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SENIOR COMMUNITY SERVICE EMPLOYMENT

Program Delivery Could Be Improved Through Legislative and Administrative Actions

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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to assist you as you examine the federal role in ensuring the economic well-being of disadvantaged older Americans.

You asked us to discuss today the findings presented in our just issued report on the Department of Labor's Senior Community Service Employment Program (SCSEP).[1] SCSEP, which is authorized in title V of the Older Americans Act (OAA) and accounts for about a quarter of all OAA funds, each year finances part-time, minimum-wage community service jobs for about 100,000 economically disadvantaged older Americans. Our remarks will focus on (1) Labor's process for awarding SCSEP funds, (2) the extent to which the distribution of SCSEP-funded jobs among and within states is in proportion to the geographical distribution of older Americans adjusted for per capita incomes, and (3) the use of SCSEP funds to finance grantees' administrative costs.

In summary, we found that Labor distributes SCSEP funds through noncompetitive grants to 10 national organizations, called national sponsors, and to state agencies. These national sponsors and state agencies, in turn, use the grant funds to finance local employment projects operated by community service host agencies--such as libraries, nutrition centers, and parks--that directly employ older Americans.[2] Contrary to specifications of the OAA, appropriations statutes have required Labor to award 78 percent of SCSEP funds to the 10 national sponsors and the remaining 22 percent to state agencies. In accordance with a hold harmless provision of the OAA, Labor also awards SCSEP funds to the national sponsors in amounts sufficient for them to maintain their 1978 level of activities. We found, however, that the relative distributions of funds to the national sponsors and state agencies along with Labor's method of implementing the hold harmless provision have resulted in distributions of funds among and within states that bear little relationship to actual need. Regarding grantees' administrative costs, we found that, under Labor's regulations, expenditures that we believe to be administrative in nature may be charged to another cost category, allowing grantees to exceed the statutory 15-percent limit on administrative costs.

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[1]Department of Labor: Senior Community Service Employment Program Delivery Could Be Improved Through Legislative and Administrative Actions (GAO/HEHS-96-4, Nov. 2, 1995). The report was prepared at the request of the Subcommittee on Oversight of Government Management and the District of Columbia of the Senate Committee on Governmental Affairs.

[2]See appendix I for the names of the national sponsors and their fiscal year 1995 SCSEP grant amounts.

Our report includes matters for consideration by the Congress concerning the distribution of funds to the national sponsors and states. Our report also includes several recommendations to the Secretary of Labor concerning (1) the review process for SCSEP grants, (2) increasing national sponsors' cooperation with states to improve equitable distribution, (3) the amendment of regulations on administrative expenses and other costs, and (4) enforcement of the statutory limit on administrative expenses.

BACKGROUND

The SCSEP appropriation for the 1995 program year[3] ($396.1 million) accounted for about 28 percent of all OAA funds. SCSEP is one of two OAA programs that are not administered by the Department of Health and Human Services.[4] Labor administers SCSEP through its Employment and Training Administration (ETA). Like other OAA programs, SCSEP's authorization of appropriations expired at the end of fiscal year 1995. The Congress is reviewing proposals for reauthorization.

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

National sponsors and state agencies use the SCSEP grants to finance SCSEP part-time jobs in host agencies. The cost of such a job, or enrollee position--which generally must include at least 20 hours of work a week--is the amount determined sufficient to fund (1) an enrollee's minimum wages, benefits, training, and incidental expenses for up to 1,300 hours a year in the program and (2) the associated administrative expenses. This

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[3]The SCSEP program year runs from July 1 to June 30. For example, the period from July 1994 through June 1995 was the 1994 program year. Funds for the 1994 program year came from the Department of Labor Appropriations Act for fiscal year 1994. Labor did not obligate the SCSEP amounts in that appropriation until July 1994.

[4]Under title IV of the OAA, the U.S. Department of Agriculture administers a program that provides surplus commodities for nutrition services.

cost amount, termed the "unit cost" by Labor, is adjusted periodically by Labor in consultation with the Office of Management and Budget. The unit cost is currently $6,061. Labor divides each year's SCSEP appropriation by the unit cost amount to determine how many positions are available.

Program enrollees, who must be 55 or older and earn no more than 125 percent of the federal poverty level, are paid the federal or local minimum wage--whichever is higher. For the 1994 program year, funding permitted the establishment of about 65,000 positions nationwide. An enrollee may leave a program position for such reasons as illness or acceptance of an unsubsidized job. Thus, during the 1994 program year, about 100,000 enrollees occupied the 65,000 positions; about three-quarters of these enrollees were women.

LABOR'S PROCESS FOR AWARDING SCSEP FUNDS

Labor's regulations allow SCSEP funds to be provided to eligible organizations through grants, contracts, or other agreements. Department officials have chosen to fund the program through noncompetitive grants. Labor provides annual grant applications only to the national sponsors that it currently funds--an action that is consistent with OAA and expressions of intent by the Senate Appropriations Committee in recent years. Although Labor's procedures generally require that noncompetitive grants of more than $25,000 be reviewed by the Department's senior-level Procurement Review Board (PRB), Labor has exempted SCSEP grants from PRB review in the past. By forgoing this review, Labor has not examined whether competition is appropriate for each acquisition nor determined whether continuing long-term relationships with the same grantees are in the best interests of the Department. However, Labor, in response to a recommendation in our report, has agreed to PRB review of SCSEP grants in the future.

As we mentioned earlier, OAA's hold harmless provision requires the Secretary of Labor to reserve for the national sponsors a funding amount sufficient to maintain the 1978 activity level. Any remaining appropriation balance is to be distributed to the national sponsors and state agencies mainly on an equitable distribution basis--that is, in accordance with the state-by-state distribution of persons 55 years old or older, adjusted for per capita income. We should note that with the exception of Alaska, Delaware, and Hawaii--which operate their own SCSEP programs and have no national sponsors--at least two national sponsors operate in every state and six or more operate in 14 states. Four of the national sponsors operate in over half of the states. (See apps. II and III.)

Another provision requires that the portion of any appropriation that exceeds the 1978 funding level in subsequent

years be distributed on the basis of 55 percent for states and 45 percent for the national sponsors. However, the "55/45" provision--designed to provide the states more parity with the national sponsors--has never been implemented. Instead, every year since 1978, appropriations acts have overridden the 55/45 provision and required that at least 78 percent of the annual appropriation be allocated to the national sponsors.

Each year at a meeting with the national sponsors, Labor announces its allocations to each national sponsor and presides over discussions in which the national sponsors often trade positions to gain positions in the geographical locations where they want them. Sometimes, a representative from the National Association of State Units on Aging is invited to express states' concerns, but the states have no formal control over the distribution of positions.

DISTRIBUTION OF SCSEP POSITIONS AMONG AND WITHIN STATES

Labor's process for awarding SCSEP funds also influences the allocation of positions among and within states. In applying the OAA's hold harmless provision, Labor officials reserve an amount from each year's appropriation to finance, on a state-by-state basis, the 1978 level of total national sponsor positions. Because the 1978 distribution of SCSEP positions does not correspond to the size of each state's economically disadvantaged elderly population, the hold harmless provision has prevented a distribution based on need. For the 1994 program year, for example, $234.5 million of the total appropriation of $410 million was subject to the hold harmless provision and distributed accordingly. Had the $234.5 million been distributed in accordance with the then current age and per capita income data, 25 states would have gained or lost at least $500,000 each, and 13 states would have gained or lost more than $1 million each. As noted in our report, we believe that the Congress could solve this distribution problem by either (1) amending the hold harmless provision to authorize Labor to base the distribution of funds on national sponsors' 1978 total of positions nationwide, rather than on their 1978 total of positions in each state, or (2) repealing the hold harmless provision.

Within some states, SCSEP positions also are not distributed among areas according to need. The predominant role of the national sponsors--resulting from the 78/22 provision--in determining where positions will be located could be partly responsible. National sponsors are sometimes restricted geographically. For example, in New York state, the U.S. Forest Service--one of the 10 national sponsors and the only federal government grant recipient--does not enter such underserved areas as Brooklyn and the Bronx because they are urban communities and the Forest Service restricts its activities to national forests.

In addition, national sponsors with an ethnic focus may be reluctant to serve areas that do not have significant numbers of their constituent ethnic group. Further, national sponsors may not want to enter new areas because that could increase administrative costs, or they may not shift positions from overserved areas because it might disrupt long-standing relationships with subgrantees.

State agencies may also be partly responsible for the existence of overserved and underserved areas within states. Some have distributed their positions through existing administrative structures without sufficiently considering the distribution of eligible older Americans. Also, some states may have tried to achieve an equitable distribution among political jurisdictions rather than among their eligible population. Further, some state governments have not adequately coordinated or negotiated with the national sponsors in their states to ensure distribution of positions according to need.

In addition, Labor may have some responsibility for overserved and underserved areas within states. The Department is required--within the limits imposed by OAA's hold harmless and minimum funding provisions--to ensure that within-state distributions are in accordance with need.

As we can see, several factors may contribute to the within-state distribution problem. To the extent that any of the responsible parties gives greater consideration to need in their distribution decisions, the situation may be improved. In addition, one possible option we note in our report would be for the Congress not to enact appropriations provisions imposing a 22-percent limit on state funding, allowing the states to receive 55 percent of all funding above OAA's hold harmless amount. With their statewide administrative structures, state governments might have more flexibility in serving the eligible population or a greater incentive than national sponsors to administer positions in underserved areas.

GRANTEE ADMINISTRATIVE COSTS

SCSEP grant recipients may use their grant funds for three categories of expenditures: enrollees' wages and benefits, administration, and other enrollee costs. The OAA has established a 13.5-percent limit on administrative expenses, but, under OAA, the limit may be increased to 15 percent by the Secretary of Labor. We believe that the other enrollee costs category should only be used to capture costs for goods and services that directly benefit the enrollees by assessing their fitness for or enabling them to do certain jobs or helping them to become capable of holding non-SCSEP jobs--a goal of the program. Examples include costs for physical examinations, transportation, enrollee training, and uniforms.

For program year 1994, 8 of the 10 national sponsors in our opinion exceeded the 15-percent limit on administrative expenses by over $20 million by classifying some administrative expenses as other enrollee costs. For example, one national organization classified as other enrollee costs all salaries and benefits for its own field staff and its field staff's travel. This situation occurred because Labor has allowed the national sponsors to use an extremely broad definition of other enrollee costs and, at the same time, has not required adequate documentation for grantees' budgeted expenses.

CONCLUSIONS AND RECOMMENDATIONS

The SCSEP program was established to provide participants with subsidized jobs in community service and an opportunity for the enrollees to acquire skills sufficient to leave the program for an unsubsidized position. Some statutory requirements as well as some practices of the Department of Labor, national sponsors, and states have, however, lessened the program's ability to serve economically disadvantaged older Americans. To the extent that underserved areas exist, eligible older Americans will not have access to the employment help the program was established to provide. Further, to the extent that grantees inappropriately use grant funds for administration, less money is available to pay the wages and benefits of poor, elderly Americans or to help them pay for the incidental costs of working.

To address these issues, the Congress may want to consider several legislative changes highlighted in our report. First, to ensure equitable distribution of SCSEP funds among states, it should consider amending or eliminating OAA's hold harmless provision. Second, to facilitate equitable distribution within states, it should consider increasing the portion of SCSEP grant funds allocated to state governments from the current 22 percent. Further, as we recommend in our report, the Department of Labor should take certain actions to promote the equitable distribution of SCSEP funds within states and to control the use of SCSEP funds for administrative costs.

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

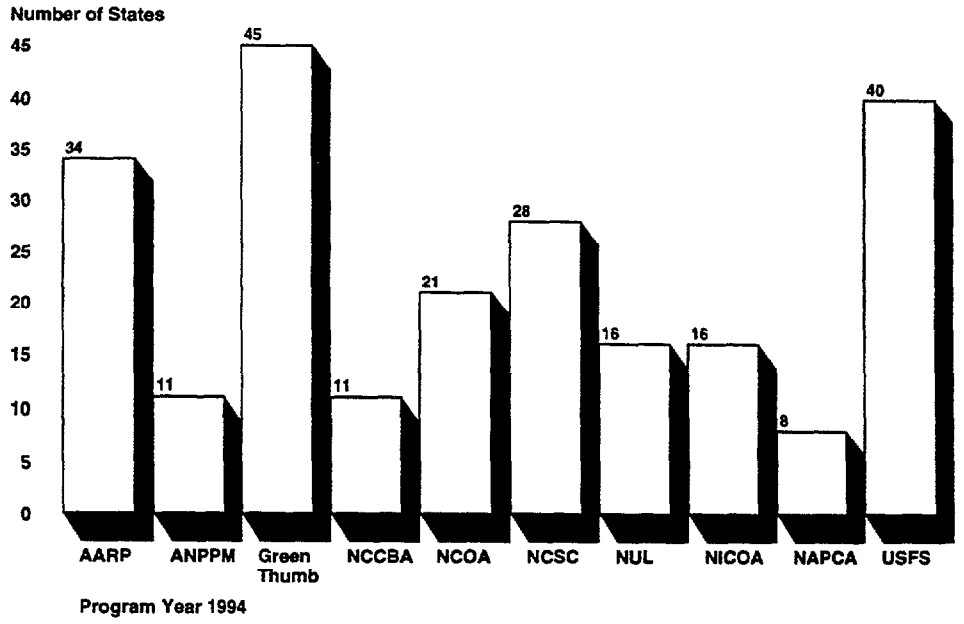
For more information on this testimony, please call Larry Horinko, Assistant Director, at (202) 512-7001, or George Erhart, Evaluator-in-Charge, at (202) 512-7026

AMOUNT OF SCSEP FUNDS AWARDED TO NATIONAL SPONSORS FOR PROGRAM YEAR 1995

Dollars in millions

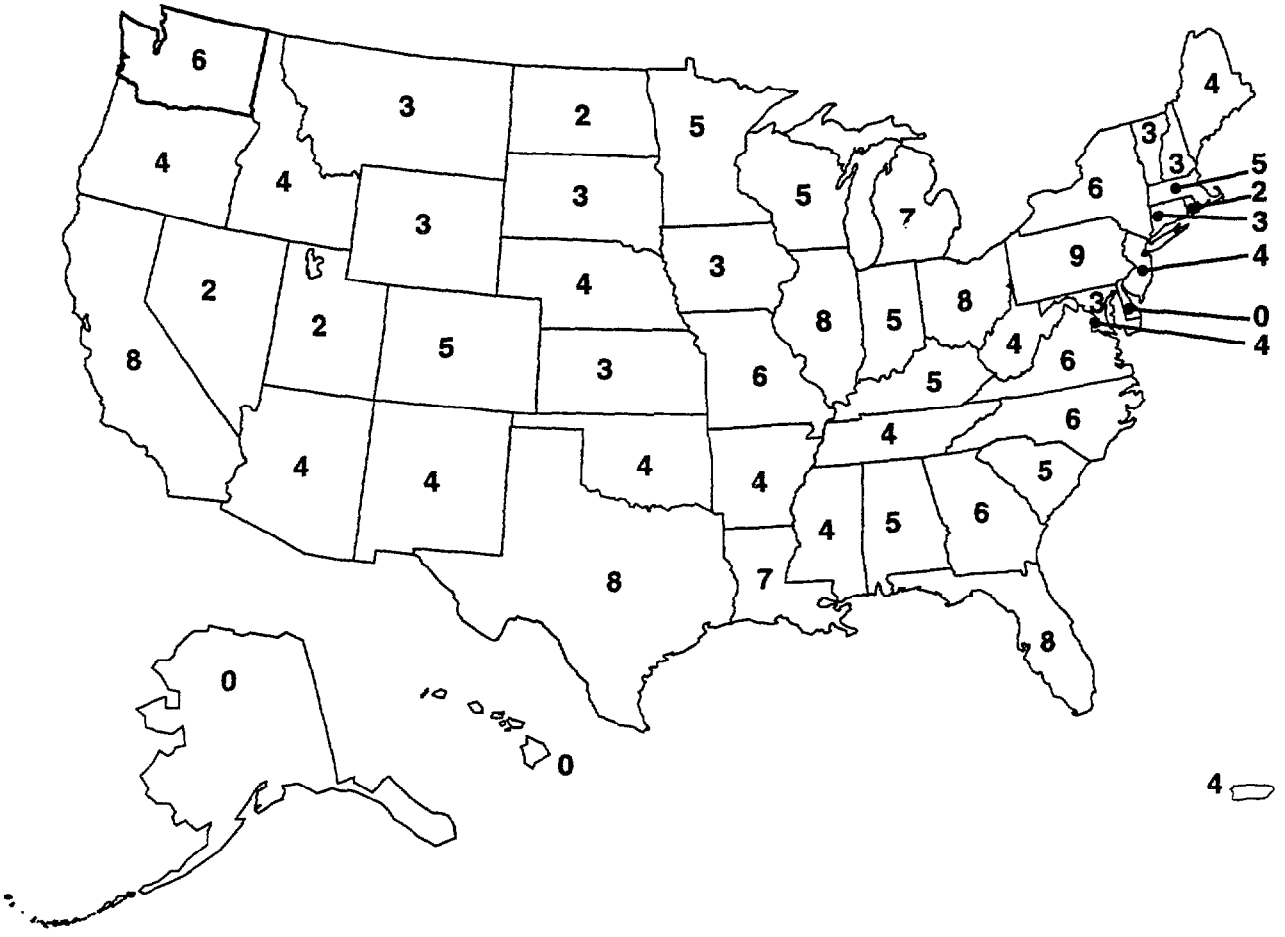
Organization	Amount
Green Thumb	$98.9
National Council of Senior Citizens	60.6
American Association of Retired Persons	48.0
National Council on Aging	36.1
United States Forest Service	25.9
National Urban League	13.8
Asociacion Nacional Pro Personas Mayores	12.1
National Caucus and Center on Black Aged	11.8
National Asian/Pacific Resource Center on Aging	5.1
National Indian Council on Aging	5.1

NUMBER OF STATES IN WHICH
EACH NATIONAL SPONSOR OPERATES



APPENDIX III

NUMBER OF NATIONAL SPONSORS
IN EACH STATE



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