

**Food Stamp Employment and Training
Lessons Learned from Community Partners Engaged in
King County Third Party Match Pilot Providers**

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Introduction

In October 2005, the Washington State Department of Social and Human Services (DSHS) launched a pilot program in King County to substantially increase the amount of federal Food Stamp Employment and Training (FSE&T) 50/50 match dollars available to support low-income employment and training activities in the county. The pilot is unique, representing the first FSE&T third-party match in the nation. It allows nonprofit organizations—as opposed to agencies directly administering food stamps or tied to a state’s workforce/welfare system—to receive FSE&T dollars as a match for their own non-federal expenditures on employment and training activities for food stamp recipients. The King County pilot has demonstrated that an FSE&T third-party match program has the potential to significantly augment employment and training activities for low-income people throughout Washington and in other states. By allowing nonprofit agencies to receive reimbursement for their expenditures on vocational training, job search, case management support, and other qualified services, it provides them additional resources to invest in expanding their services.

As the first of its kind, the King County pilot has generated broad interest from the federal government, DSHS, as well as community agencies and community colleges both within and outside of the state of Washington. Similar FSE&T third-party match programs are now planned in Wisconsin, Texas and Massachusetts, increasing the desire of federal agencies and other states for greater knowledge about how an FSE&T third-party match program can work and specifically about the King County experience. Aware of this growing interest, Seattle Jobs Initiative (SJI)—a participant in the King County pilot—has conducted research and a series of in-depth interviews in an effort to extract the lessons learned to date from the pilot and their implications for both improving the King County program and developing new programs elsewhere.

This paper provides a brief overview of the FSE&T 50/50 match program. It then describes the experiences of the five community organizations that participated in the King County pilot, including the different ways that the pilot agencies have operated the FSE&T third-party match at a programmatic level. Finally, it recommends steps for improving the King County pilot that should also bear relevance to third-party match programs being considered elsewhere.

An Overview of the Food Stamp Employment and Training Program

The FSE&T program contains a provision allowing use of uncapped federal 50/50 match funding to assist Food Stamp or Basic Food (Washington’s name for the food stamp program) recipients—who are not receiving Temporary Assistance to Needy Families (TANF)—to achieve self-sufficiency through employment and training activities. Dollars that can be used as match must be non-federal, including state and local government funds as well as funds from foundations and corporations. The federal government will match fifty cents of every dollar spent on allowable employment and training activities. For example, an agency that spends \$200,000 on allowable employment and training services for FSE&T clients could receive \$100,000 in match dollars.

All states are required by the federal government to have an FSE&T program, although these programs vary substantially from area to area. The Food and Nutrition Service (FNS) within the U.S. Department of Agriculture (USDA) administers FSE&T and approves state plans that describe employment and training services to be available and the planned use of funds. In Washington State, the FSE&T state plan is submitted and administered by the Washington DSHS.

Clients eligible for FSE&T are current food stamp recipients—not on TANF—who are actively participating in employment and training programs. Clients must have incomes below 130% of the federal poverty guidelines to remain on Basic Food. (See *Attachment A for Basic Food Income Guidelines*.)

The FSE&T program is made up of three main categories of funding. They include: 1) 100% federal administration grants which each state receives to operate its FSE&T program; 2) additional ABAWD dollars for states that agree to serve all ABAWDs at risk of losing their food stamps; and 3) 50% match dollars for states and/or third-party entities that match their administrative and some participant expenditures.

For the last several years, the state of Washington has operated a small FSE&T program in King County only. DSHS has a contract with Employment Security whose two staff members meet with food stamp recipients in local WorkSource centers to assist them with job search activities.

The FSE&T Third Party Match Pilot in King County

In 2005, DSHS expanded the scope of FSE&T within Washington's state plan and initiated a FSE&T third-party match pilot program in King County. The pilot was unique because it was the first implementation of a third-party match in the nation.

The purpose of the local FSE&T pilot is to examine how to increase the amount of FSE&T funds coming into the state by matching public (non-federal) and private dollars being expended by nonprofit agencies, including community colleges, on employment and training services for food stamp recipients, and by increasing the number of food stamp recipients who participate in employment and training programs.

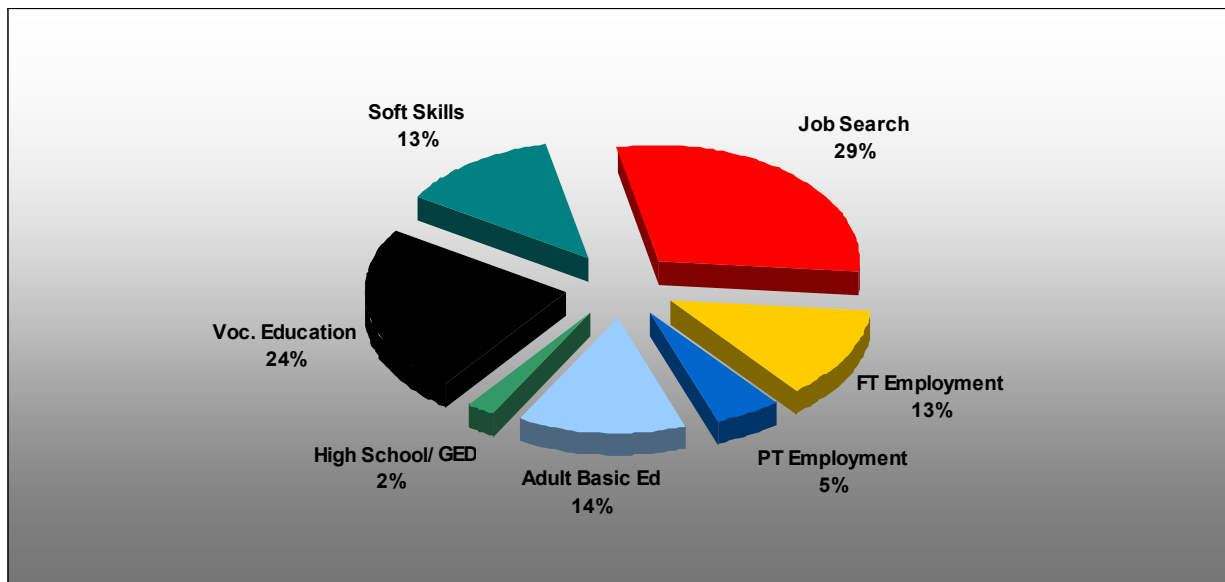
Five organizations are currently collaborating with DSHS Region 4 on the FSE&T pilot. These include three community-based organizations (Seattle Goodwill, YWCA of Seattle-King County-Snohomish County, PortJobs), a workforce intermediary (Seattle Jobs Initiative) and one community college (South Seattle Community College). Two other agencies, Neighborhood House and King County Jobs Initiative, were invited to be part of the original pilot group but decided against joining the pilot prior to its launch.

The five organizations are directly (or in the case of SJI, through contracted CBOs) working to achieve capacity and scale in the following areas:

- Recruiting clients who are interested in and eligible for the Basic Food Program;
- Working with DSHS to assure client eligibility and track clients' continued participation in employment and training activities;
- Identifying appropriate match funding for FSE&T clients and allowable activities.

The services provided by the pilot organizations range widely and represent a significant expansion of the menu of choices available for FSE&T clients in the county. Active enrollment was approximately 250 in May 2006. The following chart summarizes activities of active (currently enrolled) clients at the end of that month.

Activities for King County FSE&T Clients in May 2006



Note: Some clients are participating in more than one component so the segments represent some double-counting of individuals.
Source: Tim Fultz, Washington State Department of Social and Health Services

DSHS is focusing the pilot on the neighborhood of White Center and Boulevard Park. While the providers are not strictly limited to serving only residents from these neighborhoods, they are asked to concentrate their recruitment and services on these residents. Plans to expand beyond White Center include extending FSE&T to other community colleges in 2007. In addition, SJI will expand its pilot to include its homeless vocational project, a partnership with the Downtown Emergency Service Center.

The FSE&T pilot is unique not only as the first local attempt to access FSE&T funds to serve food stamp recipients using a third-party match, but also in its program model. Other jurisdictions have achieved some scale matching FSE&T funds, but FSE&T in these jurisdictions has always been a part of the state-sponsored workforce/welfare systems. In this case, SJI and its pilot partners must collaborate with DSHS through the local community service offices (CSOs) to actually complete food stamp eligibility and paperwork and to track client activities.

Early Results of FSE&T Third-Party Match Pilot

As of May 31, 2006, the third-party match pilot was in its eighth month of operation. Seattle Goodwill, the YWCA, PortJobs, Seattle Jobs Initiative and South Seattle Community College all chose to participate because FSE&T clearly aligns with their missions and they see FSE&T as a potential fund source to support and potentially grow their programs. (See Attachment B for more details on each agency's FSET program.)

While most start ups projects can be very challenging, this effort was particularly difficult because there existed no road map. No clear instructions were available to guide how to operationalize a third-party match program. Consequently, the pilot agencies and DSHS staff were forced to design and implement the program simultaneously.

An initial setback to the pilot agencies was discovering that fewer categories of expenditures than they had anticipated actually qualified for FSE&T match funds under the federal regulations governing the FSE&T program. The agencies, as well as DSHS, had been informed by national experts during the early development of the pilot that nearly all of their expenses—both direct and indirect—on FSE&T clients could be matched. As a result, most agencies projected a substantially higher amount of revenue from FSE&T than has, in fact, materialized.

In addition, early reports indicate that the agencies have been challenged by a variety of client, staffing and administrative issues. The agencies were astonished by the level of staff involvement required to operate the program. In addition, they were not prepared for the high percentage of clients cycling on and off food stamps each month, which is problematic for several reasons. First, fluctuating client status requires intensive monitoring and tracking. Second, it makes it difficult for organizations to predict how much match will be generated each month and consequently impedes forecasting of operational costs on an on-going basis.

A summary of the challenges in implementing the program reported by pilot participants include:

Clients

- **Clients who are eligible for food stamps often do not want to enroll in the program.** Many individuals are reluctant to enroll because of the perceived stigma of receiving food stamps, the complex eligibility and application process, or their unwillingness to reveal who lives in their household.
- **Clients often do not think it's "worth it" to sign up.** Clients eligible for only a minimum of food stamp assistance often do not want to go through the eligibility and application process for food stamps, even though it makes them eligible for FSE&T dollars.
- **Client eligibility can change each month.** Some clients fail to turn in the proper paper work or stay in touch with their DSHS case managers and as a result are exited from the food stamp program. This, in turn, makes them ineligible for FSE&T services, even if they continue to receive employment and training services from the provider. Consequently, a provider's client list can change dramatically from month to month.
- **The application process can be long.** It can take up to four weeks for the application process to be complete.

Staffing

- **Agencies report a high level of staff involvement.** Documenting and tracking FSE&T participation is very labor intensive. Agencies serving approximately 40-50 clients a month have on average 5 staff people—not including instructors—investing a portion of their time in supporting FSE&T. This includes executing the following activities: intake and assessment, case management, delivery of services, confirming names of clients with DSHS and confirming their food stamp status, monitoring active participants on a monthly basis, and updating client status with DSHS and billing.

Administrative

- **Monitoring lists of eligible and potentially eligible clients is a multi-step process.** Finding out from DSHS if a client is eligible for FSE&T is very cumbersome. Agencies submit names to DSHS and then must continue to check on their eligibility status.
- **DSHS' internal MIS system is a challenge.** Providers are not allowed to email client lists to DSHS but must use e-message instead. Also, eJAS—DSHS' client database system—is difficult to work with; the system drops people from the eligibility list without an explanation.
- **Some providers had to develop an enhanced cost allocation system to capture allowable and allocable costs to facilitate billing.** Depending upon the nature of services provided and the associated costs of those services, providers may need to develop a more sophisticated cost allocation system to support the billings. Some providers who are integrating FSE&T into their regular programs have developed cost allocation formulas based on the percentage of FSE&T clients as compared to the total number of clients they serve.
- **Providers must have resources to cover all costs for services to FSE&T clients.** While FSE&T covers 50% of the costs of qualified services an agency provides to FSE&T clients, FSE&T funds are paid as a reimbursement for costs already incurred by the agency. This means that providers must have a sufficient cash float to cover FSE&T program related expenses until they are reimbursed.

In addition to the participating nonprofit organizations, DSHS staff also played a key role in implementing the pilot. Two senior staff from DSHS Region 4, two staff from the White Center CSO and two staff from Olympia participated in the startup. DSHS was responsible for interpreting federal regulations, drafting contracts, providing oversight of the entire effort, and developing an internal system to confirm names of food stamp participants and approve billing. Also, DSHS assigned a full-time staff person to verify data provided by the pilot agencies. This person is responsible for checking client names to be sure they are on food stamps, entering component codes into e-JAS (*only* DSHS staff can perform this function) and reviewing case notes for compliance. DSHS estimates that the maximum one FTE can handle is up to 400 active participants at any given time.

The King County FSE&T pilot has been a learning experience for DSHS and the community agencies involved. Perhaps the most critical lesson learned from the pilot is that, given the complexity and labor intensity of implementing an FSE&T third-party match program, not all community agencies should seek to participate in such a program. As mentioned, two agencies that considered joining the King County pilot pulled out after realizing the necessary investment in staff resources would outweigh the prospective financial benefits of participation. Several of the pilot agencies are also now weighing the costs and benefits to their organizations of continued participation to determine if the financial return on FSE&T is worth their investment. The reality is that few community organizations possess the infrastructure to implement and operate such a complex project.

Conclusions and Recommendations for the King County Pilot

FSE&T third-party match programs have the potential to provide local communities with significant added resources to provide critical services to low-income residents. Nonprofit organizations that are already running programs designed to provide these employment and training services and that have a healthy mix of funding sources—including unrestricted monies not dependent upon a cost reimbursable basis—are, in effect, leaving money on the table by not ensuring that their qualified expenditures on these services are matched by FSE&T dollars.

This is equally true of the city, county and private funders that are investing in the employment and training programs of these nonprofits. Leveraged FSE&T funds can be invested back into the programs that generated the match, or can be used for other program areas serving low-income residents.

The King County pilot demonstrates that in implementing a third-party match program, important decisions need to be made about where dollars are matched. For community organizations without strong administrative structures (including client tracking capability), without programs that serve sufficient numbers of food stamp recipients, and/or without programs that provide sufficiently concentrated services to food stamp recipients, it may make little sense to attempt to act as a “third party” in an FSE&T third-party match program as the costs will likely outweigh the benefits. Organizations with strong administrative structures, capable of running cohort programs comprised solely of food stamp recipients (YWCA), and/or with concentrated service delivery models (SSCC), may be more suitable third parties as their administrative costs associated with FSE&T may be lower and their matchable expenses greater. This does not mean that nonprofits that do not meet these criteria cannot benefit from FSE&T. Administrative functions can be combined such that dollars are matched at a higher level either by a funder (e.g., city, county, foundation) investing in the nonprofit agencies’ programs or by an administrative superstructure created specially for the purpose. The FSE&T dollars received at this level can then be used to increase funding to the community agencies.

Based on these conclusions, there are several recommendations for improving the King County pilot moving forward:

Build Program Capacity

- The pilot is still small scale and needs to be expanded to other community agencies and community colleges to maximize the FSE&T dollars available to provide employment and training services to our community. The additional administrative burden on DSHS could be alleviated by streamlining and combining administrative functions (described below) and/or using FSE&T dollars to help fund additional capacity at DSHS.

Improve Administrative Systems

- DSHS' database, e-JAS, should be adapted to meet the specific client data needs of FSE&T. Many functions are currently manual (e.g., lists of names to "eligibilize" clients must be faxed by third-party agencies to DSHS; DSHS must manually enter all client data and activity components, etc.) and thus time consuming and labor intensive. These functions could be automated so that the nonprofit contractors are able to perform client searches and generate client reports to verify eligibility and activity.
- Fewer client component activities should be tracked in order to simplify manual data entry (by both nonprofit contractors and DSHS) into e-JAS. Presently, the detailed array of component activities that must be tracked is an administrative burden, even though it does not affect employment outcomes or billing. Nonprofit contractors might instead turn in quarterly activity reports to DSHS that provide more detailed component information.
- Explore the option of allowing third-party agencies to bill for FSE&T based on total project costs and the percentage of FSE&T clients served by that project, as opposed to requiring them to track and bill on each individual and service component. This would relieve both agencies and DSHS of a significant amount of administrative burden.

Consider Combining FSE&T Administration Functions

- The King County pilot participants and future third-party organizations should strongly consider consigning the administrative functions associated with running their FSE&T programs to a single program administrator to be agreed upon. It does not make sense for each organization to bear the burden of these functions independently—a burden that in the future will preclude many agencies from participating in FSE&T.

Implementing a Third-Party Match at a Community Agency in King County

Introduction

This document briefly explains the practical operation of an FSE&T third-party match program by a community agency, providing as examples the programs of the five agencies participating in the King County pilot. As an important preliminary step, a community agency desiring to become a “third party” should consider two basic questions. First, it must consider how it will ensure that its clients are either on food stamps or get enrolled in food stamps. Second, it must consider whether it will integrate FSE&T into its current programming or whether it will set up a separate program that serves exclusively FSE&T enrolled clients. Within the King County pilot, the five participating agencies resolved these questions in a variety of different ways.

Enrollment into Basic Food

Before an agency can receive FSE&T dollars, it must have active clients who are enrolled in Basic Food. Accordingly, an agency interested in receiving FSE&T funds can serve:

- Only those clients currently receiving food stamps; OR
- A combination of clients currently receiving food stamps as well as clients who are eligible for food stamps and need to be enrolled into Basic Food;

If clients come to the agency already receiving Basic Food, an entire body of work—helping clients apply for and begin receiving food stamps—has been eliminated from the agency’s FSE&T project. The agency must simply submit to DSHS the names of clients receiving food stamps and they will be entered into the state’s MIS system (e-JAS). From there, the agency must monitor each client’s employment and training activity each month as well as his or her basic food enrollment status (ensuring that the client is still receiving food stamps.)

If an agency has clients who are eligible for but not enrolled in the Basic Food program, it will need to either 1) set up a system to assist clients in enrolling into the program, or 2) refer clients to DSHS or to a Basic Food Education and Outreach provider.

In King County, DSHS has a contract with Hopelink, a human services nonprofit organization, to administer the Basic Food Education & Outreach program that provides information and enrollment assistance for Basic Food to low-income residents. Hopelink subcontracts with a number of organizations to help carry out outreach activities. Hopelink and its subcontractors do not enroll clients in Basic Food. Rather, they make low-income residents aware of the program and assist them in filling out the application. Final approval of eligibility is performed by DSHS.

The turnaround time for clients who receive information about the Basic Food program to submit an application and then receive approval can be approximately two to four weeks. Hopelink’s rate of applications and approvals is 30-40%.

Hopelink reimburses agencies for some of the expenses they incur in conducting the Basic Food Education & Outreach program. However, Hopelink does not cover all agency costs. Therefore, if a community agency is interested in becoming a subcontractor, it must be willing to

expend its own resources on staff time and program materials. The advantage for a subcontracting agency is that it gains a vehicle to increase the number of its clients on Basic Food and thus increase its FSE&T eligible costs. This is particularly valuable for an agency that has a significant number of clients who are eligible for Basic Food *but not yet enrolled*. The FSE&T program does not allow agencies to match dollars expended enrolling clients into Basic Food. Therefore, it is beneficial to receive some reimbursement from the Basic Food Education & Outreach program for work an agency may already plan to do to eligibilize its clients for FSE&T matching funds.

In applying to receive a Basic Food Education & Outreach contract, an agency must describe the staffing to be utilized, the methods and strategies it will use to enroll people in Basic Food, and the scope of its outreach activities (outcomes/number of clients to be served). It must submit a budget. If a contract is awarded, an agency will be reimbursed on a per client basis, and must regularly report on client activity to receive payment.

Setting up the Operation

Setting up an FSE&T operation can be done one of two ways. First, an agency can create a separate FSE&T program, meaning that employment and training services provided by that program are geared exclusively to clients on Basic Food. Alternatively, an agency can enroll Basic Food clients into its existing programs along with clients who are not on Basic Food. In this case, the FSET clients comprise a percentage of the total clients in a given program.

FSE&T ONLY PROGRAM

In the King County third party match pilot, only one of the participating agencies, the YWCA, set up an FSE&T exclusive program. The new program—solely for Basic Food clients—essentially mirrors the agency’s regular Workforce Investment Act or Homeless Intervention Program (HIP) program. A single case manager has a caseload of Basic Food clients and works to link them to training, support services and ultimately to a job. The agency has set aside some funds for tuition and support services not reimbursed by FSE&T. All clients who enroll in this FSE&T program are already on Basic Food. Therefore, the agency does not have to expend resources helping to eligibilize clients for Basic Food. In 8 months of operation, the agency has enrolled 48 clients in the program, with 15 entering vocational training. The goal is to serve 60 clients per year.

On the financial side, determining the FSE&T match dollars in such a program is fairly straightforward because the agency is matching 100% of the program’s expenses: case manager time, the eligible support services, tuition dollars, and any overhead expenses. By contrast, if an agency is employing a strategy where Basic Food clients mix with non-Basic Food clients in existing programs, expenses eligible for FSE&T match funds must be calculated as a percentage of Basic Food clients compared to all clients in the program.

FSE&T INTEGRATED INTO EXISTING PROGRAMS

The alternate way for an agency to implement FSE&T is by enrolling Basic Food clients into existing employment and training programs along with non-Basic Food clients. Four of the agencies participating in the King County pilot have chosen to implement FSE&T in this way, they include: Seattle Goodwill, PortJobs and Seattle Jobs Initiative and South Seattle Community College.

A few of these agencies seek to enroll those clients who are already on Basic Food and those who are eligible to receive Basic Food but not yet enrolled in the program. SJI is a Basic Food Education & Outreach subcontractor, Port Jobs has developed a partnership with another Basic Food Education & Outreach subcontracting agency which comes on-site once a week to enroll clients, Seattle Goodwill assists clients with the enrollment process at their own expense, and SSCC sends clients to DSHS for enrollment into Basic Food. A brief description of their programs is as follows:

- Seattle Goodwill provides case management and offers a series of training courses including: basic computer skills, English as a Second Language, math, customer service and soft skills. These classes are one hour and are offered approximately four days a week for 10 weeks. Clients can take several classes during the same 10-week period.
- Port Jobs provides “light-touch” job search assistance in the form of helping job seekers fill out employment applications and search for jobs on the computer. Port Jobs also provides 12-18 hours of job readiness training for two local organizations and it coordinates on-site community college short-term training for its airport employer partners.
- Seattle Jobs Initiative is a workforce intermediary and it shares FSE&T implementation with its CBO contractors. SJI provides pre-employment services, case management and links people either to short-term vocational training at the community college or directly to a job. The training is one or two quarters in length.
- South Seattle Community College enrolls FSE&T clients into its existing vocational training, basic skills and English as Second Language classes. FSE&T clients make up a percentage of each class’ student mix. There are no classes where all students enrolled are on FSE&T. Rather, SSCC has made a conscious decision to “mainstream” FSE&T clients into the regular vocational training offerings.

The key to a successful FSE&T operation—whether it is an exclusive program for Basic Food clients or Basic Food clients are integrated into the regular program offerings—is for an agency to ensure that its monthly list of FSE&T eligible clients is accurate and up-to-date and that clients are actively participating in their employment activities.

From an organizational standpoint, FSE&T is an incredibly labor intensive initiative. Significant staff hours are spent tracking FSE&T clients. Each month, an agency must monitor whether its clients are on or off food stamps, whether they are attending their prescribed training activities, whether they are progressing to the next step outlined in their employment plan, whether they have been placed into a job, and whether the job placement makes them ineligible to continue receiving food stamps. In addition to the reporting required, there is a fairly complex financial tracking process required. Staff time invested in even the smallest of the pilot agencies has been significant.

Local agencies must be prepared to determine whether the financial return from participating in an FSE&T third-party match program is worth the investment. In making this determination, it should be helpful for an agency to pose the following questions:

1. Does our agency have the staff time and resources available to administer an FSE&T program?

2. Does our agency have the administrative infrastructure to support a complex operation that involves extensive client tracking, developing a cost allocation plan and billing system?
3. Does our agency serve a significant number of food stamp recipients (or clients who can be enrolled in food stamps) so that all the administrative work is worth it?
4. Does our agency have sufficient financial resources to front all of the costs of serving FSE&T clients, knowing that FSE&T dollars are paid out only as reimbursement for costs already incurred?