

Seattle Jobs Initiative

Food Stamp Employment & Training: Lessons from Massachusetts, Texas, San Francisco and Wisconsin

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Commissioned by Seattle Jobs Initiative
Written by David Jason Fischer with additional reporting by Tracie McMillan
Edited by David Kaz, SJI



I. Introduction FSE&T as an Under-Utilized Resource

The Food Stamp Employment & Training Program (FSE&T) has provided job training and employment services to Food Stamps recipients since 1985, but it has never commanded the attention of policymakers, let alone the general public, to anywhere near the extent of other social service programs with similar purposes, such as Temporary Assistance to Needy Families (TANF). The program has been revised on several occasions, most prominently in and following Congressional passage of welfare reform in 1996, when the priority was shifted to serving Able-Bodied Adults Without Dependents (ABAWDs) who were now time-limited in their receipt of Food Stamps. Another major revision came through the Farm Bill of 2002, when Congress cut FSE&T funding and gave states greater flexibility in how they could use federal money under the program and reduced the focus on ABAWDs. With the Farm Bill set for reauthorization in 2007, FSE&T might or might not be altered again this year.

The federal government requires each state to maintain an FSE&T program, within which states have considerable flexibility to define activities and target subsets of the Food Stamp caseload population for employment services. States receive unencumbered federal money through “administration grants” to run these programs, and can add funds through a series of federal matches at a 50 percent rate to state and local expenditures for allowed activities. There is no cap for the matching funds. (See **Attachment 1** for a more detailed background on FSE&T).

Relatively few states have availed themselves of this funding source. Most use only the 100 percent federal grants, which for FY2006 ranged in amount from \$50,000 (the guaranteed minimum, which went to Guam and the Virgin Islands) to \$9.9 million (California), depending upon the numbers of Food Stamps recipients registered for work and non-exempt ABAWDs in each state.

Officials in most states seem to perceive FSE&T as difficult to administer. One major administrative burden is that there are restrictions on individuals receiving services through other federal programs such as TANF and the Workforce Investment Act also being served through FSE&T. Because of the administrative burden, states often use the considerable latitude afforded by the regulations governing FSE&T to minimize their FSE&T programs.

The result has been a program that, despite its tremendous potential to augment scarce resources otherwise available to serve individuals on the margins of the job market, is little used. Rachel Gragg, Washington, DC-based advocate with The Workforce Alliance, told us, “This is really uncharted terrain; the program is almost completely unutilized. People don’t even know about it... It is not well known and there aren’t many places taking advantage of the program.” A handful of states, including California, Massachusetts, New York, Texas, Wisconsin and, more recently, Washington, have engaged FSE&T in a more vigorous manner, but they are the exceptions rather than the rule.

An additional barrier to states’ active participation in FSE&T is that some of the activities that might add the most value—including those that support a Food Stamps recipient staying on the job after initial placement—are not allowed under the program. A related problem is that there are strict weekly and monthly limits on how much time participants can spend on FSE&T-allowable activities. We discuss both issues in more detail below.

Making matters worse, neither state governments nor the federal government itself seems to have one clear vision regarding how to implement the program. Decisions are made as to what is and is not allowable, and then reversed, as was the case in Wisconsin (detailed below). And the degree of

rigor required in reporting on the activities of FSE&T participants varies widely from one jurisdiction to the next.

The result is a national playing field that is anything but level. Jurisdictions that have supportive state officials and/or more limited oversight from the US Department of Agriculture's Food and Nutrition Service (FNS) can pull down millions of dollars and serve thousands of clients, while those that must submit to more restrictive state and federal oversight are not able to do nearly as much. Even after running an FSE&T program for years, one state official we spoke with admits, "We still have so many unanswered questions regarding what is allowable and what is not."

II. The Experience of King County, Washington

Prior to October of 2005, Washington was among the states not strongly engaged with FSE&T. Of the state's 39 counties, 38 were exempted, through various waivers, from running FSE&T programs. King County, the only participating jurisdiction, offered only minimal services.

But sustained interest from the Annie E. Casey Foundation's Making Connections project, local nonprofit leaders, and officials in a number of state agencies soon impelled King County to explore a more proactive program model. In October 2005, the state's Department of Social and Health Services (DSHS) began a pilot program in King County with five nonprofit providers that would serve Food Stamps recipients through FSE&T. The state's goal was to dramatically increase the amount of federal FSE&T match funding flowing to the community. The organizations were looking to use FSE&T as a way of generating additional revenue to improve and expand existing programs. The participating organizations are Seattle Goodwill Industries, YWCA of Seattle-King County-Snohomish County (YWCA), PortJobs, Seattle Jobs Initiative (SJI), and South Seattle Community College (SSCC). The groundbreaking component of this pilot was that the nonprofits would be running the program and receiving federal match dollars directly rather than the state agency, DSHS, responsible for actually distributing food stamps. The King County pilot was the first true "third party" FSE&T program in the country.

A year and a half into the pilot, the results have been mixed. The five participating agencies continue to view FSE&T as supportive of their organizational missions, and have used the added resources through the match—more than \$730,000 in all through December 2006—to expand services. But the experience of blazing an unmarked trail as the country's first third party FSE&T program has brought a number of unpleasant surprises and raised concerns about the suitability and, for some of the agencies, the sustainability of the effort. Not all the services they offered were allowable under FSE&T, and one particular limitation—the disallowance for reimbursement purposes of services to help keep participants employed after placement—has been especially frustrating.

More onerous still has been the unanticipated administrative burden. Relatively small agencies have been strained by the tasks involved with keeping their FSE&T programs in compliance with state and federal requirements, which include confirming names of clients with DSHS and ensuring their eligibility on a monthly basis. Our investigation of the experiences of other areas further suggests that several of the specific steps that King County agencies must take are relatively more burdensome than is the case elsewhere.

Each of the five organizations participating in the pilot has had to come up with its own way of handling the administrative load. They have endured differing levels of strain and frustration in their FSE&T experiences, based both on their organizational capacities and the specific ways in which they structured their FSE&T projects. YWCA is the only one of the five to create a new program consisting solely of FSE&T clients, greatly simplifying the administrative process; the other four organizations have integrated FSE&T clients into their regular programs offering job search assistance, vocational skills training, and other activities allowed under federal FSE&T regulations. SSCC also has a

somewhat easier time in terms of administration by virtue of billing on a quarterly rather than monthly basis. SSCC staff reported finding the FSE&T program worthwhile despite being cumbersome.

It is not clear that all five participating agencies share SSCC's view. SJI published a brief detailing "Lessons Learned" in August 2006, and offered a series of questions any agency should ask itself in determining whether it is a good fit to run a third-party FSE&T program. These are:

- Whether the agency serves a large enough number of Food Stamps recipients, or individuals who qualify to be enrolled in Food Stamps;
- Whether the agency has a sufficient administrative infrastructure to perform the necessary client tracking and develop suitable systems for billing and cost allocation; and
- Whether the agency has enough available staff time and resources to manage the administrative requirement and meet all expenditures upfront (since the federal match is reimbursement only).

The first question, for better or worse, is non-negotiable: FSE&T dollars can only serve Food Stamps recipients, and if a provider does not serve enough customers on or eligible for Food Stamps, or does not have the capacity to verify their current status or eligibility, that provider likely should not participate in FSE&T.

In King County, however, changes to what DSHS requires of participating organizations can impact how those organizations answer the second and third questions. Currently, information flows from the providers—or in the case of SJI, from subcontractor organizations to SJI—to DSHS, which then submits a claim for reimbursement to FNS. The mechanics of the exchange between the providers and the state agency seem to be particularly burdensome, involving a state-held database, eJAS, that was not designed for this purpose but rather for administration of Washington's TANF program, and a serial exchange of lists, sent by fax rather than through e-mail or other more convenient information technologies, in order to ensure compliance with Washington privacy strictures.

This problem, and specific recommendations to solve it, are detailed below. First, though, it is worth briefly examining how other states and localities have tackled some of these issues in creating and administering their own FSE&T programs.

III. FSE&T Programs in Other States and Localities

Direct comparisons to how other states/localities are handling the administrative requirements of FSE&T are problematic for two reasons. One is that, as the King County participants understand better than anybody, theirs is the first effort in the country to run an FSE&T program through third-party providers, using their own non-federal expenditures on allowable activities to draw down the federal match. As such, the administrative component is more complicated in Washington because the state, rather than directly running or contracting programs and then submitting a claim for the match to FNS, now intermediates between FNS and the five agencies that actually provide services. The second is that, based on our research, standards vary widely from state to state as far as the level of data tracking and reporting required. Even so, we believe that the experiences of other jurisdictions have some informative value for refining and improving King County's FSE&T program.

Massachusetts

In Massachusetts, the Department of Transitional Assistance (DTA) runs an FSE&T program that has been as big as approximately \$30 million per year, though it is considerably smaller now. At the height of the program's scale, the 50 percent federal match brought in about \$13.5 million for the Bay State, or 45 percent of the total. The state pays for services with general funds not used to match with any other federal money, and offers services including job search and placement, skills

training, vocational training and case management. On an annual basis, the FSE&T program serves about 3,000 individuals.

For the past several years, DTA worked with the state Departments of Mental Health and Mental Retardation and the Massachusetts Rehabilitation Commission, all of which run programs offering training and employment services. On a quarterly basis, those agencies sent to DTA the names and Social Security numbers of individuals participating in their programs, along with how much money the agency had spent on each client. DTA then took that list and matched it up against its own database of Food Stamps recipients from each month. Staff then totaled up the number of Food Stamps-enrolled participants in the programs of the departments and submitted the claim to FNS. DTA staff did not seem to feel that this was a particularly burdensome process.

Interestingly, Massachusetts is preparing to move to a third-party model in 2007 that is similar to the King County pilot. DTA plans to work with nonprofits and community-based organizations; agency officials hope to explore the possibility of using non-public funds, as some of the King County organizations do, to draw down federal match dollars. Anticipating a more difficult administrative challenge, the agency has agreed to contract with the University of Massachusetts as its administrative agent. The University was a logical partner for this function both because it has the administrative capacity to handle the many contracts that will be involved, has retained revenue authority (it is authorized to disburse money on behalf of the state), and already works with DTA around nutrition education. DTA is hopeful that the allowed five percent administrative assessment will cover costs incurred by the University through this function.

The University will work directly with service providers to verify their services and funding sources, and to provide technical assistance. It also will collect information on clients on a monthly basis, and send it to DTA. The state agency will then check that data to confirm eligibility for reimbursement, filter out those customers not eligible, and submit a claim to FNS. At the time of reimbursement, the money will flow from FNS, to DTA, to the University, and then on to the providers.

Texas

Texas runs a \$17.4 million FSE&T program, about a third of which is supported by 50 percent federal match drawn down with state general funds. Services offered include job search, education, work experience, and post-employment follow-up among others. Perhaps the most innovative aspect of FSE&T in Texas is its integration into Project RIO (Re-integration of Offenders), a program designed to reduce recidivism through skills training and other programs to increase connections to work, uses this approach. Project RIO is funded from a variety of sources, including TANF, several funding streams under the Workforce Investment Act, and Trade Adjustment Assistance among others. About 300 clients are served annually by Project RIO using FSE&T funds.

The Texas Health and Human Services Commission, the agency that runs Food Stamps in that state, essentially ceded management of the program to the Texas Workforce Commission. The Commission passes the funds to the local workforce development board—in this case of Project RIO, Workforce Solutions for Tarrant County--which administers the local program via contracts with providers to directly deliver services.

The concept is that the same individual can be supported from these different sources for various services. "We can provide a participant transportation assistance through food stamp money, training from WIA, support services and case management from RIO money," says Debby Kratky of the Texas Workforce Commission. "What we try to do in training is look at all the different things the person might be eligible for and then teach the case workers good practices as far as which programs they can access that's most beneficial for both the customer and our systems."

The practice of enrolling participants in programs funded through different sources has the added advantage of rendering moot the time limits of 30 hours per week or 120 each month connected to

FSE&T. With an eye to administrative ease and maximizing value from the program, Project RIO uses a cost-pooling methodology; it sends FSE&T estimates to the state, which then interacts with FNS.

San Francisco City/County

Within California, the biggest statewide FSE&T program, San Francisco runs a \$19.9 million effort--nearly half of which comes from the 50 percent federal match, the largest share among the programs we examined. San Francisco officials pride themselves on running a creative FSE&T program that currently serves about 6,500 Food Stamps recipients per year, offering work experience, workfare, education and vocational training among other services. At the same time, they acknowledge their good fortune in being able to leverage city/county general funds to run programs and draw down the match, as most cities cannot; in San Francisco, the city and county are one entity.

San Francisco's FSE&T staff has earned an enviable measure of support for its program methodology from state officials in Sacramento. The city proposed, and the state accepted, a formula to determine reimbursable costs: whatever percentage of participants in a given activity or project are FSE&T-eligible is the percentage the city will claim for reimbursement. Only aggregate numbers are submitted to the state; local officials retain names only for audit purposes. Local officials stated that a roster-based system of administration, akin to the one being utilized in King County, would be very difficult given the administrative burden it would present.

In addition, San Francisco is exploring the possibility of developing a third-party match model.

Wisconsin

The experience of the Milwaukee Area Technical College (MATC) in Wisconsin may be also instructive in terms of streamlining administrative burdens. Currently, the MATC FSE&T program serves between 250 and 300 students per year. MATC has devised a fairly easy process by which to assess enrollment and issue billings: before the start of each semester, the college receives a list of the county's food stamp recipients and checks this list against their enrollment register. To determine their program costs, administrators count the number of students who are enrolled the day after the deadline to drop classes, and bill based on this enrollment. MATC draws down federal match dollars through a mix of general revenue from the state, student tuition collected and local tax levy funds.

Billing does not fluctuate based on whether students drop out of classes, and the program continues to serve them even if they cease to be eligible for food stamps during the course of the semester. "At first I thought it was strange to keep them in the program," MATC representative, Russell Prust. "But the whole idea of trying to do any pro-rating was eliminated because it's a nightmare." MATC does not add students during the semester. While attendance is taken weekly for program purposes, the MATC approach involves steady and consistent follow-up with clients--it is not used to assess costs. This one-time billing calculation reduces the administrative burden, and de-links program stability and maintenance of an up-to-date list.

MATC experienced the inconsistency of the federal government's administration of FSE&T in a very direct way: MATC's funding formula, initially accepted by FNS, was then disallowed, forcing a revision and a more modest overall approach to the program. The original formula, designed to maximize the value MATC could derive from the 50 percent match, was to take the school's cost per full-time equivalency (FTE) in a particular program, determine how much of that cost was not eligible for federal matching funds, and charge FSE&T for the remainder. After initially running its FSE&T using this formula, MATC was subsequently told that the formula was no longer acceptable. Rather than abandon the program altogether, they began to bill only for the exact services provided to FSE&T clients, using match to bolster their own general purpose revenues and tuition. This is a more intensive and expensive administrative approach, and has prevented them from taking the program to a larger scale.

As a public educational institution, MATC's primary problem has been how to appropriately identify and verify matching funds that are nonfederal. School officials have maintained their program despite frustrations with federal officials who have generally been—in their eyes—overly stringent and inflexible in terms of what they will allow for billing. "We're keeping the program alive because we hope...we can reapproach USDA with all these excellent results," says Prust. As is the case with many of the sites we have looked at, the ongoing uncertainty over how federal regulations will be interpreted has been a constraint on potential growth for FSE&T programs here.

IV. The National Context

With the Farm Bill set for reauthorization in 2007 and the federal budget again under heavy strain, some advocates are concerned that FSE&T might come under scrutiny. Specific worries include a possible reduction to the 100 percent federal funding, which totaled \$90 million annually from Fiscal Years 2002 through 2007, and the possibility of a cap on the currently unlimited 50 percent match. So few states are drawing down funds through the match mechanism, however, that advocates are not particularly fearful of a cap at this time. There is concern that the Continuing Resolution under which federal programs are currently being funded includes an \$11 million rescission of administration grants (the 100 percent federal money) for FSE&T expenditures from 2006.

A number of national research and advocacy groups, including The Workforce Alliance, Jobs for the Future, and the Center for Law and Social Policy, have taken a growing interest in FSE&T. They are seeking to maintain current funding levels for FSE&T by advocating for the program as a mechanism to expand Food Stamps enrollment, which remains far below the numbers eligible to be served through the program. There is also some cautious excitement about a provision buried in the Bush Administration's budget proposal that would create a pilot to

authorize the Secretary [of Agriculture] to conduct a pilot test to allow a limited number of States the flexibility to reimburse (with matching 50 percent Federal funds) work-related expenses for any household with earned income. The Secretary would be authorized to define the range of allowable job-related expenses such as uniforms, tools, and licensing (but not to include child care), and to place a limit on the time during which a working family may be eligible for reimbursement. The pilot would be conducted in no more than three States for a period not to exceed 3 years. The Federal share of newly reimbursed work-related expenses in the pilots shall not exceed \$3 million.

Such a change potentially would redress the frustration of King County service providers over their current inability to serve low-income working people through FSE&T.

Another change advocates hope to address through the Farm Bill reauthorization is the current limitation restricting FSE&T participants from activities that take up more than 30 hours a week, or 120 hours a month (120-hour rule). While this restriction might not sound too onerous, the primary problem is that work counts against the limit. In other words, if a Food Stamps recipient is working 30 hours per week at a minimum-wage job, she is unable to spend any additional time in activities that could help her find a better-paying position. In addition, full-time training programs, designed to mimic a typical work schedule and/or provide concentrated training over a short period of time, would violate the 120-hour rule and be disallowed under FSE&T in their entirety. While some policy experts believe that the best way to address this problem is by states requesting waivers from FNS, a change in the underlying statute—presumably not an unrealistic option given the more receptive hearing likely under a Democratic-run Congress—would save states time and effort, and remove all uncertainty.

V. Recommendations for King County

Eighteen months into the King County FSE&T third-party pilot, the effort has drawn down more than \$730,000 in federal match funding and allowed the five participating organizations to broaden their service reach. More, however, can and should be done on both fronts, and it is now incumbent upon Washington's Department of Social and Health Services to make the changes to the program that will allow King County to access more federal match dollars and reach a greater number of Food Stamps recipients with training and employment services.

One concern that has been addressed is the question of whether or not the state could hire more staff for FSE&T than the number previously set by the legislature. Earlier this year, it was determined that the agency can hire additional staff, provided it has the budget to do so. The question now being considered is whether or not FSE&T administration funds can be used to pay for staff. An answer is expected later this year.

Interviews with the participating organizations, as well as previous findings by SJI, indicate that the five King County providers are struggling with two sets of tasks: figuring out amongst themselves what customers are on Food Stamps and thus can be served through FSE&T, and confirming eligibility with DSHS. Each organization must figure out its own answer to the first question, and as SJI suggested in the "Lessons Learned" paper from August 2006, if an organization is not serving an adequate number of Food Stamps recipients or those eligible to be enrolled, it probably should not get involved with FSE&T.

There are a number of ways, however, to ease the administrative burden associated with the second challenge. We suggest three such approaches here, with the observation that they are not mutually exclusive; indeed, the heavy administrative burden organizations currently must shoulder is not the result of one policy, but a number of procedures and requirements that may not necessarily add value to the program.

1. **Agree upon a billing formula.** Under this approach, DSHS would allow third-party agencies to submit claims for FSE&T reimbursement by calculating what percentage of their program cohorts are immediately FSE&T-eligible, rather than filing a claim for each individual on a roster basis. This is the process by which San Francisco's FSE&T program has been able to operate a broad set of programs, and is related to how Project RIO in Texas has been able to "braid" FSE&T dollars with other funding streams to provide a comprehensive menu of services.
2. **Make technical adjustments.** The state could continue to work with the participating organizations to revise its eJAS system to allow providers to directly input data, rather than the current burdensome process of sending the data to DSHS staff who then enter it into the system, and develop safeguards to guarantee compliance with state privacy laws such that information can be sent online rather than via fax. A variant of this might be to track fewer activities in programs for potential reimbursement, as suggested in SJI's Lessons Learned paper. Another possibility would be to conduct billing on a quarterly rather than monthly basis, as Massachusetts has done.
3. **Explore designating one administrative entity.** Rather than having each participating organization interact with DSHS directly, providers could assign this responsibility to one organization that can dedicate staff to handling this task. Alternatively, the state could follow the lead of Massachusetts, where the state intends to contract with the University of Massachusetts as both the administrative entity and fiscal agent to manage the third-party model. The key to the effectiveness of this measure is that it does, in fact, ease the tracking and reporting burden on participating organizations.

The common element to all three innovations is that it requires state and federal officials to embrace the goal of maximizing the potential value of FSE&T to Washington residents, rather than too narrowly define the FSE&T program because of concerns about the possibility of transgressing the rather vague regulations governing FSE&T.

At the same time, there is an opportunity to work with other sites across the country now operating or considering FSE&T programs, whether through the traditional approach of state-originating funds or through a third-party model. While initial fears that the 50 percent federal match might be capped do not seem to be an immediate concern, advocates remain uneasy that the longer this resource remains relatively untapped by states and localities, the more likely it becomes that eventually the funds will not be there. Further, as we have noted, FSE&T itself is unclear about what is and is not allowable as far as activities, and what specifically needs to be reported.

In discussions with both state officials, researchers and advocates, the most common lament was that “no clear model” exists for how jurisdictions should run these programs, and there is no consistency from one FNS region to the next over how regulations are interpreted. We believe that a national “Lessons Learned” conference around FSE&T would help bring focus and uniformity to programs and speed the evolution of a national constituency that will advocate for a more proactive approach to serving Food Stamps recipients. Particularly given their unique experience as the first site to operate a third-party model, the King County participants should connect with colleagues around the country and work with members of Congress to push the Department of Agriculture to offer greater clarity on how this program is supposed to work, and how communities can make better use of it to meet the statutory goals of Food Stamp Employment & Training.

ATTACHMENT 1: FOOD STAMP EMPLOYMENT & TRAINING PROGRAM

(Note: virtually all of the detail in this paper comes from the Center for Law and Social Policy, "Where the Funds Are: Transitional Jobs and the Food Stamp Employment and Training Program," forthcoming.)

Accountability

The Food and Nutrition Service (FNS) of the U.S. Department of Agriculture has responsibility for administering state Food Stamp Employment and Training (FSET) programs.

Timeline

1985: FSET is created as part of the Food Security Act, "to provide opportunities for food stamp recipients to improve their employment prospects and reduce reliance on food stamps."

1996: Congress revamps FSET in conjunction with passage of Temporary Assistance for Needy Families (TANF), the comprehensive welfare reform legislation. TANF imposed a time limit on food stamp receipt for non-working able-bodied adults without dependents (ABAWDs). Soon thereafter, Congress substantially increased FSET and required states to focus their efforts on the ABAWD population.

2002: The 2002 Farm Bill reduces federal FSET funding but increases state flexibility in allocating the funds. The legislation also includes additional unmatched federal funds for states that commit to providing FSET activities for their entire population of "at risk" ABAWDs—those facing the prospect of termination under the time limits.

2007: The Farm Bill comes up for reauthorization.

Food Stamp Work Requirements and Exempt Populations

Each working age member of a food stamp household must register for work unless exempt. Recipients can meet the requirement by:

- Working at least 20 hours per week;
- Participating in a workfare or comparable program for the maximum number of hours that can be required to "work off" the Food Stamp benefit; or
- Participating in another qualifying work activity (excluding job search) for at least 20 hours per week.

Many Food Stamps recipients, however, are exempt from the work requirement. Examining the caseload for Fiscal Year 2001, the Government Accountability Office found that 91 percent of all food stamp recipients fell into one of these exemption categories, leaving only approximately 1.56 million individuals required to work. According to the Federal Register, exemptions are allowed for:

- Individuals under 16 and over 60 years old;
- Individuals medically certified as physically or mentally unfit for employment;
- Individuals subject to and complying with any work requirement under TANF;
- Parents with dependent children six years old or younger;
- Individuals receiving unemployment compensation;
- Individuals involved in a drug or alcoholic treatment program;
- Individuals who are employed or self-employed for at least 30 hours or more each week; and
- Individuals enrolled at least half time in school, training, or other institution of higher education.

Those not exempt must:

- Register for work;
- Provide information to the state about employment status or availability to work;
- Accept a bona fide offer of suitable employment; and
- At the state’s discretion, participate in “workfare” activities.

Time Limits and Exemptions for ABAWDs

The passage of TANF in 1996 imposed a new time limit on ABAWDs: non-exempted Food Stamps recipients who do not meet the work requirement may only receive Food Stamps for three months in a three-year period.

Food Stamps recipients are exempt from the ABAWD time limits if they are:

- Under 18 or over 50 years old;
- Medically certified as physically or mentally unfit for employment;
- Responsible for a dependent child;
- Pregnant; or
- Otherwise exempt from the Food Stamps requirements to register for work.

In addition, the law grants states discretion to waive the three-month time limit for ABAWDs in areas of the state that have a labor surplus, defined as an unemployment rate greater than 10 percent. States may also exempt 15 percent of their ABAWD caseload from the time limit on a discretionary basis. As a result of these exemptions, researchers estimated that in 2000 only 1.5 percent of the total ABAWD Food Stamps caseload—about 216,000 recipients—were subject to the time limits.

FSET Allowed Program Components

The federal government requires states to operate FSET programs, but grants them discretion about which components to offer. The allowable components include:

- Job Search: making inquiries to employers about potential employment over a specified time period;
- Job search training: basic job search activities as well as support activities such as job skill assessments, job finding clubs, job placement services or other direct training or support activities;
- Workfare: recipients perform work in a public service capacity, receiving their compensation in the form of their household’s monthly coupon allotment rather than wages;
- Work Experience: recipients participate in a program designed to increase the employability of individuals through actual work experience for the allowable number of hours (which can be in the private sector) and/or training;
- Programs that have similar goals to FSET, such as supported work, WIA programs, and other state and local programs;
- Education: programs or activities that will enhance basic skills and employability, including Adult Basic Education (ABE), English as a Second Language (ESL), high school equivalency (GED), and postsecondary education; and/or
- Self-employment training: programs that guide recipients in creating and operating a small business or other self-employment venture.

As noted in the accompanying study, most jurisdictions offer several of these options, sometimes combined with activities that complement the goals of FSET but are not reimbursable (and are not claimed) through the program.

FSET programs must develop an employability plan for each FSET participant, describing the employment goals and length of participation in each component designed to achieve those goals. Employability plans can include a combination of activities to meet hour requirements and employment goals. Programs may not require recipients to participate for more hours than their household's food stamp allotment for the month divided by the applicable minimum wage—nor may hours of participation combined with hours of employment exceed 120 per month.

Types of FSET Funds and Allowable Uses

The federal government supports FSET with several distinct funding streams, and has set detailed (though still, at times, ambiguous) guidelines as to how state and local areas can access and spend FSET funds. In all, five funding streams support the FSET program. Two of these are 100 percent federally funded:

- **100 Percent Federal Administration Grants:** A total of \$90 million per year was authorized for these grants for Fiscal Years 2002 through 2007. As set forth in the 2002 Farm Bill, the Secretary of Agriculture is empowered to set a "reasonable formula" for states to receive additional funding; the formula must take into account the number of ABAWDs that are not exempt from the work requirement. Each state is guaranteed to receive at least \$50,000 for administering the FSET program; allocations varied from \$9.9 million in California to \$50,000 in Guam and the Virgin Islands. FNS must receive and approve each state's employment and training plan before funds are disbursed.
- **Additional ABAWD dollars:** States that guarantee to serve all ABAWDs at risk of exceeding the three-month time limit for Food Stamps receipt are eligible to receive additional 100 percent federal funds from a pot of \$20 million per year for Fiscal Years 2002-2007. In FY 2006, 12 states received amounts from this pool, ranging from \$6.2 million in New York to \$161,000 in Delaware.

These streams represent well less than half of all federal FSET expenditures. For FY 2005, USDA awarded \$90 million in administration grants, but reimbursed states at a 50 percent match for administrative, participant expense and dependent care reimbursements as described below for \$183.3 million. It is through these three additional funding streams that ambitious and aggressive states can derive the most value from FSET:

- FNS will reimburse states for 50 percent of the **administrative costs** for FSET program operation that exceed those covered by the 100 percent administrative grant. There is no cap on these reimbursements.
- States may receive a 50 percent match of federal funds reimbursement for **dependent care costs;** and
- States can submit requests for 50 percent reimbursement for **transportation and other participant expenses** that are necessary and directly related to participation in FSET, such as training- or education-related expenses from uniforms to books or training manuals. This category may also include such expenses as vision correction, dental work, legal assistance, and housing assistance. There is no cap on these reimbursements.

Unfortunately for program providers, many crucial aspects of serving ABAWDs are not allowed as reimbursable costs under FSET. The program will not match costs for services to overcome barriers to participation, such as mental health treatment or drug and alcohol counseling that would otherwise render a participant exempt from the work requirement. FSET funds cannot be used for any of the following additional activities:

- Wage subsidy;
- To supplant existing non-federal education funds for existing educational services and activities; and

- Assessments to determine work-readiness, registering participants for work, or other screening performed during the certification process.

States can fund FSET services—and draw down the federal match—through expenditure of state general funds, cash or in-kind grants by other nonfederal public agencies and institutions--as long as they are not being used for another federal match program--and services and real or personal property donated by other non-federal public agencies or institutions. FNS must grant a waiver, however, for private sector donations of cash to be counted, and will not match private in-kind donations.