

State Use of Funds To Increase Work Slots for Food Stamp Recipients: Report to Congress. Prepared by Christopher Botsko, Vivian Gabor, Susan Schreiber, and Susan Pachikara of Health Systems Research, Inc. Food and Rural Economics Division, Economic Research Service, U.S. Department of Agriculture. Food Assistance and Nutrition Research Report No. 15.

Abstract

Since passage of the Balanced Budget Act of 1997, most States have retargeted services in the Food Stamp Employment and Training (E&T) Program to able-bodied adults without dependents (ABAWDs). The Balanced Budget Act more than doubled funding to States for USDA's Food Stamp E&T Program. The law requires States to spend at least 80 percent of the funding on services that can fulfill the work requirement imposed by welfare reform legislation in 1996 on ABAWDs. ABAWDs must either work at least 20 hours per week or participate in a qualifying employment and training activity. This report fulfills the Act's mandate to USDA to examine and report on how States use the new funds to create work opportunities for ABAWDs and if this is done in an efficient and effective manner. The results show that total E&T program spending increased, though States used less of their Federal grant allocations and more of State matching funds. Nationwide participation in the E&T program dropped sharply after the Balanced Budget Act, with variations among States and among E&T component types. States have specific recommendations for improving the program. This publication provides the findings of the study. For more information on the survey instruments used for the study, see *State Use of Funds To Increase Work Slots for Food Stamp Recipients: State Data Collection Instruments*.

Keywords: Food Stamps, ABAWDs, Employment and Training, workfare

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Executive Summary

The Balanced Budget Act of 1997 (BBA) more than doubled the funding available to States for the Food Stamp Employment and Training (E&T) Program. The law (Public Law 105-33) requires States to spend at least 80 percent of Federal Food Stamp E&T Program grant dollars on services that can fulfill the work requirement imposed in 1996 by Federal welfare reform legislation on able-bodied adults without dependents (ABAWDs). The work requirement for ABAWDs is that they either work at least 20 hours per week or participate in a qualifying employment and training activity. ABAWDs are limited to 3 months of food stamps out of each 3-year period, except in those months that they are meeting this requirement.

BBA contained a congressional mandate for the U.S. Department of Agriculture (USDA) to examine and report on how States use the new BBA funds to create work opportunities for ABAWDs and whether this was done in an efficient and effective manner. This report and its findings were developed to fulfill that congressional mandate, based on State program data available from the Food and Nutrition Service (FNS), which administers the Food Stamp Program, information collected directly from State agencies, and five case studies of local Food Stamp E&T Programs.

Research Objectives

This report is designed to help Congress assess the extent to which States use the new funds available from BBA to create work slots for ABAWDs, and thus potentially help ABAWDs fulfill their work requirement, maintain their food stamp benefits, and make the transition to employment and self-sufficiency.

The study had five specific research objectives:

- To measure how States changed the design and focus of their Food Stamp E&T Programs to target ABAWDs, which allows for an assessment of the effectiveness of States' use of the BBA funds;
- To measure changes in State expenditures of Federal and State funds for food stamp E&T;
- To examine trends in Food Stamp E&T Program participation overall and specifically in those qualifying activities that fulfill the work requirement for

ABAWDs (i.e., workfare, work experience, education, and training components);

- To summarize State program managers' views on challenges in serving ABAWDs and the managers' views on ways to improve Food Stamp E&T Program operations; and
- To assess what can be learned from local E&T programs about promising approaches to serving ABAWDs.

Data Collection Methods

Information for the research was collected using a three-pronged approach:

- **Literature Review.** A review of past studies on ABAWDs and similar populations and of the E&T programs that have served them is presented.
- **State-Level Research.** The major findings for this study are at the State program level. Information was collected and analyzed on State Food Stamp E&T Programs for the 50 States and the District of Columbia. Data were gathered from State quarterly E&T program reports to FNS, a telephone survey of State food stamp E&T managers, and a mailout form designed to collect additional data from States specifically on changes in the geographic scope of their program and total monthly program participation since the BBA.
- **Local-Level Research.** During the spring and summer of 1999, site visits were conducted to five local Food Stamp E&T Programs. These case studies provide important information on promising approaches and lessons learned that can help Federal, State and local policymakers, and program managers in designing E&T programs for ABAWDs.

Principal Study Findings

Though the depth and breadth of data analyzed for this study were quite extensive, the results can be summarized into five broad areas. A summary of each of the principal study findings follows, with specific results from the data analysis included under each finding.

The Majority of States Have Changed the Focus of Their Food Stamp E&T Program Services To Target ABAWDs

By fiscal year (FY) 1999, the majority of States had redesigned their Food Stamp E&T Program to target services to the ABAWD population. Specific findings as to how States reoriented their programs after BBA are summarized as follows:

- ***States Expanded the Food Stamp E&T Program to Areas Where ABAWDs Were Subject to the Work Requirement and Time Limit and Concentrated Their Work Slots in These Areas.*** Of the 48 States that had ABAWDs subject to the time limit, 21 (44 percent) expanded the Food Stamp E&T Program to local areas where ABAWDs were subject to the work requirement and time limit (“unwaived areas”). Three-quarters of the slots offered to ABAWDs in the first two quarters of FY 1999 were in unwaived areas, and 80 percent of the filled slots were in those areas.
- ***Many More States Were Providing the ABAWD Qualifying Activities Known as “Workfare” and “Work Experience.”*** In FY 1999, 84 percent of the States offered the qualifying E&T activity components of workfare or work experience—an increase of 59 percent (i.e., 27 States in FY 1997 versus 43 States in FY 1999).
- ***The Majority of States Were Offering Qualifying Slots to All ABAWDs Subject to the Time Limit and Those Seeking to Regain Eligibility.*** In FY 1999, 33 of the 48 (69 percent) States that had ABAWDs subject to the time limit required that ABAWDs participating in the program in unwaived areas be offered a qualifying E&T activity; 29 of these 48 States required that ABAWDs who had lost food stamp eligibility after hitting the time limit be offered a qualifying slot to regain eligibility.
- ***While the Large Majority of States Targeted ABAWDs, Nearly All Continued to Serve Some Non-ABAWDs.*** In FY 1997, only one State did not serve any non-ABAWDs in its Food Stamp E&T Program. By FY 1999, only three additional States stopped serving non-ABAWDs.

Total Food Stamp E&T Program Expenditures Increased, Though States Used Less of Their Federal Grant Allocations and More of State Matching Funds

Total Federal grant funds available to States for the Food Stamp E&T Program increased substantially after FY 1997, from \$79 million in FY 1997 to \$212 million in FY 1998 to \$215 million in FY 1999. State spending also increased during this period, though most States spent less than one-half of their allocated funds after BBA. The key findings on changes in State program spending can be summarized as follows:

- ***States Spent 30 Percent More in Federal Food Stamp E&T Grant Funds After the BBA.*** State spending of the food stamp E&T grant increased from \$74 million in FY 1997 to \$96 million in FY 1998. In FY 1999, spending declined slightly to \$93 million but remained considerably more than the FY 1997 level.
- ***States Used a Far Smaller Share of Their Allocated Federal Food Stamp Program Funding After BBA.*** States used 94 percent of Federal funds in FY 1997, 45 percent in FY 1998, and 43 percent in FY 1999.
- ***A Number of States Chose To Draw Down Only 20 Percent of the Available Grant Funds.*** States were given the option by FNS to draw down only 20 percent of their food stamp E&T grant allocation if they did not want to comply with the rule requiring 80 percent of the funds be spent on ABAWD qualifying activities. Nine States chose this option.
- ***Most Alternative Reimbursement States Are Using More Funds Than Other States.*** For FY 1999, eight States opted out of the per slot reimbursement rate and could spend up to their full grant allocation in return for agreeing to offer a qualifying slot to all ABAWDs who reside in an unwaived area of the State. Excluding one State with a very large grant and low expenditures, these States spent 73 percent of their total allocation compared with 44 percent among other States.
- ***States Indicated Difficulties Spending Available Funds Under Current Program Rules.*** Of the States that decided to draw down only 20 percent of their grant funds and those that did not plan to

spend all of their available FY 1999 funds, nearly one-half indicated a reluctance to spend the Federal funds due to one or more of the following reasons: uncertainties over program rules, low ABAWD participation, and the program rules that tie year-end Federal reimbursement for State expenditures to the number of offered and filled work slots.

- **State Matching Fund Expenditures Have Increased Somewhat Since BBA.** State expenditures for the Food Stamp E&T Program, which are matched by Federal food stamp dollars, increased 7 percent from FY 1997 to FY 1998 and another 17 percent from FY 1998 to FY 1999.

Nationwide, Participation in the Food Stamp E&T Program Dropped Sharply After BBA, With Variations Among States and Among E&T Component Types

BBA's increase in Federal grant funding provided an opportunity for States to reach more participants with their Food Stamp E&T Programs and to increase the number of ABAWDs they served. Nonetheless, State reports to FNS reveal that nationwide Food Stamp E&T Program participation fell sharply.

Highlights of the key study findings about changes in food stamp E&T participation after the BBA follow. ABAWD-specific participation data were not available for analysis in this study either from State data reports to FNS or from the survey of States. Nearly all State managers indicated that no data were tracked or available on ABAWDs. States providing data noted that these were estimates and not actual counts of participation; hence, these data could not be used for analysis.

- **The Number of Participants Beginning an E&T Activity Dropped Sharply.** The number of food stamp participants beginning an E&T component dropped 29 percent from FY 1997 to FY 1998. Based on data for the first half of FY 1999, the trend appears to be continuing.
- **Monthly Continuous Food Stamp E&T Participation Data Also Reveal a Decline.** The limited data available from only 13 States on monthly E&T program participation, which includes information on clients continuing a component over a period of months, also indicate a decline in overall Food Stamp E&T Program participation from FY 1997 to FY 1998.

- **During This Period, Overall Food Stamp Program Participation, and ABAWD Participation Specifically, Was Sharply Declining.** Between FY 1997 and FY 1998, there was a 13-percent decline in average monthly household participation in the Food Stamp Program (USDA, 2000b). Participation estimates for 1996 and 1997 indicate that the decline in participation among ABAWDs was much steeper than that of the food stamp caseload as a whole (Castner and Cody, 1999). This suggests that States that focused their programs on ABAWDs after BBA had a shrinking pool of potential clients.
- **Fourteen States Had Increases in the Number of Participants Beginning a Food Stamp E&T Activity; These States Had Lower Food Stamp Participation Declines Than the Nation.** Contrary to the national trend, 14 States had an increase in food stamp E&T participation from FY 1997 to FY 1998. Seven of these States had increases of 50 percent or more. States with increases in individuals beginning a food stamp E&T component after the BBA were somewhat more likely to have had declines in total food stamp participation below the national rate of decline between FY 1997 and FY 1998.
- **A Larger Share of Food Stamp E&T Participants Were Beginning a Workfare Activity.** There was a very small decline in the number of participants beginning workfare and a sharp decline in the number of participants beginning job search and job search training, with much smaller declines in the education and vocational training components. This resulted in a large increase in the proportion of all food stamp E&T participants beginning workfare, from 19 percent in FY 1997 to 28 percent in FY 1998.

States Report Many Challenges in Serving ABAWDs and Have Specific Recommendations for Improving the Program

As part of the telephone survey, States were asked what were the biggest challenges they have faced in serving ABAWDs and their recommendations for improving the program. The State responses are summarized as follows:

- **Challenges Reported By States in Serving ABAWDs.** When asked about challenges in serving ABAWDs, the most common responses of State program man-

agers were low participation rates, lack of funding for support services, the requirement to spend 80 percent of program funding on ABAWDs, and barriers to employment faced by segments of the ABAWD population, including the homeless and persons with mental health problems.

- **Recommendations of State Food Stamp E&T Managers for Program Improvements.** There were two frequently cited recommendations for program improvements. Thirty-eight States recommended removing the requirement to spend 80 percent of funds on qualifying activities for ABAWDs. Seventeen States recommended expanding the range of reimbursable support services they could offer participants and lifting the \$25 cap on Federal reimbursements for these services. State managers offered several other recommendations to improve services for ABAWDs.

Site Visits to Food Stamp E&T Programs Offer Examples of Creative Local Approaches That Offer Promise in Reaching and Serving the ABAWD Population

The five local Food Stamp E&T Programs visited for the case study research component of this study drew

on a variety of resources and took a variety of different approaches in serving ABAWDs. These local programs' experiences offer the following lessons regarding promising approaches to reaching and serving ABAWDs:

- Workfare programs can cultivate workfare slots that may turn into paid employment.
- Partnerships with community organizations allow Food Stamp E&T Programs to provide enhanced services to ABAWDs and use support services that cannot be reimbursed through the food stamp grant.
- Food Stamp E&T Programs can coordinate with other government assistance programs to enhance services, maximize resources, and avoid duplication.
- Programs that welcome staff input and provide opportunities for program staff to learn from each other can enhance both staff morale and services to clients.
- The Food Stamp E&T Program can be integrated into a more comprehensive program with an array of supportive services designed to help clients move towards employment and self-sufficiency.