Food Stamp Employment and Training (E&T) Implementation of the Provisions of the Balanced Budget Act of 1997

This memorandum was sent to all regions of the Food and Nutrition Service for their use in providing guidance to State agencies.

February 20, 1998

Subject: Implementation of the Provisions of the Balanced Budget Act of 1997 Relating to Food Stamp Employment and Training (E&T)

To: Regional Administrators
Food and Nutrition Service

Section 1002 of the Balanced Budget Act of 1997 provides an additional $131 million in unmatched Federal Employment and Training (E&T) funding for fiscal year (FY) 1998 and targets 80 percent of all Federal E&T funds to qualifying work activities for able-bodied adults without dependents (ABAWDs). The intent underlying these changes is to provide work opportunities for ABAWDs who would otherwise lose food assistance because of the time limits imposed under the Welfare Reform legislation which restricts participation in the Food Stamp Program (FSP) to 3-in-36 months unless the individual is working or participating in a work program 20 hours per week, or participating in a workfare program.

Following is a 5-part guidance for implementing these new E&T funding requirements: Section A explains the 80/20 use of funds requirements; section B provides for the establishment of reimbursement rates; section C provides for a limited alternative to the reimbursement rate structure for a limited number of states; section D provides guidelines for submitting E&T plans which are due to regional offices by May 1, 1998; and section E outlines changes to reporting requirements for States' E&T operations.

A. Use of Funds Requirements

Eighty percent of a State's allocation of 100 percent Federal funds is limited to being spent on qualifying work or training activities for ABAWDs. The remaining 20 percent of a State's allocation may be spent on non-ABAWD work activities or work activities for ABAWDs that do not meet the requirements of sections 6(o)(2)(B) and (C) of the Food Stamp Act, such as job search. A State agency may expend some or all of the 20 percent of its allocation not mandated toward ABAWD-qualifying activities independent of whether it spends any of the 80 percent which is limited to use for qualifying work or training activities for ABAWDs.

20% Portion of E&T Funding Allocation

States may use up to 20 percent of their 100 percent E&T grant allocation (the base allocation and additional funding appropriated under the Balanced Budget Act) to provide allowable work activities for their non-ABAWD population or work activities, such as job search, that do not qualify either as a work or workfare program for ABAWDs under sections 6(o)(2)(B) and (C) of the Food Stamp Act. The 20 percent allocation is provided to a State whether or not the State uses any of its 80 percent allocation that is dedicated solely to ABAWDs. The 20 percent allocation may be spent at any point during the year and is not subject to the reimbursement rates discussed in part B of this guidance package.

80% Portion of E&T Funding Allocation

Eighty percent of a State's allocation of 100 percent Federal funds shall only be spent on qualifying work or training activities for ABAWDs. Federal funds which a State expends on allowable activities in areas of the State that have received a waiver under Section 6(o)(4) of the Food Stamp Act will count as allowable expenditures of the 80 percent funds. However, we strongly advise that States expend the majority of their Federal E&T funds on ABAWDs that reside in non-waived areas and who are most in danger of losing eligibility for the FSP.

B. E&T Component Reimbursement Rates

Section 1002 of the Balanced Budget Act requires the Secretary of Agriculture to monitor State agencies' expenditures of E&T funds, including the cost of individual E&T components. It also gives the Secretary the authority to set reimbursement rates for E&T components to ensure that the money States spend creating workfare slots and 20-hour-a-week education and training opportunities for ABAWDs reflects the reasonable cost of efficiently and economically providing those

activities. The Food and Nutrition Service (FNS) has determined that setting reimbursement rates for E&T activities is necessary to ensure that the intent of Section 1002 is met. The rates will provide a ceiling of what FNS estimates to be the reasonable maximum cost of efficiently and economically providing the work opportunities. As explained below, the rates are effective October 1, 1998.

To meet the requirement of the Balanced Budget Act, States will need to revamp their existing E&T programs to primarily focus on serving the ABAWD population. Because we recognize that States may incur high start-up costs as they design the infrastructures for their new E&T programs, we are delaying implementation of the work activity reimbursement rates until October 1, 1998. Until that date, States are expected to create as many work opportunities for ABAWDs as possible. However, FNS will monitor costs to ensure that the amounts spent reflect the reasonable cost of efficiently and economically providing appropriate slots. FNS believes that the rates below represent the maximum amount it should cost a State to efficiently and economically provide filled slots under each activity.

Because States have generally emphasized in their E&T programs activities such as job search and job club that are expressly prohibited as qualifying work programs for ABAWDs under sections 6(o)(2)(B) and (C) of the Food Stamp Act, FNS has little information that is directly applicable in establishing reimbursement rates for qualifying work activities. However, information from job search activities was used as a basis for extrapolating certain costs, such as for intake and monitoring, that are common to workfare and education and training programs. FNS, therefore, has been able to use the information it has available, in combination with information from other sources, including a study of workfare programs conducted by the Manpower Research Demonstration Corporation , to establish what it believes to be a reasonable estimate of the maximum costs States will need to spend in FY 99 to provide workfare and education and training slots to ABAWDs.

FNS is establishing one reimbursement rate for both workfare and 20-hour a week education and training components. Recognizing the uncertain level of compliance with various work requirements among the ABAWD population, FNS is setting two levels for the reimbursement rate—one level for filled work slots and the other for unfilled or "offered" work slots. A slot is "filled" when a participant reports to a work or training site to begin his or her work activities. A slot is "offered" when a bona fide workfare or training opportunity is made available to a participant (i.e., the participant is told to report to a work site at a given date and time) but the participant either refuses the assignment or does not report. In the case of self-directed workfare programs, FNS will reimburse States only for filled slots.

The rates established for FY 99 are the following:

ØOffered Work Slot: $30

ØFilled Work Slot: $175

These rates represent the maximum amount of 100 percent Federal funds that FNS will reimburse States for their expenditures in providing work and training slots. The rates represent a monthly average, although reconciliation will be conducted on a yearly basis.

The E&T component reimbursement rates are not effective until October 1, 1998, Slots created in FY 98 will not be subject to the rate structure. For slots created in FY 99, FNS will sum the number of filled and unfilled slots a State reports and multiply each by the appropriate rate. FNS will add the two resulting sums and compare that against the State's actual expenditure of Federal FY 99 E&T money. If the amount spent is less than the amount allowed under the rates, the actual amount would be paid out of the 100 percent funds. If the amount spent by the State exceeds the amounts allowed under the rates, the State will be required to pay that excess amount out of their own funds (which would be eligible for the standard 50 percent Federal match).

C. Limited Alternative to Reimbursement Rates for FY 99

In order to explore alternative ways of efficiently and economically serving as many ABAWDs as possible, FNS will authorize an alternative to the reimbursement rate structure for a limited number of States in FY 99. Under this alternative, States would commit to offer a work opportunity to every ABAWD applicant or recipient (not waived or exempted) who has exhausted the time limit, and the State would then not be subject to the reimbursement rates. FNS will authorize no more than seven States (one State per region) to operate under this alternative.

The Alternative to the Reimbursement Rate

Instead of limiting the reimbursements States can receive for the cost of creating work opportunities to the rates provided in part B of this guidance, FNS will allow up to seven States (one per FNS region) to operate under an alternative to the rate structure. Under the alternative, States may draw down their Federal 100 percent E&T allocation without consideration of per slot costs if the State commits to offer a work opportunity to every ABAWD applicant or recipient (not waived or exempted) who has exhausted the time limit without having found employment. Under this alternative, States would still be reimbursed for their costs of providing the work opportunities, but the reimbursements would not be limited by the reimbursement rate structure.

By making this commitment, the State would fully satisfy the intent of the additional funding provided by the Balanced Budget Act, which was to ensure that every ABAWD who is willing to work is given an opportunity to do so before losing eligibility for the FSP. States that operate under this alternative would be required to offer a work opportunity to every

ABAWD who has exhausted the time limit and does not reside in an area of a State that has a received a waiver in accordance with Section 6(o)(4) of the Food Stamp Act or has not already received an exemption from the work requirement in accordance with Section 6(o)(6) of the Food Stamp Act (although a State may use its exemption authority at Section 6(o)(6) to exempt individuals who have exhausted the time limit and for whom the State cannot find a work opportunity).

States that operate under this alternative must still meet the requirement that not less than 80 percent of the 100 percent Federal funds the State expends in a fiscal year be spent on activities that meet the requirements of sections 6(o)(2)(B) and (C) of the Food Stamp Act of 1977. The alternative to the reimbursement rate structure will be in effect for FY 99 only.

Beginning on October 1, 1998, and continuing throughout FY 99, FNS will monitor whether States approved for this alternative are meeting their commitment to offer work opportunities to all ABAWDs that have exhausted the time limit. In addition, quality control (QC) errors would be cited against a State operating under this alternative if it terminated an ABAWD from the program, denied his or her application because of the time limit without offering the ABAWD a work slot, or issued benefits to an individual that had exhausted his or her three months of eligibility but was not offered a slot. A State that does not appear to be meeting its commitment, or that has a significant number of such QC errors would be required to correct its operation or be denied this alternative if FNS allows it in future years. Additional information regarding the reimbursement rate alternative will be made available to States that express interest in it.

Selecting States to Operate Under Reimbursement Rate Alternative

FNS believes that the reimbursement rate structure is the best way to ensure that the intent of Section 1002 is met. However, FNS is also interested in exploring whether this alternative to the rate structure will allow States to serve more ABAWDs while keeping the work programs efficient and economical. Therefore, FNS will allow a limited number of States to operate this alternative to the rate structure. No more than seven States - one per FNS region - will be approved to operate under this alternative. States that are interested in this alternative for FY 1999 should request it in their May 1, 1998, E&T plan, and include the projected costs and a description of the management controls they would implement to meet the requirements of the reimbursement rate alternative.

In selecting states for this alternative, FNS is looking for States with the greatest chance of success in serving the greatest number of vulnerable ABAWDs. Therefore, States that are interested in pursuing this alternative should ensure that their plans address the States' capacity and ability to serve vulnerable ABAWDs, as well as information about the ABAWD population to be served and the types of work opportunities that will be offered.

D. E&T Plans

We believe that with this memorandum, States now have sufficient information to finalize their FY 98 E&T plans. **Plans are, therefore, due in the regional offices by May 1, 1998.**

Because FY 98 is the initial year for implementing changes in E&T funding provided under the Balanced Budget Act, States will probably not be able to describe in detail in their State plans how they will spend their FY 98 E&T funds. FNS' expectation is that States will describe to the best of their ability, in general terms if the States will comply with the Balanced Budget Act requirement that not more than 20 percent of the 100 percent Federal E&T funding they are allocated be spent on activities that do not meet the requirements of sections 6(o)(2)(B) and (C) of the Food Stamp Act. States should also provide assurances that if they plan to use any of the additional 100 percent Federal funding provided under the Balanced Budget Act, they will meet the Act's maintenance of effort requirement.

E. Reporting Requirements

Due to restrictions on the use of Federal 100 percent E&T funding imposed by the Balanced Budget Act, changes in E&T reporting requirements are necessary. Consequently, States must include the following four pieces of information as footnotes or attachments to the FNS-583. FNS will reconcile amounts reported on (or with) the FNS-583 with amounts reported on the FNS-269.

1) The number of filled and offered workfare slots; 2) The number of filled and offered qualifying education and training slots; 3) The amount of Federal 100 percent E&T funding spent on workfare slots that meet the requirements of section 6 (o)(2)(C) of the Food Stamp Act. 4) The amount of Federal 100 percent E&T funding spent on education and training slots that meet the requirements of section 6(o)(2)(B) of the Food Stamp Act.

When submitting information on the numbers of workfare and work and training slots (items 1 and 2 above), States must break out the information to show the number of slots in areas of a State that have received a waiver in accordance with section 6(o)(4) of the Food Stamp Act and in non-waived areas.

If you have any questions, please contact my office.

Sincerely,

/S/

Susan Carr Gossman
Acting Deputy Administrator
Food Stamp Program