promote job preparation and work’, **states spend an average of only 13 percent of their total annual funding on work activities and work supports** (Center on Budget and Policy Priorities, 2021).

Additionally, although increasing employment is one of TANF’s few stated, measurable goals, states are not required to track whether TANF recipients get jobs, which creates a barrier for assessing the success of many TANF policies and programs, including transitional work programs (Vallas & Slevin, 2016). The little data that exists reinforces that TANF work programs and work requirements are currently failing (*see figure 3*). Research of current TANF work requirements and work programs is damning: stable employment among TANF recipients is “the exception, not the norm;” the large majority of participants remained poor, and some even became poorer, and most recipients with ‘significant barriers to employment’ never found work (Pavetti, 2018).

*Figure 3. Source: Center on Budget and Policy Priorities*

There are further complications to TWP that derive from TANF’s legislative design. According to federal code, “vocational educational training may only count [toward TANF participation rates] for a total of 12 months for any individual,” and “an individual's participation in job search and job readiness assistance counts for a maximum of six weeks in the preceding 12-month period” unless they live in a designated ‘needy State’, in which case their participation in job search and job readiness assistance would count for a maximum of 12 weeks (45 CFR 261.33(a); 261.34(a,b)). These stipulations restrict state independence to design transitional job programs and punish individuals who require greater amounts of job preparation.

**Components of Typical Work Programs**

***Education and Skills-based Employment Preparation***

Some TANF transitional work programs are designed with the primary focus of providing educational and skill-based employment preparation to participants. Education and skills-based programs typically require a lot of involvement from both administrators and participants, which makes them more intensive to roll out. Although they are generally more demanding and complex, this type of program has strong potential to improve the long-term employment and earnings outcomes of participants given the strong correlation between higher education levels, increased earnings and lower rates of unemployment (Martinson & Holcomb, 2007; Pavetti, 2018).

In 2007, the Urban Institute compiled a collection of critical program elements for successful education and skills-based employment preparation (Martinson & Holcomb, 2007, pp. 16–17). These elements include:

* Providing a mix of elements, such as job search, education and training, and case management
* ‘Maintaining pressure’ on participants to find employment
* Establishing credentials through associates degrees or community-college certification
* Encouraging program completion
* Providing material and financial support to minimize dropout and lower obstacles to success

The administration of education and skills-based training programs can be centered on individual participants or state-partnered employers. Individual-based training generally attempts to provide participants with a greater breadth of skills and knowledge than employer-based programs. In 2018, experts at the Urban Institute released a report of collected reflections from mothers receiving TANF in D.C., and many of them reported “frustrating experiences” with both the office of work opportunity that helped place them in employment and with their vendors (i.e., the employers that would train and employ them) (Hahn et al., 2018, p. 14). The women were frustrated that they did not have more say in where they worked or the goals that they were setting for their employment (Hahn et al., 2018). An improved education or skills-based work experience could provide participants with greater choice and autonomy in their goal-setting and work experiences. While education and skills-based training programs have been proven to have strong outcomes for employment and earnings, a commonality among successful programs is robust additional supports for individuals (i.e., child care, tuition, transportation supports, etc.). A program that only supports education and skill development without additional supports is unlikely to be successful without additional benefits, and regulating the quality and content of educational materials could be difficult at a state level.

***Subsidized Work Experience:***

Subsidized work experience programs use government funds to subsidize some or all of the wages given to the workers participating in a transitional work program; these programs are generally offered for a limited duration, and do not typically place people into long-term jobs. A 2020 study by the Office of Planning, Research, and Evaluation (OPRE) analyzed 13 different programs across the U.S. and found that subsidized work programs can improve earnings and employment for many different populations (Cummings & Bloom, 2020). A 2007 report by the Urban Institute found that common attributes shared by successful subsidized work programs included:

* Paid, temporary employment
* Life skills and job readiness programs
* Administrative support and supervision
* Skill-building work
* Variety of job placements
* Post-placement support

The long-term outcomes and employment placement rates for subsidized work programs vary widely from program to program; placement rates tend to be higher for programs that operated their own work sites (Cummings & Bloom, 2020, p. 5). Of the programs included in the OPRE analysis, OPRE found that six had impacts on participants’ earnings after the programs ended and four improved participants’ employment outcomes for at least two years following the end of the job subsidization (Cummings & Bloom, 2020). This study also found that subsidized employment programs generally work best for people who have more barriers to employment, including those who had been out of work for more than a year, formerly incarcerated individuals, and individuals without high school degrees. This is a promising takeaway for TANF recipients, as over 40 percent of TANF recipients have no high school diploma, nearly 20 percent had not worked in the last two years, and between 10 and 15 percent reported domestic violence or criminal records (Bloom et al., 2012, p. 2). However, even the programs that had the biggest long-term impacts on employment were “unlikely [to have]… saved the government money,” which raises questions of their efficacy (Cummings & Bloom, 2020, p. 7).

Subsidized employment programs are variable in their construction and execution, and current evidence suggests that the programs are most successful when run entirely by the entity that organized the program. Wage-subsidy program administrators ‘struggled’ to find worksites that would employ participants, and fewer than half of all participating job-seekers were placed in a subsidized position (Bloom et al., 2012, p. 2). While subsidized work programs have the potential to provide targeted help to hard-to-employ TANF recipients, they do not consistently produce long-term benefits.

***Mental and Physical Health Support:***

Mental and physical health support programs give assistance to TANF recipients experiencing barriers to employment that could be treated, reversed, or managed through access to appropriate treatment and resources (e.g., homelessness, substance abuse, physical disabilities, mental health issues, etc.). Some programs seek to address health treatment first and then incorporate job support, while others incorporate health support into the job program itself. Given that hard-to-employ individuals continue to struggle in TANF employment programs, alleviating health struggles for recipients before enrolling them in job preparation programs could be beneficial to their success in the programs. On the other hand, convincing ‘pro-work’ individuals to use TANF dollars on physical and mental health support could be difficult.

Additionally, there are concerns of executability and standardization. Meaningful health support would need to be individualized in order to address the specific needs of recipients who require aid. Although there are differences both between programs and between services rendered for individuals participating in these programs, researchers have identified key aspects for program success (Martinson & Holcomb, 2007, p. 8):

* Screening and comprehensive assessments to identify barriers
* A regularly monitored and updated plan to assess progress
* Partnering with other organizations with expertise in addressing the barrier
* Maintaining focus on employment and financial goals

Addressing health issues could provide positive returns for participants and program outcomes. A 2019 study found that employees, workplace productivity, and communities all benefit from healthy employees; however, the “growing gig economy… means that workers are less likely to have many of the benefits of employment and more likely to have job insecurity than they did in the past, which can lead to increased stress and negative health outcomes,” (Adams, 2019). Attempts to improve TANF recipients’ mental and physical health concerns will be unlikely to generate meaningful improvements in employment outcomes if they do not also prepare them for long-term, sustained employment. As important as mental health is, participants will also require job preparation assistance to see true benefits from these services.

***Child Care Support:***

Approximately 1 in 5 TANF recipients that experience obstacles to employment have a child under the age of one, and approximately 1 in 13 TANF recipients have a disabled child receiving supplemental security income (SSI) (Bloom et al., 2012). Lack of access to childcare negatively impacts children, families, and local economies across the country (CHILD CARE AWARE OF AMERICA, 2019, p. 4). If a transitional work problem provides training or work opportunities without also providing some child care support, it is unlikely to have high participant retention or program completion rates because TANF recipients need their children cared for in order to regularly attend work or classes.   
  
There are innumerable studies that highlight the importance of quality childcare for the long and short-term outcomes of both parents and children. Currently, a significant amount of TANF funding goes to support child care and child support programs – nationally, approximately 32 percent of TANF budget is used to fund childcare, pre-k, and child welfare (Center on Budget and Policy Priorities, 2021). While childcare is helpful in alleviating the burdens that parents face in obtaining work or work training, in and of itself, it does not improve recipients’ work skills or employability. Although it is an essential component for investment, targeting the limited TANF funding on components that go directly to improving the outcomes of the parent themselves could improve program efficacy and children’s outcomes down the line.

**Other Federal Employment Programs**

National reports reveal that many families receiving TANF also receive aid from a variety of other programs. As of 2020, nearly 94 percent of households receiving TANF also received subsidized medical assistance; 11 percent lived in subsidized housing, 5 percent received subsidized childcare, and nearly 81 percent were enrolled in the supplemental nutrition assistance program (SNAP) (Office of the Administration for Children & Families, 2021a, fig. 11). There is very little data about TANF-leavers, but there is some available information about other supports TANF recipients are accessing; it is unlikely these are their only supports, and it is not possible to draw conclusions about what programs they access after leaving TANF.

In terms of work training programs, opportunities to access work supports have recently expanded but are still fairly limited. The Employment and Training Administration (ETA) under the Department of Labor administers career and job training programs that are funded under the Workforce Innovation and Opportunity Act (WIOA). These programs serve a broad range of people, including vulnerable populations and youths, and they are administered via ‘One-Stop Career Centers’ nationwide (U.S. Department of Labor, n.d.-a).

The other large federal cash-assistance and work training program that low-income, differently-abled members of Gen Z can access is the Supplemental Security Income program (SSI). SSI is a means-tested program that provides monthly payments to low-income children and adults who fit the criteria for disability and meet certain income requirements. As with TANF, the amount of cash support provided to recipients varies by state and by case (Social Security Administration, 2022). In terms of work support, SSI also offers career development programs, similar to TANF. Unlike TANF, SSI’s main career development program “Ticket to Work” is an entirely voluntary aspect of the broader supports that SSI supplies (*How It Works - Ticket to Work - Social Security*, n.d.).

**Promising Alternative: Sectoral Job Training Programs**

Research has shown that sectoral employment programs are a promising avenue by which to improve low-income individuals for gainful employment. Sector-based job training programs are job preparation programs that train people to work in high-demand sectors that pay well for people who do not hold four-year degrees, such as healthcare, manufacturing, and information technology. After completing sectoral work programs, participants were “more likely to be employed, be employed consistently, work in jobs with higher wages, and work in jobs that offered benefits,” (Pavetti, 2018, p. 2). Sectoral work programs were developed at the community-level, but in more recent years they have garnered national interest. Sectoral-based job training programs usually take about 6 months or fewer to complete, and they combine some elements of traditional workforce preparation, such as occupational skill and work-preparedness training, with ‘wraparound support services’ and follow-ups after program completion (Katz et al., 2020). Sectoral work training programs have been identified as promising avenue by which to promote equity of opportunity by a number of highly regarded research institutions including the National Bureau of Economic Research and the Abdul Latif Jameel Poverty Action Lab (Abdul Latif Jameel Poverty Action Lab, 2022; Katz et al., 2020). *For an in-depth example of a successful sectoral work program, see the case study on Project QUEST.*

**Case Study: Project QUEST**

One education-centered transitional work program with remarkable long-term success is the **Project QUEST** program based in San Antonio, Texas, which has yielded the longest-sustained returns of any U.S. transitional work program. Its participants have better employment outcomes and earned significantly more income than individuals in the control group even eleven years after the end of the program (Roder & Elliott, 2021).

Project QUEST supports participants through technical associate degrees that prepare participants to go into careers in healthcare, information technology, and trades/advanced manufacturing. The programmatic supports provides to individual participants are extensive, including but not limited to: childcare, financial benefits, tuition, training, and weekly check-ins.

**Project QUEST has proven to be successful among people of color; 61 percent of graduates are Hispanic, and 12 percent are African American** (*25 Year Economic Impact Study,* 2018). While the demographic makeup and success rates of local transitional work programs differ by program and state, localized programs are generally more tailored to the needs of individuals in the area(s) they serve, which generates more positive, equitable outcomes (Spievack et al., 2020). Notwithstanding that, to align with the goals of ATP, these programs would have to also be inclusive to young, high-school and college-aged individuals with children or teens under 18 whose families receive TANF.

**Potential limitations of Project QUEST:   
1:** Education requirements for participants could potentially exclude some of the hardest-to-employ TANF recipients.

**2:** Open to all low-income individuals, not just TANF recipients. Without program alterations, states could divert TANF assistance funds to individuals who do not qualify for the TANF assistance if they use public funds to support this program.

A 2020 report by the National Bureau of Economic Research Programs analyzed several successful sectoral training programs that targeted increasing opportunity for low-income or disadvantaged adults and youths or young adults. Participants of these programs are “disproportionately drawn from minority groups (Blacks and Hispanics), low-income households, and individuals without a college degree,” (Katz et al., 2020, p. 2). They identified several key findings from their evaluation of successful sectoral work programs:

1. Sectoral job training programs place participants into higher-paying industries and occupations through both training in transferable, certifiable skills, and in reducing barriers to employment.
2. There are sustained earnings gains for participants which suggest that employment and earnings gains achieved through sectoral training programs are not just a result of labor shocks, but rather of real impacts of the program on participants.
3. ‘Wrap-around services’ that provide additional supports to program participants might are not sufficient alone in improving the success of sector-based work programs versus other work training programs, as evidenced by outcomes of participants who were given wraparound services without additional employment training. However, the authors found that wrap-around services were still anecdotally important and did not discount that wrap-around services are an important complement to sectoral skills training.

**EVIDENCE ON SOLUTIONS**

**Trends and Opportunities for Growth**One of the complicating factors for TANF administration is that states are required to document that TANF participants have met the federal requirements so that they can be counted in the state’s work participation rate (WPR); states are penalized if they fail to meet this requirement. This pressures states to place work program participants into jobs as quickly as possible, rather than taking the time to train them and prepare them for longer-term, higher-quality employment. Most states’ target WPRs have fallen as a result of their diminished cash assistance caseloads; in 2019, 27 states had WPRs of zero, which provided them ‘complete flexibility’ over work program design (Meyer & Pavetti, 2021). In addition to the opportunity latent in work program design, states have significant financial flexibility.

States are failing to spend their whole block grant, and misdirecting what they are spending to programs other than TANF (Falk & Landers, 2021). States could be using these funds to improve TANF’s transitional work programs.

Across the country, some states are looking to use their unspent funding and experiment with different types of investment to pursue TANF’s goals. Some states are moving towards a community-focused model that uses public funding to support local organizations.

For example, in Virginia’s proposed budget for 2022, the state has allocated approximately $8 million from the TANF block grant to local community action agencies (CAAs), which provide services including ‘child care, community and economic development, education, employment, [etc.]’ to low-income individuals and families, including migrant workers. An additional $9.3 million is set aside to fund grants for community employment and training programs to help TANF recipients ‘obtain and retain’ competitive employment in industries with prospects for career development and wage growth, with the ultimate goal to “permanently move individuals out of poverty,” (Budget Bill, 2022). By putting aside substantial funds to promote community-level job programs and support innovative programming, Virginia is taking steps to advance its transitional work programs to prepare participants for long-term employment.

**Employment Training Strategies for Low-Income Youth of Color**

This report considers TANF transitional work programs as a way to improve opportunity for people of color – and consequently, young people of color – in a broad sense, but it is worthwhile to examine ways that public investment and government programming can increase opportunity specifically for young people of color.

A 2020 report by the Urban Institute identified promising approaches to improve economic opportunity for young men of color. The report defined as the existence of chances to achieve positive economic outcomes, the ability to act on those chances, and the possibility that acting on economic opportunities would yield the intended outcomes (Spievack et al., 2020, p. 2). The approaches most pertinent to TANF are intervening early, providing higher education and career training tailored to fit specific population needs, and tailoring economic opportunity programs to the local context (Spievack et al., 2020, pp. 3–5). The authors stress that community-based interventions and community-wide outcomes are especially important for young men of color, as “they are more likely than their white peers to live in areas of concentrated poverty that limit economic opportunity,” (Spievack et al., 2020, p. 5). By taking a more holistic approach and relying on community needs to guide interventions, transitional work programs can best serve their participants.

Another report revealed important insight on effective methods to improve economic opportunity for young people. In 2021, the Urban Institute completed an analysis of the ‘Urban Alliance’ youth employment intervention; this program was aimed at young people of color and rolled out through the youths’ high schools. The program targeted high school seniors who achieved “middle-of-the-road” success in schools, and it provided skills training, work experience, and mentorship to its participants and alumni (Theodos et al., 2021, p. viii). A rigorous analysis of this program revealed the importance of effective student targeting, strong mentorship networks, standardizing curriculum implementation and pairing enthusiastic mentors with students that require additional support (Theodos et al., 2021, pp. 72–76). Another key takeaway from this study is the importance of paying people for all of their work in a program and providing competitive wage rates; student participant soften bore some responsibility for household finances, and did not “have the luxury of thinking [about] long-term success at this point,” (Theodos et al., 2021, p. 63).

To summarize, early, targeted, localized interventions that incorporate the community, pay participants well, and provide students with a larger support network show promise for youths of color.   
  
**Implementation Considerations and Potential Challenges**

**Scaling**

There is no shortage of literature on effective and ineffective transitional work interventions. Generally, experts agree that sectoral work training programs are a promising variety of intervention that could generate long-term positive outcomes for participants, and that local programs tend to be more successful getting vulnerable populations into work as they are more tailored to community needs (Katz et al., 2020; Spievack et al., 2020). Verifying that an intervention is successful is half the battle – the other half is replicating and expanding a locally niche program to different areas or populations of service.

This problem, succinctly, is a problem of scaling. Scaling is the full process of taking a program from one place and either expanding, replicating, or adapting it for another audience (Needels et al., 2020). Replicating the intervention would entail recreating the program with the same target audience in another area; expansion would take the same program and increase the number of people it serves in its target area, and adapting would cater the intervention to a different population or another distinct location (Needels et al., 2020).

To effectively scale an intervention, it is critical to identify an approach to scaling, determine the partnerships to create for organizing and administering the program, and ensure program ‘fidelity’ to the original intervention (Larson et al., 2017). Scaling an intervention up successfully requires that both the intervention and organization are ready. ‘Intervention readiness’, as defined by a Mathematica policy report, requires a clearly-defined intervention, target audience, and implementation supports; ‘Organizational Readiness’ requires that the organization possesses the resources necessary to implement the intervention and operates with a culture that is willing to support “innovation, learning, and improvement for an intervention,” (Needels et al., 2020, p. 15). Significant public investment should only be made after the groundwork is done to ensure that both the intervention and organization are prepared to scale up.

**Principles of Public Investment**

In a 2014, the Organization for Economic Cooperation and Development identified key elements to effective public investment. They are as follows (Organization for Economic Cooperation and Development, 2014, pp. 9–12):

* ***Coordinate investment.*** They suggest strategizing investment based on the characteristics of the investment area to ensure that the aid is tailored to the needs of the area, facilitating coordination across levels of government, and coordinating at regional levels to ‘invest at the relevant scale’.
* ***Strengthen investment capacity and promote learning.*** In order to guide public investment, OECD recommends assessing the potential long-term impacts and risks of each alternative, engaging with stakeholders throughout the process to enhance social value, integrating private support, cultivating relationships and knowledge-sharing among officials and institutions involved in the investment, and focusing on the desired outcomes.
* ***Ensure clarity, assessibility, and accountability at all levels of government.*** Promote transparency, consistency, and clear management across all levels of government.

These principles should inform state funding of transitional work programs for TANF recipients. Given what’s at stake, states need to do all that they can to ensure that the money they are investing in these programs is making real, tangible impacts. This makes the final principle of investment – ensuring clarity, assessibility, and accountability – very important for these issues. In the case of TANF, a program with very little federal oversight, coordination and transparency are most pertinent to intrastate activities. More robust, regular data collection could both facilitate coordination and transparency, as well as promote learning. With more robust data on outcomes and rollout, TANF administrators can work to ensure that investment is most impactful for the needs of the TANF recipients. Given that most programs are rolled out at a state level, the ability of investment to meet the needs of specific regions or target audiences hinges on the mechanisms of program rollout.

**Data Limitations**

States have fairly minimal data collection requirements for TANF programs. According to the legislation, states are only required to report case record information (disaggregated and aggregated) on individuals and families, data on expenditures, and the definitions and other information on the State's TANF and MOE programs (45 CFR 265.1(b)).

The primary data sources available for assessing the equity of TANF programming are two separate datasets on families receiving TANF and closed TANF cases, both of which are submitted by states to the federal government annually. While the data on closed cases include the reason for case closure (e.g. change in employment/income, sanctions, or state-specific policies), it does not track recipient outcomes after leaving TANF, which effectively limits the assessibility of program successes on long-term outcomes (Office of the Administration for Children & Families, 2021a) .

Additionally, there are limitations to the data that is available. States have complete discretion to decide who is counted as a TANF recipient; some states will choose to use solely-state-funded (SSF) programs to assist families instead of federally-funded-programs because it affects their state-level official work participation rate, which is a program performance measure that can reduce the size of block grant they receive (Urban Institute, 2021). The Urban Institute has identified two main implications of these limitations, which are as follows:

1. Because some states tend to use solely-state-funded programs for two-parent families and it is possible for the racial and ethnic composition of two-parent families to differ from that of other family types, it is possible that TANF administrative data might exclude some racial and ethnic nuances about the true, full TANF caseloads in a state.
2. If a family is sanctioned or hits the federal time limit, some states would use state funds to support the family further, which could impact the analysis of time periods in which households received aid.

# **CRITERIA**

In essence, this report seeks to guide the use of state investment to improve the equity and efficacy of their TANF transitional work programming. The following criteria reflect the most crucial considerations by which to judge alternatives.

***Effectiveness:*** This outcome, measured on a scale of ‘high’, ‘medium’, and ‘low’, will assess the impact of the alternative on employment outcomes (both employment status and earnings) of participants based on the longest-term data available for each alternative.

***Access and Participation:*** This will reflect an alternative’s impact on barriers to program participation, program supports offered, and program adaptability (i.e., can the program be tailored to reach target communities). This criterion will be measured on a scale of ‘high’, ‘medium’, and ‘low’.

***Feasibility:*** This will evaluate the feasibility of implementing changes to current policy. The feasibility measure will reflect three general considerations, all evaluated on a scale of ‘high’, ‘medium’, and ‘low’:

1. *Rigor of funding approval process:* How difficult would it be to get governmental approval to invest more in an alternative? This will vary by state.
2. *Required supports for program*: This will reflect the intensity of infrastructural supports required from state government for each alternative. This will be generalized based on information accessed for this report.

***Evaluability:*** This criterion will reflect a collection of factors – namely ease and preponderance of data collection, availability of data administrators, and transparency of outcomes – on a scale of ‘high’, ‘medium’, and ‘low’.

**Client Values:**The Urban Institute’s stated values are collaboration, equity, inclusivity, independence and integrity. Its mission is to open minds, shape decisions, and offer solutions through economic and social policy research (Urban Institute, n.d.). My client specifically is the Center on Nonprofits and Philanthropy, which works across the public and private sectors in order to increase social impact (Urban Institute Center on Nonprofits and Philanthropy, n.d.). Being that the American Transformation Project was created to research and inform funder practices to advance racial equity and dismantle structural racism, it is particularly concerned with people of color in Generation Z (*American Transformation Project*, 2020). Because of TANF’s scope and because Urban is not in a position to implement policy directly, I am suggesting more general alternatives to be considered by a wide audience. These are not specific to any single entity, instead general recommendations that could be used to inform state funding.

# **ALTERNATIVES**

The alternatives in this section identify different avenues for improved public investment in TANF transitional work programs. The alternatives include the following:

**1. Maintain the status quo**

**2. Invest More in Existing Programs**

**3. Continue Funding Programs and Create a Grants Office to Fund Promising Innovative Approaches**

I will evaluate the alternatives by the aforementioned criteria to determine where state TANF funds would be best invested to improve the success of transitional work programs, with a special focus on young people of color. I define ‘success’ in transitional work programs as an improvement in the long-term earnings and employment outcomes of participants as compared to those who do not participate in the program.

## **ALTERNATIVE ONE: MAINTAIN THE STATUS QUO**

The most recent data on national TANF spending shows that states spend a total of 12 percent of the national TANF block grant on work activities and work supports for their participants. The funding of transitional work programs was variant state-to-state. In 2020, of all state block grants nationwide, ten states spent less than 2 percent of their funds on work-related activities and eighteen states spent less than one percent of their grant money on work supports and services. Even states that ostensibly spent a lot on work-related activities – like Mississippi and Hawai’i, which respectively spent 19 and 30 percent of their total TANF funds – actually directed most of those funds to college scholarships that were available to people who made up to 300 percent of the poverty line, which is a much broader population than just those eligible for TANF (Safawi & Azevedo-McCaffrey, 2022). Furthermore, many states do not allow students to fulfill their work requirements by attending school. If current trends are allowed to continue, states will continue to funnel money away from meaningful work-related supports and allow barriers to education for young people receiving TANF to persist.

Using this alternative, states would not change their current funding process for TANF transitional work programs. This would require no changes to the state budget, no infrastructural adjustments for transitional work program support, and no alterations to data collection.

***Effectiveness: Low***

Right now, states use a very small portion of their funding on work-related activities and work supports. What’s more, because of the enormous discretion states exercise over their uses of TANF funding, much of the ‘work-related’ use of funding is not being used to finance work supports servicing the families with the greatest need, but rather being funneled into college aid for low-to-moderate incomes (Safawi & Azevedo-McCaffrey, 2022).

The funds that are allocated to state’s transitional work program systems are not particularly well-spent, either; many transitional work programs fail to develop the skills or earning-ability of their participants, which leads participants “to the same low-paying, unstable jobs that led many of them to TANF in the first place,” (Safawi & Pavetti, 2020). Research shows that existing TANF work programs are ineffective, but lack of data makes programs’ precise impact difficult to assess. Even for those who leave transitional work programs employed do not often see sustained increases to earnings or employment. The state of Maryland tracks family outcomes of TANF-leavers and researchers have found that less than a third of TANF participants who met work requirements through participating in state-sanctioned work activities “achieved stable or increasing employment over a period of five years after exiting the program, meaning that they either worked in three or four quarters each year, or that they had a general pattern of increasing quarters of employment,” (*Hearing on Getting Incentives Right: Connecting Low-Income Individuals with Jobs*, 2016, pp. 2–3). Only approximately 1 in every 13 participants (8 percent) earned enough to stay above the federal poverty line for a family of three after exit, and more than 1 in 4 participants “never earned more than $7,540 (20 hours per week at the minimum wage) in any year of the five-year follow-up period,” (*Hearing on Getting Incentives Right: Connecting Low-Income Individuals with Jobs*, 2016, p. 3). Although work participation outcomes vary state-to-state, given how few states collect long-term participant data, projecting these findings could provide some useful – if vague – insight on the potential consequences of maintaining the status quo.

Projecting Maryland’s trends to the national number of work-eligible families meeting the requirements for sufficient participation in FY2020, only approximately 17,436 of the roughly 218 thousand families would stay above the poverty line five years after participating.[[2]](#footnote-2) This does figure does not account for the TANF participants who are unable to meet work requirements, which would likely make the fraction of successful outcomes even lower. Of the same 218 thousand individuals meeting work requirements for TANF, nearly 55 thousand would never make more than the equivalent of 20 hours per week of minimum wage in the five years after leaving TANF.[[3]](#footnote-3) Without change, TANF will continue to fail its participants.

***Access and Participation: Low***

Research has found that the most common work barriers for recipients of TANF are a lack of education and work experience, health challenges, and caring for disabled children. Families with either parents or children that have disabilities are more likely to require TANF assistance than their able-bodied counterparts, and they are also more likely to be people of color (Bloom et al., 2012). TANF programs as they exist right now offer minimal work supports to participants. Nearly 30 percent of all TANF leavers in FY 2020 were removed due to sanctions of failure to comply with requirements (e.g. work requirements, attending eligibility appointment, or submitting verification materials) (Office of the Administration for Children & Families, 2021a, fig. 43). Without adjustments, transitional work programs will not increase participant retention.

***Feasibility: High***

Given that this requires no changes to current funding structures and no infrastructural alterations, this alternative is feasible to implement.

***Evaluability: Low***One great hurdle of assessing the success of current TANF work training programs is the minimal data collection required by the states. States are not currently required to provide information about work program participation (45 CFR 265.1(b)). Not only do states rarely provide clear pictures of why participants stop receiving TANF, they are also not required to collect data on the efficacy of their programs (Office of the Administration for Children & Families, 2021a; Vallas & Slevin, 2016). Without more complete and regular data collection, precisely evaluating the strengths, weaknesses, and efficacy of existing TANF programs is near-impossible. For example, because states are not required to continue collecting data on TANF leavers, the national dataset and most state datasets do not provide indications of work program retention or success. This makes it difficult to adjust program supports to meet the needs of individual, regional, and population-specific needs, which in turn limits opportunity to improve program success.

## **ALTERNATIVE TWO: INVEST MORE TANF FUNDING IN PRE-EXISTING STATE EMPLOYMENT TRAINING PROGRAMS AND RESTRUCTURE FINANCING OF CHILD SUPPORTS**

Right now, states spend an outsized amount of their TANF funds on child care programs at the expense of increasing their cash benefits or increasing the funds they put towards work activities and work supports (Dwyer et al., 2020; Safawi & Azevedo-McCaffrey, 2022; Safawi & Schott, 2021). From FY 2019 to FY 2020, the amount of TANF funds used for child care increased by $182 million nationwide, while the amount used for work, education, and training activities decreased by $182 million (Office of Family Assistance, 2021). On average in FY2020, approximately 48 percent of families receiving TANF have at least one parent.[[4]](#footnote-4) While children are at the heart of TANF, TANF funds could be better used to promote upward mobility of parents who can then utilize their increased income and job stability to ensure their children’s health. To maintain their provision of child support without relying as heavily on the TANF block grant, states could strategically utilize the money from their Child Care and Development Fund (CCDF) block grant in tandem with their TANF programs to ensure child support would remain available to low-income families. This could lessen the availability of subsidized child support to relatively higher-income families.

Like TANF, CCDF is a block grant program that allows states to set their own rules for recipients. Experts at the Urban Institute have suggested that states and territories ought to create guidelines that prioritize vulnerable, at-risk, or underserved families, such as families receiving TANF benefits. States operate on 6 or 12 month reauthorization for families receiving child support through CCDF, and a slight majority of states prioritize families with very low income, TANF families, and families with special needs (Stevens et al., 2015, p. 8). There is some concern that, in promising childcare services to TANF recipients, the CCDF funds could fail to reach a more limited of its target population, which is families who make at or below 85 percent of the median state income and have children under 13 (or, in the case that their child(ren) have special needs, at or below 18 years of age) (Stevens et al., 2015). Given the previously discussed issues with accessing TANF in the first place, it is possible that this policy shift could shift childcare support away from families whose income would make them eligible for TANF but who do not receive services (because of work requirements, sanctions, etc.). Given that families of color face the most obstacles to TANF access, this has significant potential equity implications; however, these concerns could be addressed by guaranteeing subsidized childcare to families below a certain income (Hahn et al., 2017). By guaranteeing – not just prioritizing – CCDF childcare to family in need, states could both funnel support to families experiencing dire need and enable state government to redirect TANF funding from providing childcare support to other TANF-provided services, like cash welfare and work preparation programs. Currently, 21 states and territories guarantee child support to TANF families by way of CCDF funds, so there is precedent for targeting CCDF funds in this way (Dwyer et al., 2020). By using CCDF funds to provide targeted child supports to families receiving TANF, states could recoup millions of dollars which they could then allocate to their transitional work programs.

With what they are able to save with the CCDF grant, states would free up TANF funds to invest more TANF money in their state-run TANF employment program (e.g., investing to scale up the program to support more participants, hiring additional caseworkers, increasing the availability of work supports, etc.). That being said, it is possible that state funding for child support programs relies heavily on the TANF block grant; given that this alternative could detract from a state’s ability to support its children, this amplifies the difficulty of rerouting TANF funds back to the program itself. Furthermore, many states end each fiscal year with unspent TANF funds; in fact, by the end of FY2020 there were over 5 billion unspent TANF dollars sitting in state coffers (Office of Family Assistance, 2021). States could put this additional money into work activities and work supports. This money could be spent in a number of ways that could help eliminate common participant barriers to participation, strengthen participant support networks, and provide more individualized aid to participants (e.g., hiring additional administrative program staff, funding additional wrap-around supports, increasing the wage rate for subsidized labor, etc.) (Bloom et al., 2012; Jacobs & Bloom, 2011; Martinson & Holcomb, 2007; Pavetti & Strong, 2001; Spievack et al., 2020). States could also use these funds to hire data analysts that would track and centralize data on participant outcomes; these individuals would work at regional and state-wide levels. Especially if states begin tracking participant outcomes after leaving TANF, the data analysts would also be able to assess outcomes in relation to race, gender, and age; states could then use this data to inform the goals and requirements of their programming.

***Effectiveness: Low***

Depending on how a state chooses to use the additional funding for work programs, the outcome of this alternative could shift. In a study of a youth transitional work program, participants identified wages, mentorship, and administrative support as important components of their success in the program (Theodos et al., 2021). If states choose to put money towards the wages and support networks for transitional work programs, it is possible that they could improve the retention and administration of the programs, which could in turn improve participant success rate. However, it is possible that if the money is just spent on increasing the number of participants a program can sustain, this investment will do very little. Existing programs are not adequately preparing individuals for long-term employment, and many are more focused on getting people quickly back into work than preparing people to enter higher-paying jobs, so investing additional money into expanding those programs will not improve employment outcomes. Most TANF recipients are employed both before and after leaving TANF, but the jobs are low-wage and do not help participants move off of other welfare supports like SNAP and Medicaid (Safawi & Pavetti, 2020). Data limitations constrain estimates of national work program outcomes, but data following TANF recipients in Maryland suggests that only 1 of every 13 participants who was able to meet TANF work requirements actually stays above the federal poverty line in the five years following their exit from TANF. Without change, nearly 92 percent of TANF recipients will dip back below the poverty line in the five years following their participation in TANF (*Hearing on Getting Incentives Right: Connecting Low-Income Individuals with Jobs*, 2016). There is potential for long-term impact if states choose to put funding towards increased data collection and use that data to determine ways to improve their transitional work programs, but this would likely entail at least a partial program redesign and therefore cannot be directly measured.

***Access and Participation: Medium***

As mentioned above, increasing funding of transitional jobs programs could improve retention and participation, depending on the allocation of investment across different aspects of the program. If states choose to put the money towards measures that will lower participant barriers to entry and increase support to participants, this could have positive impact on outcomes – especially for people of color, who are more likely to have more barriers to employment (Bloom et al., 2012; Spievack et al., 2020).

***Feasibility: Medium***

***Rigor of funding approval*:** The difficulty of implementing this alternative depends on the budgetary process, political climate and budget constraints of a state. It is possible that a state could rely on the TANF funding as an additional supplement to the funds their budget allocates for childcare and child support services. This alternative could potentially reduce the amount of childcare and child support available, which could make a state unwilling to implement it. On the other hand, given that this alternative is essentially just reallocating TANF funds to more TANF-specific programming, it seems to be politically feasible. This would also require a state’s Department of Education, which controls the CCDF, to approve a regulation guaranteeing subsidized childcare to TANF recipients and all individuals below a certain income threshold. This could be done within the agency, as the ‘lead agency’ operating CCDF in a state has vast discretionary power (45 CFR 98.11(a)). There is precedent for similar use of funds, which underscores the potential for enacting this alternative (Stevens et al., 2015).

***Supports required:*** Implementing this change would not require any additional supports in order to be enacted. In order to require more robust data collection, states’ department of social services would likely have to pass a rule requiring and outlining data collection guidelines and protocol. Additionally, by increasing the budget for work activities and work supports, the state could hire more TANF administrators which could increase the availability of individualized supports to participants.   
Although the supports required for this alternative are low, the potential funding complications are considerable. While this alternative is still practicable, it is not highly feasible.

***Evaluability: Medium***

While hiring data personnel could improve administrative ability to track individuals, there will be no enforcement of data collection without legislative change. If states do not raise their data collection standards and require more robust participant tracking, assessing the efficacy of this outcome will be difficult. Program efficacy could be tracked in part by proxy of the economic conditions of the communities the programs operate in, that measure would be imperfect and not fully reliable.

## **ALTERNATIVE THREE: USE TANF FUNDS TO PROVIDE FINANCING TO PROMISING, PRIVATELY-RUN SECTORAL TRAINING PROGRAMS AT LOCAL AND REGIONAL LEVELS**

Alternative three would incorporate the childcare funding structure of alternative two alongside the creation of a state-directed grant program that would award funds to promising local sectoral work training programs. The state’s pre-existing, state-led temporary work program would continue to run, but states would use their unused TANF funds and the money they save from refinancing child support to create a grant fund from which to pay promising sectoral training programs to operate in communities across the state. If the program can prove success after a certain duration of time, the program could acquire additional funding to scale up their services, with the potential to ‘take over’ sectoral training in different regions.

In order to process grant requests and furnish funds to grantees, states would need to develop grant offices, likely under their state’s department of Health and Human Services. The political process of creating this office would vary by state constitution, as would the process of allocating funding to the office. Given the federalist design of TANF, the budgeting processes and bureaucratic regulations for this alternative will vary by state.

Sectoral work training programs are increasing in popularity as they routinely generate significant increases in long-term earnings and employment for participants (Abdul Latif Jameel Poverty Action Lab, 2022; Katz et al., 2020; Roder & Elliott, 2021). By funding localized programs rather than running state-wide employment training programs, this alternative has the potential to improve a program’s ability to meet the needs of communities and adjust their target employers to region-specific industries.[[5]](#footnote-5)

Successful sectoral training programs are characterized by their personalized support for participants. Many successful sectoral work programs provide robust, individualized ‘wrap-around supports’ to their participants including services like transportation assistance, childcare, financial aids, and career mentoring. Given that they operate on a relatively smaller scale, as well as their smaller caseloads and highly structured support networks, program administrators are empowered to keep careful track of participant progress. All aforementioned aspects improve the programmatic ability of these programs to meet the needs of diverse and vulnerable populations, which in turn improves retention rates and participant outcomes (Abdul Latif Jameel Poverty Action Lab, 2022; Katz et al., 2020; Theodos et al., 2021).

If programs showed high levels of success, they could apply for more funding to ‘scale up’ their program and move more families out of poverty and into security. This could potentially increase difficulty of tracking individual participant progress and outcomes, but negative impacts could be diminished or avoided if the program scales up using the previously discussed methods of scaling.

***Effectiveness: High***

High-quality sectoral employment programs produce some of the highest earnings gains for participants of any training and employment service programs in the United States. These gains in earnings and employment are sustained in the long-term, and the increases range from 14 to 39 percent in just the year following training completion (Katz et al., 2020, p. 2). The success of these programs is, in part, a function of sectoral employment programs preparing participants to work in higher-wage jobs in in-demand fields, rather than aiming just to increase participant employment rates or hours worked. These programs show promise as tools to increase economic mobility and security for people of color, which could help break cyclical poverty.

***Access and Participation: High***

Successful sectoral training programs are successful, in part, because they offer such comprehensive supports to participants. Many low-income individuals participating in sectoral employment programs face multiple barriers to employment (e.g. education, career ‘soft-skills’, certifications, etc.) and these programs meet participants’ needs (Abdul Latif Jameel Poverty Action Lab, 2022). Generally, experts agree that sectoral work training programs are a promising variety of intervention. Given that local programs can be more tailored and tend to be more successful getting vulnerable populations to work, they can be more successful at reaching target populations than one-size-fits-all programs (Katz et al., 2020; Spievack et al., 2020). The four programs included in a review done by the National Bureau of Economic Review were “geared toward opportunity youth and young adults …or broader groups of low-income (or disadvantaged) adults,” and the participants were “disproportionately drawn from minority groups (Blacks and Hispanics), low-income households, and individuals without a college degree,” (Katz et al., 2020, p. 2). Participant retention varies program-to-program is generally high; WorkAdvance boasts a 70 percent completion rate and 90 percent of Project QUEST participants complete the program (Project QUEST, 2021; Tessler et al., 2014).

***Feasibility: Medium***

***Rigor of funding approval:*** Just as for the alternative above, the difficulty of the funding process for this alternative is dependent on the state’s budget constraints, political climate, and the levers of control for funding. As before, because this alternative’s basis is in reallocating TANF funds to more TANF-specific programming, it could be fairly simple to execute.

***Supports Required:***This alternative would require support most pointedly in the development of a grants office. This office would be responsible for facilitating the grant application process and dispersing funds, and it may also require a team of data analysts to determine whether or not a program provides evidence of success. However, most of the infrastructural support necessary to execute this alternative would be in acquiring a staff and creating a grant process. The actual management of sectoral training programs would fall on the staff of the programs, who, as private employees, would not require further support on behalf of the government. Because this alternative requires new administrative supports at the state-level to disperse funds to localities, it is slightly more difficult to roll out than alternative two, which could spend funds towards improving administrative capacity in existing state level programs.  
  
Because there is precedence for using state funding similarly, this process is feasible from a budgetary perspective. Although creation of a grants office could be work-intensive, states would have other state-run grant offices that they could design this office around. This alternative therefore scores ‘medium’ for feasibility.

***Evaluability: High***

The success of this alternative will be readily assessed. Because the proposed funding process for sectoral training programs is an application-based grant process, policymakers could build in an evidence requirement for grant applicants. If the grants office were to incorporate evidence requirements in both the original grant application and the grantee re-application for funding, the expected evaluability of this alternative is high. Administrators can make data collection a condition of continued funding, which is a way to validate the investment and readjust funding if needed. This evaluability will also help the state to analyze programs outcomes for participants at different intersections (i.e., race, gender, age, disability, etc.), thereby giving them a way to direct their investment to best promote equity.

# **OUTCOMES MATRIX**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Effectiveness** | **Access and Participation** | **Feasibility** | **Evaluability** |
| **Maintain the Status Quo** | Low | Low | High | Low |
| **Invest More TANF Funding in Pre-Existing State Employment Training Programs and Restructure Financing of Child Supports** | Low | Medium | Medium | Medium |
| **Use TANF Funds to Provide Financing to Promising, Privately-Run Sectoral Training Programs at Local and Regional Levels** | High | High | Medium | High |

*The highlighted box represents the recommended alternative.  
Color scheme: best, second best, worst*

# **RECOMMENDATION**

My final recommendation is that states employ alternative three: use CCDF funds to guarantee subsidized child care for TANF recipients, and funnel unutilized TANF funds (as well as additional funds freed up by transferring some cost of childcare onto CCDF) to support the development of localized sectoral work programs. This alternative allows the existing state-led programs to continue, but it encourages innovation and creates more trackable work programs that states could potentially target more investment towards if they are successful.

The level of sectoral work program design and rollout is important, as research suggests that programs tailored to community-specific needs tend to meet participants’ needs better. Many privately-developed sectoral work programs have proven long-term earnings and employment impacts for participants, fairly high retention rates because they are more tailored to specific community needs, and generally better data access because they are smaller, more centralized, and required to provide proof of success (Abdul Latif Jameel Poverty Action Lab, 2022; Katz et al., 2020; Roder & Elliott, 2021). Because many sectoral work programs also provide ‘wrap-around services’ including child support, investing in program financing could simultaneously help meet the need for childcare and improve individual employment outcomes.

Feasibility-wise, this alternative could be difficult to implement on a governmental level given that it would require the creation of a grants office, a framework set up for grant processing and applications, and approval from individuals and organizations with power over the budget. That being said, this alternative would be easily implemented in terms of actual program administration, as the work of educating, supporting, and monitoring participants would fall on to the private staff running the sectoral work programs.

There are some tradeoffs to this program: it is not as feasible as maintaining the status quo, and it would require state governments to develop and oversee a state grants office. Additionally, there is the possibility that in diverting TANF funds away from child support and child welfare, alternatives 2 and 3 could negatively impact children in the state. However, by guaranteeing subsidized childcare to families below a certain income threshold, states could still meet the needs of their most vulnerable populations.

In terms of equity implications, alternative three is the most promising. The sectoral training programs included in this report were geared towards younger adults from low-income households who did not have higher education degrees and were predominantly from minority groups (Katz et al., 2020). They had high graduation rates and large, lasting improvements on income and employment status, all of which suggest that sectoral work programs are a promising tool by which to break the cycle of poverty. Furthermore, the data requirements steeped into this alternative increase the transparency of the use of state funding and allow states to confirm that the money they spend actually helps low-income individuals exit poverty and attain self-sufficiency.

# **IMPLEMENTATION**

Implementation will look different in every state. To make this explanation clear and useful, I have chosen to map out implementation for the state of Virginia.

**Bureaucratic Process**

The Virginia Department of Social Services is the state agency in charge of TANF rollout, so they are the most integral actors in implementation. To begin the process of resituating funding, the Virginia Department of Social Services (VDSS) should perform an assessment of the state’s current use of TANF funds – both where funds are being spent, and what is being left over. Virginia generally receives a $158 million dollar block grant. As of 2020, Virginia had over 133 million dollars of unspent TANF funds (Center on Budget and Policy Priorities, n.d.). Due to budget changes made by Virginia state legislature in the 2020 special session, the state dipped into its pool of unspent funds and is set to have 33.3 million in unspent TANF funds by June 30, 2022 (Budget Amendment, 2020, Item 350 Line A).

The state has already taken some steps that would support and align with the implementation of this alternative. In 2020, to accommodate the increased need of low-income families whose situations were worsened by the of Coronavirus, the state legislature actually allocated 16.6 million dollars from CCDF specifically to provide childcare support to families receiving TANF (Budget Amendment, 2020, Item 350 Line S). The state not only retained that clause in the 2021 budget, but they also added line items to cover the full cost of child care for participants of Virginia’s pre-existing work program for TANF recipients, Virginia Initiative for Employment and Work (VIEW); this amount can change based on memorandum of agreements between the Virginia department of education (VDOE) and VDSS. For FY2022, the CCDF will provide $38,707,424 to VDSS for this purpose (Budget Amendment, 2020, Line Items V1-V2).   
  
With the childcare costs of TANF work program participants accounted for, the next major step would be for the VDSS to determine its plan to support the development of sectoral training programs in the state. To do this, the VDSS would also need to establish a grants office to process grant applications by sectoral work training program and assess the applications. Depending on the economic conditions in the state, they could prioritize sectoral work programs that focus on different sectors: for example, I.T., manufacturing, or healthcare. This grants office would consist of a grant office director and several grant analysts who would assess the applications of sectoral work programs and assess the outcomes of programs to determine where to allocate more funding. Necessarily, construction of this office would require salaries for employees and money for grants. The annual cost of office space and employee salaries for a grants office is approximately $175k per year; this cost could be slashed by about $61k if the grants office was kept virtual.[[6]](#footnote-6) Perhaps in the first year, the office can pilot the grant-funding of sectoral work programs to a limited number of localities in the Commonwealth with high rates of TANF enrollment so that they are targeting areas where impact will be more easily assessed. Impact is more likely to be visible in these areas because there is a larger pool of participants and, generally, these environments are more urban and industrial.

One promising locality is the City of Richmond, which averaged 1072 TANF cases per month in 2021 – approximately 200 more cases, on average, than the next highest locality caseload. Of these cases, the total number of adults averaged to 634 monthly (Virginia Department of Social Services, *Temporary Assistance for Needy Families (TANF) reports,* 2021). The VDSS would next need to approximate how many participants it expects to see working while receiving TANF. According to the most recent data available on the Virginia Longitudinal Data System, only 27 percent of TANF recipients worked while receiving TANF; this number reflects about 4000 people for the state of Virginia, and approximately 171 people in Richmond alone (*DSS TANF Participants and Wage*, 2020).[[7]](#footnote-7)

The actual administration of the sectoral work program will fall on the grantees (e.g., deciding on curriculum/training content, eligibility criteria, monitoring and evaluation plan, recruitment of staff and participants, delivery model, etc.). The cost to run a sectoral work program (including administrative work, participant costs, etc.) differs widely from program to program, and consequently so does program cost-effectiveness. One of the leading sectoral work programs, Project QUEST, served 981 participants in FY 2020 for an approximate cost of $4,500 per person (Project QUEST, 2020).[[8]](#footnote-8) For the entirety of Virginia, the cost to run a sectoral work program that all working TANF participants could participate in would be approximately 18.4 million dollars; if the grants department limited rollout in the first year, costs could be lowered. In order to run a training program in Richmond for 171 participants, the state would only need to allocate $779,000.[[9]](#footnote-9) If the grants office aimed to fund programs in 3-5 localities in its first year, the upper bound of grants funding that the office would require is $3.8 million.[[10]](#footnote-10) This number likely overestimates cost given that Richmond’s TANF population is significantly larger than the populations in other localities across the state, so its program cost is likely larger than the cost would be in other localities.   
  
Given the suggested grant size and office costs, VDSS should advocate for the Governor to set aside approximately 4 million in the budget for this alternative.This is only 3 percent of the annual state budget for TANF.[[11]](#footnote-11) In the 2021 budget, the Governor set aside $17.3 million of the TANF grant to provide to Community Action Agencies (CAAs) to provide support families receiving TANF, including employment training and preparation; this funding is aimed to accomplish some of the same goals as this alternative, so it is reasonable to expect that this proposal is politically feasible (Budget Bill, 2022). This program could provide massive benefits to the state. If QUEST outcomes are any indicator, Virginia can expect to see **$9.51 in increased income** for program graduates**, $6.04 in economic impact**, and **$3.77 in social savings for every dollar spent** (Project QUEST, 2020).   
  
After establishing a grants office and grant program, the VDSS should publicize its new office and encourage applications from sectoral work programs. The grants office can then fund promising programs and collect data annually on their participant outcomes. Moving forward, they should continue funding programs that succeed in improving the previously established employment outcomes. This will be facilitated by collection and review of data reports from the sectoral work training programs. The office can increase funding and scale for programs that show consistent, long-term impacts.

**Risks**As with any public program, there is risk involved in this. The two greatest risks are that the grant money will be invested in programs that does not increase employment outcomes, and that the programs funded do not increase program accessibilities to young people of color. It is possible that the programs that receive funding will not achieve immediate success or produce consistent employment outcomes in different localities, and depending on programmatic design and supports, there is a chance that these programs do not reach participants equitably.   
  
To the first concern, the grants office has full power to fund or defund grant applicants, depending on the strength of their evidence for their training program. In order to identify effective programs, the grants office will need to require strong evidence of success from the work program before they give them funding. It is my recommendation that they should prioritize programs that provide data that suggests potential to improve equitable outcomes and break the cycle of poverty (e.g., a diverse set of participants, high program completion rates, and long-term employment and earnings gains). While it is possible that a promising applicant could fail to produce meaningful outcomes, the grants office always has the power to deny a group’s application for funding if they are unable to generate or prove impact in the aforementioned factors. Also, given the long-term scope of measurement for the desired outcomes, it could be that the returns from the first year misrepresent the true enduring impact of the sector.   
  
To the second concern, the design of the grant program – that it is meant to fund sectoral work programs in a locality-specific context – enables program administrators to tailor the program content for target populations. This could allow administrators to adjust their wrap-around supports, educational design, and network of partners directly to local needs. This should alleviate accessibility and equity concerns from a program design standpoint and improve participation and outcomes for BIPOC participants. Additionally, the lever of control that the grants office possesses – deciding whether and to what degree they should fund these programs – is another way to ensure equity. In assessing the reported program outcomes, the grants managers can prioritize funding for programs that provide evidence of equitable rollout.

# **CONCLUSION**

To address TANF’s failure to help its participants see meaningful, long-term improvements to their earnings and employment, I recommend that the Urban Institute encourages states to pursue alternative three: develop a grants office and use a portion of their TANF funds to finance promising, privately-run sectoral training programs at local and regional levels. Research suggests that localized programs designed with community input are especially successful among young people of color. Alongside the development of a grant program for local sectoral work programs, I recommend that states use the CCDF to ensure child care to everyone below a certain income threshold, which will aid parents whose childcare responsibilities and financial constraints are barriers to consistent work. These supports and programs can prepare program participants for long-term financial independence and stability.

Given the variance of population, governing structure, and TANF design between states, I recommend that states adapt the general guidelines outlined in the recommendation and implementation sections to fit their specific circumstances. As mentioned above, while there is some risk for grantees to be ineffectual and miss target populations, the data requirements imbued in this alternative will enable grant offices to adjust their funding based on the evidence they receive. This is a lever of control by which states can ensure effective, equitable programming. Studies of promising sectoral work programs have routinely shown significant, sustained impact on participants’ earnings and employment. Tailoring these programs to specific communities will be especially helpful in meeting the needs of young people of color, and successful program rollout can improve participant outcomes, increase social savings, and improve opportunity equity across the U.S.

# **APPENDIX**

*Footnotes 1-4: Calculations for Alternatives 1 and 2.*

**Table

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*Calculations for Implementation  
Average TANF Caseload Data in Richmond (2021)* **Graphical user interface, application, table, Excel

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*Footnote 5: Virginia Grants Office Cost*

**Table

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*Footnote 7: Cost per individual for Project QUEST (FY2020)*

**Table

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*Footnote 8: Cost to fund Project QUEST rollout to Richmond participants.*

*Table

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*Footnote 9: Cost calculation for grant sizing*

**Table

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*Footnote 10: Percentage calculation.*

**Table

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1. There is a general federal time limit of 60 months (5 years), but exceptions can be made. [↑](#footnote-ref-1)
2. See appendix for calculations. [↑](#footnote-ref-2)
3. See appendix for calculations. [↑](#footnote-ref-3)
4. Approximately 52 percent of recipients are people in households without parents. See appendix for calculations. [↑](#footnote-ref-4)
5. See prior discussion of Project QUEST for specifics (p. 20) [↑](#footnote-ref-5)
6. See appendix for cost calculation. [↑](#footnote-ref-6)
7. TANF caseload for the state of Virginia remained around 15k for most of FY2021; 27 percent of 15,000 is 4,050 (Office of the Administration for Children & Families, 2021). [↑](#footnote-ref-7)
8. See appendix. [↑](#footnote-ref-8)
9. See appendix. [↑](#footnote-ref-9)
10. See appendix. [↑](#footnote-ref-10)
11. See appendix. [↑](#footnote-ref-11)