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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

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COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION

B-200467

SEPTEMBER 30, 1980

✓ The Honorable Paul Findley R
House of Representatives



Dear Mr. Findley:

Subject: Preliminary Information on Food Stamp Workfare Pilot Projects (CED-80-129)

This report is part of our response to your request, endorsed by Congressman William C. Wampler, that we monitor and evaluate the food stamp workfare pilot projects. It was agreed with your office that we would initially prepare a short report providing information on various important events that have transpired in the workfare demonstration. Accordingly, this report (1) provides information on how the seven pilot projects currently in operation were selected, (2) discusses plans for selecting sites for the workfare extension, and (3) includes some preliminary information on the evaluation contract between the Department of Labor and Ketron, Inc. DL 605262

REQUIREMENTS FOR THE WORKFARE DEMONSTRATION

Section 17(b)(2) of the Food Stamp Act of 1977 (7 U.S.C. 2026(b)(2)(Supp. I)), enacted in September 1977, requires the Secretaries of Agriculture and Labor to jointly conduct workfare pilot projects. The food stamp workfare concept involves the performance of work in return for food stamp benefits. The act requires demonstration projects to be conducted at 14 sites--1 urban and 1 rural site in each of the 7 administrative regions of the Department of Agriculture's Food and Nutrition Service. The Congress did not provide Federal cost-sharing funds for any local or State administrative costs associated with workfare.

Originally, the act also required that the Secretaries of Agriculture and Labor issue interim reports to the Congress in March 1978 and September 1978 and a final report no later than March 29, 1979. These reports were to describe the progress and results of the workfare demonstration.

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Agriculture and Labor did not submit their first interim report until May 24, 1978. In this report they explained that Agriculture's Office of General Counsel had advised that the workfare demonstration projects could not legally begin until the new eligibility and benefit provisions of the 1977 food stamp act were implemented. Implementation of these provisions was planned for late 1978; the final workfare report was due March 29, 1979. This would leave only 3 to 6 months to operate, evaluate, and report on the workfare demonstration projects. Agriculture and Labor believed that this short period would not allow a fair test of the workfare concept. In response to this concern, the act was amended in September 1978 (92 Stat. 856), changing the second interim reporting date to October 1, 1979, and extending the final reporting date to October 1, 1980. The second interim report was submitted October 15, 1979.

SERVICE EFFORTS TO IMPLEMENT WORKFARE

The Service published final regulations governing workfare project operations in the November 28, 1978, Federal Register. This notice also solicited applications from political jurisdictions wishing to participate as workfare demonstration projects. In conjunction with publication of the final regulations, the Service undertook a publicity effort which included

- a press release to all major wire services and press contacts;
- distribution of 2,000 copies of the workfare regulations;
- letters to all governors, mayors of over 400 cities that have experience in administering general assistance work-relief programs, the National Association of Counties, the American Public Welfare Association, the U.S. Chamber of Commerce, and the U.S. Conference of Mayors/League of Cities asking for help in publicizing the projects; and
- a "hotline" telephone number that could be called for additional information.

The Service decided to handle all inquiries resulting from these publicity efforts at the headquarters level in Washington to assure that the recruitment effort received

high priority and to minimize coordination problems. Staff assigned to the demonstration program telephoned all persons who inquired about workfare to ascertain their interest and provide further information. By January 12, 1979, the original deadline for submitting applications, numerous expressions of interest had been received but there were no completed applications. The Service then extended the application period 1 month to February 12, 1979, but continued accepting inquiries as late as March 19, 1979. A total of 124 jurisdictions expressed interest.

The Service identified about 30 of these jurisdictions as prospective candidates for a demonstration project. Most of these prospects eventually decided not to participate. On April 6, 1979, Agriculture announced the selection of the following nine jurisdictions as project sites: Union and Sussex Counties, New Jersey; Morristown, Tennessee; Muskingum County, Ohio; Rusk County, Wisconsin; Clay County, South Dakota; Bridgeport, Connecticut; Brunswick, Maine; and San Diego, California. Bridgeport, Brunswick, and Sussex County later dropped out because of a lack of local support and Union County elected to participate in a different demonstration project. The other five locations started demonstration projects in July or August 1979.

In September 1979 the Service reopened the application period for 10 days to solicit additional applications, particularly from jurisdictions that had expressed interest since the February 12, 1979, deadline. This effort generally was limited to publishing a notice in the September 4, 1979, Federal Register, contacting some jurisdictions that had previously expressed interest in running a project, and involving the regional offices in attempting to recruit candidates from their regions. This effort resulted in 16 new expressions of interest and 2 new project sites--Sussex County, New Jersey, which had dropped out earlier, and Berkeley County, South Carolina.

The dates the workfare demonstration projects began operation and pertinent caseload statistics follow.

<u>Location</u>	<u>Type</u>	<u>Date started</u>	<u>Food stamp participants (note a)</u>	<u>Food stamp participants referred to workfare unit (note b)</u>	<u>Workfare jobs assigned (note b)</u>
San Diego, Calif.	Urban	7/ 1/79	101,896	3,421	671
Muskingum County, Ohio	Rural	7/ 1/79	7,722	1,756	333
Rusk County, Wis. Clay County, S. Dak.	Rural	7/ 1/79	1,403	111	37
Morristown, Tenn. Sussex County, N.J.	Rural	7/ 1/79	550	54	0
Berkeley County, S.C.	Rural	8/ 1/79	c/5,362	361	115
	Rural	11/ 1/79	2,547	216	32
	Rural	12/15/79	9,980	516	28

a/Individuals participating in food stamp program as of January 1980.

b/Cumulative as of June 1980 based on preliminary data from Ketron, Inc.

c/This figure is for Hamblen County in which Morristown is located.
No figure is available for the city of Morristown.

Problems with implementing workfare

The number of sites selected and the rural/urban mix fell short of congressional expectations for the workfare demonstration program. During May and June 1979, we were able to contact 96 of the approximately 140 locations that had expressed interest in the workfare projects to ask why they did not participate. The results are summarized below.

<u>Reasons for not participating</u>	<u>Number and type of locations giving reason</u>			
	<u>State</u>	<u>Urban</u>	<u>Rural</u>	<u>Total</u>
Lack of Federal funds to operate program	11	12	12	35
Too much additional work to take on	3	4	6	13
No support from local government units	1	5	5	11
Not a political jurisdiction.	0	2	6	8
Staff turnover	0	5	2	7
Not able to get application in on time	0	3	3	6
Another site in same region selected	0	0	3	3
Other	0	9	12	21
Total	15	40	49	a/104

a/Some locations gave multiple reasons.

Lack of Federal funding was cited as the major drawback to participation in the workfare demonstration program. We also were told that some jurisdictions did not want to get involved in workfare because they already had too much other work and had difficulty getting support from various local government units.

The demonstration also received negative publicity. The Food Research and Action Center (FRAC) is an advocacy group partially funded by the Community Services Administration. It published an article in its January 8, 1979, newsletter asking food stamp advocates to work against workfare and to try to stop application for, or implementation of, projects in their respective local jurisdictions. In its March 14, 1980, newsletter, FRAC printed a letter from the Director of the Community Services Administration expressing the agency's disapproval of FRAC's action. FRAC admitted in its newsletter that

"* * * although we strongly believe that workfare constitutes a grave harm to poor people and should not be expanded, the presentation of those views in the January 8, 1979, mailing did not constitute responsible judgment on our part."

The effect the FRAC mailing and any related events had on the demonstration is unknown.

The Service put a great deal of effort into recruiting workfare demonstration sites at a time when it said it had a heavy overall workload and competing needs for staff. There were, however, five areas where we believe the Service could have improved the quality of that effort and might have improved its chances of recruiting a greater number and better rural/urban mix of demonstration sites.

Focus of contacts: In attempting to target jurisdictions to contact, the Service did not focus its efforts on those jurisdictions--based on region, rural/urban designation, food stamp caseload, and total population--that potentially would have made good demonstration projects.

Followup on letters to governors and mayors: Over 450 letters were sent to governors and mayors asking them to promote the project. The Service did not

call the people who did not respond to find out what action, if any, their offices took on the letters.

Recordkeeping: The Service kept no central log of all prospective applicants showing dates and results of all contacts and final disposition of all inquiries. The Service said that its recordkeeping was adequate and that a central log would not have aided Service staff. We believe that the Service's method of recording each contact on a separate message sheet and filing these sheets by State would make it difficult to schedule and track effective follow-ups with each jurisdiction. The Service improved its system for the workfare extension by preparing weekly summary sheets of all contacts and keeping an up-to-date list of all jurisdictions that were sent application material.

Followup on inquiries: The Service spent a lot of time giving technical assistance to prospective applicants in pulling together and completing the required applications but did not follow up frequently and systematically on all inquiries until a final decision on participation had been made.

Use of regional office staff: Service personnel said that more extensive telephone contact and followup was not done because of headquarters time and staff constraints. Regional staff could have been used to do some of this work; however, with the exception of a small effort in September 1979, they were not so used. Greater use of regional staff was made for the demonstration extension as explained in following sections of this report.

Demonstration program extended

A recent amendment to the 1977 food stamp act, enacted May 26, 1980 (94 Stat. 368), extends the workfare demonstration for 1 year. The previous final reporting date, October 1, 1980, will now be an interim reporting date. March 30, 1981, has been added as a further interim reporting date. A final report is to be issued, describing the results of the pilot projects from their commencement in July 1979 through the fiscal year ending September 30, 1981. In addition, the amendment provides for Federal funding of 50 percent of all administrative costs involved in operating

a workfare project. The Service published the emergency final rulemaking on August 15, 1980. This established a 30-day period for obtaining applications from new locations and for existing project sites to apply for the 1-year extension. In conjunction with the publication of the final rulemaking, the Service issued a press release publicizing the demonstration extension.

New recruiting effort

The Service began its effort to solicit applications for the workfare extension on May 1, 1980, by sending letters to all State and territorial welfare commissioners asking them to (1) inform political jurisdictions of the demonstration extension and (2) encourage the political jurisdictions to submit applications. On June 13, 1980, the Service published a notice in the Federal Register announcing the workfare extension and inviting expressions of interest from political jurisdictions.

Subsequently, it sent letters to selected urban and large rural jurisdictions in all regions because few of these types of jurisdictions had responded to its solicitations. These additional mailings included

- July 9, 1980, mailings to select cities with populations of 50,000 or more in four regions;
- July 29 and August 4, 1980, mailings to select cities with populations of 50,000 or more in the three regions not covered by the July 9 mailings; and
- August 11, 1980, mailings to select counties with populations of 100,000 or more in all seven regions.

In a draft report provided the Service for its comment on July 24, 1980, after the first group of mailings had been made, we proposed that it make further systematic mailings. We said these should be directed not only to jurisdictions in regions considered lacking in good prospects, but to jurisdictions in all regions. The Service's mailings since that time have substantially satisfied the concerns that led to our proposal. In discussing the mailings, Service officials also told us that, if necessary, they would mail more letters to obtain the required number and mix of project sites. Accordingly, because of the additional mailings made

and because the application period has now expired, we are not making any recommendation on this matter.

The Service telephoned and sent an application packet to each jurisdiction that expressed interest. Regional offices were given the lead in making subsequent contacts with these jurisdictions, although the headquarters staff retained responsibility for providing any technical assistance that jurisdictions would need to prepare an application.

The Service did not establish formal guidelines for regional office participation in recruiting prospects for the extended demonstration period. However, it instructed the regional offices to advise the headquarters staff of all inquiries received on workfare, encouraged their assistance, and occasionally asked them to perform specific tasks such as the above-mentioned followup on expressions of interest. Some regional officials took the initiative and became more involved in the recruiting effort than others. Some of those efforts were not documented so it was difficult for us to ascertain the overall effort. The Service subsequently asked the regional offices to better document all of their recruiting efforts.

In our draft report, we proposed that the Service ensure that every inquiry received be followed up until a final decision on participation had been made and that the regional offices be used to make these and other types of contacts in their respective regions. The Service decided to use its regional offices to make followup calls. Because the Service was moving in the right direction in its followup on inquiries and use of regional offices, and because the application period has expired, we are not making formal recommendations on these matters.

In the draft report we proposed that, in addition to the Service's following up on inquiries received, the Secretary of Agriculture require the Service to telephone every jurisdiction included in its mailings to ascertain what action, if any, those jurisdictions planned to take and to offer any assistance necessary. We felt this extra step was necessary due to the disappointing results the Service previously obtained in recruiting candidates and because we believed that every effort should be made to meet congressional expectations regarding the number and mix of demonstration projects for the extension phase.

Following up on letters is a proven sales technique. We felt it would assure the Service that its letters were getting attention, result in promoting the workfare demonstration on a more personal basis, and afford the Service an opportunity to provide additional information to overcome possible misunderstandings or objections that might be inhibiting a jurisdiction from applying.

The Service said that because of limitations on staff time and a heavy overall workload, it could not justify telephoning every jurisdiction that did not respond to its initial letter. However, the Service said it believed a partial step in that direction was desirable. On August 28 and 29, 1980, the Service called 20 jurisdictions in the New England region that had not responded to its letters to see if the response to these calls warranted further calls. The Service was encouraged by the response it received and, beginning September 2, 1980, made about 250 additional calls to selected jurisdictions. The Service said that it did not have the time or staff to call every non-responding jurisdiction before the September 15, 1980, closing date for receiving applications. In view of the action taken and the expiration of the application period, we are not making a recommendation on this matter.

The extended workfare demonstration will not start on October 1, 1980, as the Service had planned. The time needed at the Department of Labor to process the final regulations delayed the planned publishing date by 6 weeks--from July 7, 1980, to August 15, 1980. The 30-day application period established by the regulations expired September 15, 1980. Evaluation of the applications and subsequent training required for the successful candidates should delay startup until at least mid- or late October. Unless legislatively established reporting dates are revised, these and any additional delays will reduce the time available for the extended workfare demonstration.

Conclusions

The workfare demonstration was extended to expand the size and scope of the existing demonstration and to give the workfare concept a better test. As evidenced by the previous recruiting efforts, obtaining a full complement of representative sites is not easy. Federal cost-sharing funds for 50 percent of demonstration project operating expenses are now

available to encourage more jurisdictions to participate; however, such funding assistance does not guarantee obtaining the required sites.

Within the last 2 months, the Service improved and expanded its recruiting efforts for the workfare extension, but the period for jurisdictions making applications has already expired and final results are uncertain. The Service said its efforts for this demonstration were greater than for any previous demonstration project it has had.

We believe the Service needs to assess its options in the event its current recruiting does not attract the number and kinds of jurisdictions that would provide a good test of the workfare concept. There is no certainty that more and better project sites will be obtained because

- running a good workfare project will take a lot of a jurisdiction's time and effort,
- participating jurisdictions will still have to bear 50 percent of project administrative costs, and
- the time needed by a jurisdiction to obtain local support and apply for a project may be lengthy and the effort difficult.

We believe that after the results of the Service's current recruiting efforts have been assessed, it needs to consult with you and other appropriate congressional interests to discuss how best to proceed. The range of options could include proceeding with the demonstration, extending the recruiting period, having the Congress select and fund demonstration projects at specific locations, or shelving the demonstration.

EVALUATION ACTIVITIES

Labor hired an evaluation contractor to obtain information needed to assess the pilot projects and report on their results. The contractor selection process involved Labor's issuing a request for proposals. Seven organizations responded. Ketron, Inc., was judged (by a joint panel representing the Departments of Labor; Agriculture; and Health, Education, and Welfare) as being the best qualified and, after negotiations, offered the lowest price. Labor entered into a cost-plus-fixed-fee contract with Ketron on August 3,

1979 (effective July 8, 1979), for approximately \$694,000, consisting of a \$20,500 fixed fee and estimated costs of about \$673,500. Ketron then entered into a \$343,435 sub-contract with Chilton Research Services to interview workfare participants and a comparison group to help assess workfare's results.

Ketron's contract was for 12 months, expiring July 8, 1980, but provided for an extension to 18 months. Effective July 8, 1980, Labor and Ketron agreed to extend this contract to September 30, 1980, and increase available funds by \$181,359. Labor plans to retain Ketron as the evaluation contractor for the workfare demonstration extension. The current contract will be modified to cover the period September 30, 1980, to March 31, 1982. The estimated cost for this contract period is \$1.2 million.

It is too early to provide an overall assessment of Ketron's performance, especially since workfare has been and the evaluation contract will be extended. Some aspects of the evaluation activities, however, may be of interest at this point and may warrant additional attention as Ketron's evaluation effort proceeds. These aspects include

- missed target dates for several contractor reports to Agriculture and Labor,
- delays in undertaking work needed to adequately assess workfare's results and a resulting reduction in the scope of this work,
- overruns in the evaluation contract budget, and
- access to and review of information compiled by the contractor.

Missed target dates

Ketron's contract required (1) monthly reports to be submitted on its progress, (2) a summary progress report near the end of the initial 12-month contract term, and (3) up to three additional reports as specified by Labor.

Ketron's first progress report, due August 10, 1979, was not submitted until October 15, 1979. Progress reports due in September 1979 through January 1980 were also late.

On February 11, 1980, Labor changed the monthly reporting requirement to a quarterly requirement, but the report due May 10, 1980, under the relaxed requirement was not received until June 16, 1980. Starting July 1, 1980, the reporting requirement was again monthly.

Agriculture and Ketron officials told us that the effect of these late progress reports on program monitoring has been mitigated by other communications between Ketron and the agencies. However, the Service said it shared our concerns regarding late reports and has been pressing for improvements in this regard. Labor officials said that for the upcoming extension phase of the workfare demonstration, they have been able to plan outlines and dates of submission for reports that should eliminate this problem.

On February 11, 1980, Labor also asked the contractor for an additional report as provided by the contract. This report was to describe each workfare project's history, operational and administrative procedures, and problems encountered, and discuss activities by advocacy groups at each project location. The report also was to include a discussion of problems the Office of Management and Budget (OMB) had with the contractor's proposed interview questionnaire, the delays in obtaining OMB approval, and difficulties in arranging for our access to the contractor's information.

The report was due before the end of March 1980 but was not submitted on time. The report due date was subsequently changed to July 1980. Portions of this report were delivered to Labor the week of July 21, 1980. The remainder, scheduled to be delivered sometime in August, was received September 8, 1980.

Delay in starting assessment work

A key part of the contractor's evaluation deals with workfare's overall results. This part of the contractor's work is referred to as the impact evaluation and is to be based heavily on interviews of a sample of workfare referrals, participants, and a comparison group. The interviews are intended to show how the referrals and participants have been affected by workfare, whether it resulted in or contributed toward their obtaining a job, and whether and why it resulted in their leaving the food stamp program.

The evaluation contract required that an interview questionnaire be developed and submitted to Labor by September 17, 1979. Initial interviews of the sample of referrals, participants, and a comparison group were to begin in December 1979 and these same individuals were to be reinterviewed about 5 months later.

Ketron did not submit the questionnaire to Labor until October 5, 1979. Labor planned to submit the questionnaire to OMB and push for quick clearance so that interviews could begin in December as planned. However, the questionnaire did not receive final approval and clearance from Labor to go forward to OMB until December 21, 1979. Ketron still hoped to complete initial interviews in February 1980, but OMB did not approve the questionnaire until April 30, 1980. Labor staff told us that OMB wanted changes made in the questionnaire and that it was concerned about possible disruptions to the 1980 census.

Because of the delays in developing and approving the questionnaire, each sampled participant will be interviewed only once during the initial 12 months of the contract instead of twice. This change will result in less information on the impact of workfare on participants over time and could adversely affect program evaluation by reducing its supporting data base. Also, as discussed below, conducting fewer interviews during the initial phase of the demonstration could have an important bearing on contract cost. Ketron plans to interview sampled participants twice during the workfare extension. If the interviews go as planned, Ketron should be able to gather better data for its impact evaluation.

Contract budget exceeded in some categories

Because the workfare evaluation contract provides for reimbursing Ketron's costs plus paying it a fee, Ketron has a budget and submits monthly financial reports showing expenditures by budget category. The latest report available for the initial 1-year contract period showed that Ketron had overspent its budget in four of the nine cost categories (excluding the fee) by about \$71,600. The four categories were personnel costs, overhead, other direct costs, and travel. Ketron explained that this overspending was due to such things as

- an unexpected delay in getting OMB clearance,
- the unanticipated level of effort and resources needed to develop and maintain the workfare management information system,
- the extensive effort needed to collect workfare administrative cost estimates,
- substantially increased travel (for example, air fares, gasoline prices, and auto rentals) and lodging costs as a result of inflation, and
- expenses incurred because of other monitoring efforts.

Expenditures under the largest cost category--the subcontract for the participant interviews--were well under budget largely because of the delay in beginning the interviews.

Labor has suggested that Ketron renegotiate its contract with Chilton Research Services because the interview work being done by Chilton is not as extensive, and thus not as expensive, as originally planned. At the time of this report, it was not clear how this ultimately would be resolved.

Access to contractor-collected data
on program operations and participants

Because information reported to the Congress by Labor and Agriculture on the workfare projects will be based largely on Ketron's work and reports, we will need to be satisfied that the contractor's data is accurate. Local workfare project staffs compile and furnish some of the data the contractor is obtaining. Additional data will come from interviews which Chilton started conducting in May 1980.

Through the efforts of your office and that of Congressman Wampler, and with the special assistance of a Service official, a mutually acceptable arrangement has been worked out with Ketron under which we will have the needed access to data originating with local project offices. Regarding the review of data Ketron obtains through interviews of workfare participants under pledges of confidentiality, we understand that we will be given all data on interview

results but without individual identifiers. To compensate for our inability to verify this data, we are evaluating the contractor's methodology for obtaining it.

AGENCY AND CONTRACTOR COMMENTS

We obtained comments on a draft of this report from the Departments of Agriculture and Labor and from Ketron, Inc., and have made changes in the report to clarify the material presented and to recognize improvements made and subsequent events.

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We are sending copies of this report to Congressman Wampler; the House Committee on Agriculture; the Senate Committee on Agriculture, Nutrition, and Forestry; the House and Senate Committees on Appropriations; the House Committee on Government Operations; the Senate Committee on Governmental Affairs; and the House and Senate Committees on the Budget. In addition, copies are being sent to the Director, OMB; the Secretaries of Agriculture and Labor; Ketron, Inc; and other interested parties.

We trust that this preliminary information on workfare will be helpful to you. We are continuing our review of the workfare demonstration and will present the results in a subsequent report.

Sincerely yours,



for Henry Eschwege
Director