

Where the Funds Are: The Use of FSET Funds for Workforce Training Programs

by **Abbey Frank, Elizabeth Lower-Basch, and Annette Case**

Introduction

Funding for workforce training programs is limited. Many of the traditional funding streams used to cover the costs of these programs have been cut, leaving administrators to think creatively about alternative funding sources. One possibility is the Food Stamp Employment and Training program (FSET), which supports employment and training services for food stamp participants.¹ FSET funds are targeted toward providing services for non-working able-bodied recipients without children under age six, with a particular emphasis on non-working able-bodied adults without dependents (ABAWDs), who are eligible for food stamps for only three months in a three-year period unless they meet a work requirement. In order to be eligible for food stamps,

households have to meet income tests—unless all members are receiving TANF, SSI, or (in some places) general assistance. For example, a two-person household would have to have a gross monthly income below \$1,430 to qualify for food stamps.² Like other workforce training program participants, many adult, unemployed food stamp recipients face significant employment barriers. State and local agencies report that many food stamp employment and training participants have limited education and work experience, along with other barriers such as undiagnosed physical and mental health issues, substance abuse, and homelessness. (Nationally representative data are not available.) These characteristics are reported to be especially prevalent among the ABAWD population.³

This brief provides an overview of the FSET program and funding streams and discusses ways that workforce training programs can access FSET funds to improve the employability of FSET participants.

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Background on the Food Stamp Employment and Training Program

Federal administration of the FSET Program is housed within the Food and Nutrition Service (FNS) of the United States Department of Agriculture (USDA). FSET was created by the Food Security Act in 1985 to provide opportunities for food stamp recipients to improve their employment prospects and reduce reliance on food stamps.⁴

The FSET program was revamped in 1996 with the passage of the

welfare reform law, which imposed a time limit on food stamp receipt by ABAWDs. Soon thereafter, FSET funding was increased substantially, and states were required to focus their efforts on the ABAWD population. However, many states were not able to spend the full amount of their FSET allocation. As a result, the 2002 Farm Bill reduced federal FSET funding and increased state flexibility in allocating the funds; however, it included a pool of unmatched federal funds for states that committed to providing FSET activities for all of their “at risk” ABAWDs—those facing the risk of termination under the time limits.⁵

Food stamp work requirements⁶

Each working-age member of a food stamp household must register for work unless exempt. Work exemptions are allowed for:⁷

- Individuals under 16 or over 60 years old;
- Individuals medically certified as physically or mentally unfit for employment;
- Individuals subject to and complying with any work requirement under title IV-A of the Social Security Act (the Temporary Assistance for Needy Families program);
- Parents with dependents 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 a week; and
- Individuals enrolled at least half time in school, training, or another institution of higher education.

According to GAO estimates of the FY 2001 caseload, almost all food stamp recipients (about 91 percent) fall into one of these exemption categories, leaving a small percentage of the case load (1.56 million individuals) that is required to work.⁸ In addition to registering for work, those not exempt must provide information to the state agency about employment status or availability to work, accept any bona fide offer of suitable employment, and participate in a FSET or workfare program if assigned by the state.⁹ States must operate a FSET program, but they do have a great deal of flexibility regarding what subsets of food stamp recipients to target.¹⁰

Time limits for ABAWDs

As mentioned, the 1996 welfare reform law imposed a new time limit on ABAWDs. Individuals subject to these time limits may only receive food stamps for three months in a three-year period unless they meet a work requirement. This can be done 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,¹¹ or participating in another qualifying work activity (excluding job search) for at least 20 hours per week.

Food stamp 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 regular food stamp requirements to register for work.

In addition, the law allows (but does not require) states to waive the three-month time limit for ABAWDs in areas of the state that have insufficient jobs, as determined by the Department of Labor’s definition of Labor Surplus Areas.¹² States may also exempt a small proportion of their ABAWD caseload from the time limit on a discretionary basis.¹³

Food stamp employment and training components¹⁴

States are required to operate FSET programs but have discretion over which of the components to offer. The allowable components include:

- **Job search.** Making, over a specified time period, inquiries to employers about potential employment
- **A job search training program.** Includes basic job search activities as well as support activities such as job skill assessments, job finding clubs, job placement services, and other direct training or support activities

- **Workfare.** Recipients perform work in a public service capacity and receive, instead of wages, compensation in the form of their household's monthly coupon allotment.
- **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.
- **Education.** Programs or activities that will enhance basic skills and employability, including but not limited to Adult Basic Education (ABE), English as a Second Language (ESL), high school equivalency (GED), and postsecondary education
- **Self-employment training.** A program that provides training in creating and operating a small business or other self-employment venture
- A program that has goals similar to those of the FSET program, such as supported work, WIA programs, and other state and local programs

An employability plan must be developed for each FSET participant, describing the employment goals and the length of participation in each component designed to achieve these goals. Employability plans can include a combination of activities to meet hour requirements and employment goals. Recipients may not be required to participate for more hours than their household's food stamp allotment for the month divided by the applicable minimum wage, nor may the sum of

hours of participation and hours of employment exceed 120 per month.

It is important to ensure that states make employment-related activities voluntary components of the food stamp program so that states are not required to eliminate a family's food stamps if a parent does not meet the work requirements.

Types of FSET funds and allowable uses

As with other federal funding streams, there are specific types of funding within the FSET program and detailed guidelines on how state and local areas can access and spend FSET funds. There are five funding streams that support the FSET program.

Two are 100 percent federally funded:

- **100 percent federal administration grants.** For Fiscal Years 2002 through 2007, \$90 million is authorized for these grants.¹⁵ As provided in the 2002 Farm Bill (PL 107-171), states are eligible to receive funding based on a "reasonable formula" that is adjusted by the Secretary of Agriculture and that takes 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.¹⁶ In FY 2006, the funds were divided with 90 percent based on the number of work registrants in each state and 10 percent according to the number of non-exempt ABAWDs. Additional carryover funds were available to ensure that no state's

allocation decreased by more than 20 percent from its FY 2004 level. Allocations thus ranged from \$9.9 million (California) to \$50,000 (Guam and the Virgin Islands).¹⁷ Receipt of these funds is contingent on the approval of the state agency's employment and training plan.¹⁸

- **Additional ABAWD dollars.** States that guarantee to serve all ABAWDs at risk of losing food stamp benefits because of the three-month time limit are eligible for additional 100 percent federal funds.¹⁹ For Fiscal Years 2002-2007, \$20 million is authorized for these additional grants to states.²⁰ In FY 2006, 12 states made this pledge and received amounts ranging from \$6.2 million (New York) to \$161,000 (Delaware).²¹

Three of these funding streams match state expenditures at a 50 percent reimbursement rate:

- **50 percent match for administration.** FNS will reimburse states for 50 percent of FSET program operation administrative costs that exceed those covered by the 100 percent administrative grant. There is no cap on these reimbursements.²²
- **50 percent match for dependent care.** States may receive a 50 percent match of federal funds to reimburse FSET participants for dependent care costs that are necessary for the individual to participate in the FSET program.²³
- **50 percent match for transportation and other participant expenses.** States may receive a 50 percent match for

transportation and other participant expenses that are necessary and directly related to participation in the FSET program.²⁴ This includes but is not limited to training- or education-related expenses such as uniforms, personal safety items or other necessary equipment, and books or training manuals.²⁵ It may also include such expenses as vision correction, dental work, legal assistance, and housing assistance needed to enable a recipient to participate in a FSET component. However, it does not include services needed to overcome barriers to participation that would otherwise make a participant exempt, such as mental health treatment or drug and alcohol counseling. It also does not include participant costs related to starting or retaining employment instead of a FSET component.²⁶ There is no cap on this reimbursement.

It is important to know that state match sources may include 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.²⁷ A waiver, however, is needed for private sector donations of cash to be counted, and private in-kind donations may not be counted.²⁸

In addition, there are very specific allowable and prohibited uses for the funds:

- FSET funds *cannot* be used to subsidize the wage of individuals.²⁹

- FSET funds *cannot* supplant existing non-federal education funds for existing educational services and activities.³⁰
- FSET funds *cannot* be spent on individuals who receive TANF or maintenance of effort (MOE) funds.³¹
- FSET funds *can* be used to cover the administrative costs of planning, implementing, and operating the FSET program; but they cannot be used for assessments to determine work readiness, for registering participants for work, or for other screening performed during the certification process. However, once an individual is referred to an FSET program, the funds can be used for assessment purposes or to ensure participation in the program.³²

While states qualify for a given level of funding through the basic administrative grants, they can also greatly increase their level of funding by leveraging the matching funds available. In fact, for FY 2005 the federal administrative grants outlay totaled \$90 million; while the administrative, participant expense, and dependent care reimbursements totaled \$183.3 million.³³

Potential Use of FSET Funds for Workforce Training Programs

Typical workforce training programs include many of the allowable activities under the FSET program—such as job search training, skill assessment, work experience, and training. As such, these programs could potentially access FSET funds to subsidize these components of the program.

However, because of the limitations on the use of FSET funds—particularly the ban on using them for wage subsidies—a “funding cocktail” that combined FSET funds with other funding streams would be necessary to help support subsidized employment programs, such as transitional jobs programs.

The flexibility of match sources expands the pool of funds available for workforce training programs, even if funds are not available for wages. Many operating programs may already be serving food stamp participants, which may allow crossover between the two programs, enabling them to draw down matching funds. For example, a transitional jobs program designed to serve homeless individuals could become an FSET provider and receive match funds for food stamp participants already being served. The match funds could then be used to help fund the components of the program that are allowable activities under FSET—such as job search, skill assessment, and training.

Workforce training programs may also potentially be able to leverage funds from the participant expense matching fund to cover expenses while an FSET participant is engaged in the approved FSET activity of the program. As noted before, services that facilitate participation in an allowable FSET component are eligible for reimbursement, while those that address barriers that qualify an individual for an exemption are not. For example, while providing eyeglasses is an approved expense,

substance abuse treatment is not—because individuals requiring treatment are considered exempt from work requirements.

To utilize matching dollars and/or leverage resources in this way, programs must have and/or develop the capacity to identify, track, and bill for services for food stamp recipients separately from all other program participants.

Specific strategies and program examples

A review of existing state FSET plans and existing employment programs reveals a number of programs that have characteristics similar to many workforce training programs. These programs can serve as examples for making the case that such programs be included in state FSET strategies.

Three types of promising practices may be of particular interest to workforce training programs seeking to leverage FSET funds for those components of their programs that are allowable under FSET regulations. As mentioned previously, these funds could be used only during the time of the allowable FSET activity.

■ **Innovative state matching**

Because of the wide range of resources that can count towards the FSET match, program operators should think creatively about existing potential match sources. Interesting examples include state technical college funds from local tax revenues, a combination of state and local matches (e.g., state- and locally-funded employ-

ment programs), and private foundation grants. For example, the Milwaukee Area Technical College (MATC) provides matching funds on a per-student basis for food stamp participants enrolled in its newly developed FSET program. To meet the 50 percent non-federal match requirement, MATC contributed to this program funds generated through its local tax levy.

■ **Coordinating with employment and training programs to leverage resources**

Because FSET participants share circumstances with other hard-to-employ populations, individuals already receiving services through an employment and training program may also be receiving—or be eligible to receive—food stamps. States choosing to serve voluntary participants can expand the pool of possible cross-referrals for services and funds. For example, the FSET regulations encourage co-enrollment of food stamp participants in WIA. Individual training account vouchers and on-the-job training can apply towards qualifying activity requirements. As funds are available, WIA intensive services can be leveraged to provide thorough assessments and intensive case management for dealing with issues that are not directly related to employment and therefore not allowable FSET activities but that could impact an individual's ability to succeed in the workplace. State-level WIA discretionary funds can also be targeted toward numerous hard-to-employ populations—such as veterans, homeless, disabled individuals, ex-offenders, and non-custodial

parents—who may also be food stamp participants.

State- and locally-based and funded employment and training programs that already serve food stamp recipients—or that have the capability of serving them—can provide additional services as FSET providers. These funds may be able to contribute toward a state match. Project Rio—in Tarrant County, Texas—is a good example of coordination between an FSET program and a state-funded ex-offender program. All ABAWDs in the county are sent to Project Rio for assessment and referral to needed services. Services can include assistance with child support payment plans, mental health services, and substance abuse services as well as job development and training assistance—activities that are not FSET activities. The training component of the program is counted as the FSET activity and the funds are blended seamlessly to provide more comprehensive services. Existing workforce training programs could adopt a similar method of cross-referral and combine funding streams to streamline services for FSET participants.

Other potential sources of funding matches may include boards of education, vocational education agencies, employment services, social services agencies, general assistance work programs, and other agencies or programs as appropriate. These collaborations can be developed through non-financial interagency agreements, contracts for the provision of services, joint plans of operation (e.g., a Food Stamp E&T

Program and a TANF work program prepare one integrated operations plan or manual), informal referral procedures, joint advisory committees, joint staff training, or exchange of job orders/job banks.

■ Using participant expense funds to enhance program quality

Many of the more comprehensive workforce training programs, including transitional jobs programs, offer individualized support services that help individuals manage issues on the job and in training. These services are essential yet costly. The participant expense fund can potentially become an important source of funds that could help cover some of the costs of these services. For example, gas vouchers, bus passes, dental work, legal services, and housing assistance could all qualify as expenses eligible for reimbursement during those components of a training program that are FSET allowable activities.

Potential Ways to Access Funds

Each state is required to submit an FSET plan for the upcoming year by August 15 of each fiscal year.³⁴ Among other things, each plan must include any substantial changes to the previous year's approved plan, such as new programs created, organizations providing services, or support services to be provided. FNS is responsible for approving each state FSET plan.

The FNS 2003 FSE&T Handbook offers full instructions on completing a state FSET plan (available at

www.fns.usda.gov/fsp/rules/Memo/Support/pdfs/handbook-2003.pdf). Often states require local entities to develop local plans according to the format of the state plan, local plans that FNS may review if it requests. Common challenges in developing a plan include determining the number of individuals expected to be served and the types of activities and services to be included in the plan, along with identifying funding adequate for the number of individuals to be served.

Incorporating new workforce training programs and transitional jobs programs into a state strategy takes advance planning, as the programs need to be included in state FSET plans. State administrators interested in developing transitional jobs programs or other comprehensive workforce training programs for FSET participants need to start planning early in the development of a state plan. Similarly, workforce training programs interested in becoming a part of the FSET program should develop a strategy for working with state food stamp program officials early in the planning process. Program operators and advocates should become familiar with the current state plan and program and identify ways in which these programs can fit in with the pre-existing program structure. They should be able to describe the type of program to be included in the plan, how the program will operate and coordinate with other employment and training programs, and how performance will be tracked. In addition, great detail should be paid to the specific rules

and regulations associated with FSET funds and to the ways in which the programs will ensure compliance with the funding restrictions, including allocating expenses to specific funding streams. Organizations should also be prepared to identify match dollars and certify that they do not originate from federal funds and have not been claimed as match for other programs.

Conclusion

Many workforce training programs have proven to be effective at turning low-skilled, hard-to-employ individuals into wage earners. These programs could be beneficial to FSET participants in their pursuit of stable employment. Many of the activities allowable under FSET are key components of proven workforce training programs, and programs should consider developing connections with state FSET programs if they have not already done so. As described in this brief, program operators will need to ensure that the activities funded through FSET fall within the allowable set of activities authorized under FSET. To the extent that programs contain components that are not within FSET limitations—such as the provision of wage subsidies—they will need to blend FSET funds with other funding sources to cover costs. These funds could potentially infuse much needed money into programs struggling to cover their operational costs.

Endnotes

- 1 Eligibility for food stamps is based on financial and non-financial factors. Households must have gross incomes below 130 percent of the poverty line and net incomes below 100 percent of poverty. Exceptions exist for households with elderly or disabled members.
- 2 See USDA Fact Sheet on Resources, Income, and Benefits, http://www.fns.usda.gov/fsp/applicant_recipients/fs_Res_Ben_Elig.htm.
- 3 General Accounting Office, "Food Stamp Employment and Training: Better Data is Needed to Understand Who is Served and What is Achieved," (GAO-03-388) p. 11-14. March 2003.
- 4 Federal Register, Vol 69, No. 54, March 19, 2004.
- 5 The 2002 Farm Bill allocated \$110 million per year of which \$20 million was reserved for the "at-risk" ABAWD population. An at-risk ABAWD is one in the last month of the three-month time limit, who does not reside in an area granted a waiver of the time limit, and who is not included in the state's 14 percent ABAWD exemption allowance. FY 06 ABAWD E&T Allocation Memo to Program Directors, dated October 15, 2005.
- 6 See 7 C.F.R. 273.7 (a) - (c).
- 7 See 7 CFR 273.7 (b) (1).
- 8 GAO, p 13.
- 9 See 7 CFR 273.7 (e).
- 10 There has never been an expectation that FSET programs will serve 100 percent of the non-exempt population. States also may choose to provide FSET services to others who are not required by law to participate in the program, such as former TANF participants who have exhausted their time limit. These individuals are not subject to penalties for failing to comply with the work requirements.
- 11 The Fair Labor Standards Act (FLSA) protections apply to FSET recipients just as other workers. FSET recipients cannot "work off" their benefits at a wage rate that is lower than the minimum wage. Work hours are therefore limited to the number of hours in a month, determined by dividing the household's monthly food stamp allotment by the higher of the applicable federal or state minimum wage
- 12 A list of ABAWD waivers in effect for FY 2006 by State can be found at www.fns.usda.gov/fsp/rules/Memo/PRWORA/abawds/abawds.pdf.
- 13 See 7 CFR 273.24 (f).
- 14 See 7 C.F.R. 273.7(e).
- 15 PL 107-171, Section 4121.
- 16 See CFR 273.3 (d) (1)(i)(E).
- 17 Final Fiscal Year 2006 100 Percent Federal Food Stamp Employment and Training Program Grant Allocations, July 19, 2005. Available at www.fns.usda.gov/fsp/rules/Memo/05/071905.pdf.
- 18 See 7 CFR 273.3 (d) (1) (ii) (F).
- 19 USDA Food Stamp Program, "Farm Bill E&T Implementing Memo," June 21, 2002. www.fns.usda.gov/fsp/rules/Legislation/2002_farm_bill/farmbill_et_implement.htm.
- 20 PL 107-171, Section 4121.
- 21 FY 06 ABAWD E&T Allocation Memo to Program Directors, dated October 15, 2005. The states that made such a pledge and received a share of the funds in FY 2006 were Colorado, Delaware, Idaho, Massachusetts, Nebraska, New Jersey, New York, Ohio, South Dakota, Texas, Utah, and West Virginia. (Guam initially made a pledge but later withdrew its commitment.)
- 22 See 7 CFR 273.7(d)(1) (iv)(2).
- 23 See 7 CFR 273.7 (d) (1) (iv) (3) (i).
- 24 See 7 CFR 273.7 (d) (1) (iv) (3) (ii).
- 25 Federal Register Volume 69, No. 54, March 19, 2004, Proposed Rules and, USDA Food Stamp Program, "Farm Bill E & T Implementing Memo." June 21, 2002. Available online at www.fns.usda.gov/fsp/rules/Legislation/2002_farm_bill/farmbill_et_implement.htm.
- 26 Q&A Package on E&T Financial Policy, May 23, 2006. Available online at <http://www.fns.usda.gov/fsp/rules/Memo/Support/pdfs/financial-qas.pdf>
- 27 7 C.F.R. 277.4(c).
- 28 Q&A Package on E&T Financial Policy, May 23, 2006.
- 29 See 7 C.F.R. 273.7(d)(1)(ii)(E).
- 30 See 7 C.F.R. 273.7(d) (1)(ii) (G).
- 31 PL 108-269, Section 6 (d)(4)(K).
- 32 See 7 CFR 273.7 (d)(1)(ii)(E).
- 33 Food Stamp Employment and Training Program, Fiscal Year 2005 Spending and Carryover Summary.
- 34 For a list of food stamp directors, see USDA, Food Stamp Program, "Employment and Training Handbook: Preparing State Employment and Training Plans," p. 1, May 2003 and <http://foodstamp.aphsa.org/Directors.html>.

Workforce Development Series

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