
Chapter 2

Food Stamp E&T Policies Before and After BBA

This chapter provides background on the Federal employment- and training-related policies for food stamp clients before and after BBA. The information on pre-BBA policies is included to explain the context within which BBA encouraged States to modify their Food Stamp E&T Program to serve ABAWDs. The chapter reviews the history and changes in food stamp E&T policies from the Food Stamp Program's beginnings through FY 1999. It is broken down into four sections:

- A brief history of the Food Stamp E&T Program and its policies prior to welfare reform, including the program's rules and funding history;
- An outline of the work requirements and time limits imposed on ABAWDs by Federal welfare reform legislation, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA);
- A description of the major changes in the Food Stamp E&T Program that were enacted as part of BBA in 1997 and are the subject of this study; and
- A summary of changes in food stamp E&T funding and reimbursement rate policy changes that were implemented in 1998, 1 year after passage of BBA.

Food Stamp E&T Before Federal Welfare Reform

A Brief History

Throughout the history of the Food Stamp Program, a variety of employment and training requirements and options have been tied to receipt of food stamps. Since 1971, the requirement that able-bodied adults accept suitable jobs has been a standard requirement tied to Food Stamp Program eligibility. At its beginnings, there were exemptions for those below age 18 and over age 65, those caring for dependent minor children or incapacitated adults, students enrolled at least half

time in an education or training program, and persons working at least 30 hours per week. Over time, a series of legislative and regulatory changes modified the initial work requirement, and exemptions were broadened to target those most able to find employment and narrowed for adults with dependents. Persons in this group of food stamp participants are called "work registrants," which means they are required to register for work at an employment agency so that they can be informed about available employment.²

The first mandatory employment program tied to receipt of food stamps was established as part of The Food Stamp Act of 1977 (P.L. 95-113). Under the Act, USDA and the Department of Labor (DOL) conducted pilot "workfare demonstration projects" in 14 local sites. The projects generally provided participants with 30 days of job search assistance, followed by mandatory placement in a public-service job setting, and required continuous job search by the participant. If a person who was required to participate in workfare failed without good cause to comply with the workfare assignment, that person was disqualified from receiving food stamps as part of a food stamp household until he/she complied.

A second mandatory food stamp employment and training model was tested in the late 1970s and early 1980s, at the request of the Office of Management and Budget. These demonstration projects involved varying approaches, including job search, job clubs (where individuals meet in a group to discuss their job search experience and gain practical job search skills), and job clubs combined with workfare (Puma et al., 1990).

While these experiments were ongoing, the Food Stamp and Commodity Distribution Amendments of 1981 (P.L.

²Under the current Food Stamp Act and Federal regulations, an individual is exempt from any food stamp work registration requirements if she/he is younger than 16 years or 60 years or older, physically or mentally unfit for employment, subject to or complying with a TANF work requirement, responsible for the care of a child under 6 or an incapacitated person, receiving unemployment benefits, participating in a drug or alcohol treatment and rehabilitation program, or working at least 30 hours a week.

97-98) created an option under which any political subdivision in any State could establish a workfare program as a component of its Food Stamp Program. Funding was available to States on a dollar-for-dollar matching basis, depending on the amount of State and local expenditures for this optional workfare program. By September 1984, such programs were operating in 15 communities in 8 States (Committee on Agriculture, Nutrition and Forestry, U.S. Senate, 1985).³

The Food Security Act of 1985 (P.L. 99-198) established the Food Stamp Employment and Training (E&T) Program, which is the subject of this study. The Act required all States to set up a Food Stamp E&T Program for certain food stamp work registrants by the third quarter of FY 1987. It also gave States a great deal of flexibility to determine the design, geographic scope, and target populations for their programs. Funding was provided to States through a grant with 100 percent Federal dollars. States were also permitted to add their own dollars that would be matched with Federal funds.

Characteristics of Food Stamp E&T Participants

While requiring the establishment of a Food Stamp E&T Program in each State, the law permits States, within Federal parameters, to decide which areas of the State will have a program and which clients in those areas will be required to participate in the program.⁴ States can require all persons subject to work registration requirements in their jurisdiction to participate in an E&T activity or they may exempt particular groups. For example, States may exempt people because they live far from any available jobs, they do not have work skills, or it would be too expensive for the State to mandate their participation in the program. States can also accept volunteers into their program.

Prior to BBA, mandatory Food Stamp E&T Program participants included single and married adults, teenagers living as separate food stamp households in their parents' homes, and both long-term and recently unemployed adults. Most relevant to this study, the group that was given the label ABAWDs under PRWORA has always been a portion of these manda-

tory Food Stamp E&T Program participants. However, because the requirements were not different for ABAWDs than for other mandatory E&T participants, no specific data were collected on ABAWDs. Hence, the percentage of the E&T participant population that were ABAWDs before PRWORA is unknown.

Penalties for Noncompliance

The sanction or penalty for individuals who do not comply with Food Stamp E&T Program rules is to have their food stamp benefits cut off, either until they do comply or for a specific minimum period of time. According to the food stamp regulations, if a food stamp participant does not comply with a food stamp E&T requirement and does not have a good reason (referred to in the Food Stamp Program regulations as "good cause") for not complying, the sanction for the first violation is to cut off food stamps for up to 3 months. For the second violation, the participant can be denied food stamps for up to 6 months. For the third violation, a participant can be permanently denied food stamps. If the head of the household does not comply with a Food Stamp E&T Program requirement and does not have good cause, the whole household can be denied food stamps for up to 6 months.⁵

Historically, States did not disqualify food stamp recipients for noncompliance with food stamp E&T requirements to the extent that they are now required to disqualify ABAWDs whose 3-month time limit has expired and who are not meeting their work requirements. The reasons fewer food stamp mandatory work registrants were sanctioned prior to PRWORA are twofold. First, most States' E&T Programs consisted primarily of job search requirements. Mandatory work registrants were usually required to conduct a job search for only 1 or 2 months each certification period or 12-month period. This E&T requirement was much easier to comply with than the current ABAWD requirement. Second, States were not required to have a statewide E&T program, and the majority of States did not have E&T programs in every local area. In localities without E&T programs, there were obviously no food stamp participants subject to mandatory E&T requirements or related sanctions. The current ABAWD requirement,

³This program continues today; however, it is a very small program nationwide. By FY 1998, only four States still operated optional workfare programs in all or part of the State.

⁴In the early years of the program, States were required to place 50 percent of their work registrants in Food Stamp E&T. In the early 1990s, this performance standard was reduced to 10 percent. PRWORA eliminated this performance standard.

⁵Prior to FY 1997, States were required to disqualify the whole food stamp household when its head of household failed to comply with a food stamp E&T requirement. Beginning in FY 1997, pursuant to PRWORA, in these circumstances, States may choose whether to disqualify the head of household or the entire household. PRWORA also gives States greater flexibility in the length of the E&T sanctions they choose, provided that they fall within specific Federal standards.

on the other hand, is imposed in many more areas of the country. Furthermore, information from interviews conducted by the authors with State and local officials for the *Tracking State Food Stamp Policy Choices and Local Implementation Strategies Under Welfare Reform* study indicated that, prior to PRWORA, some offices that required food stamp E&T participation did not strictly enforce the imposition of sanctions.

Food Stamp E&T Services

States have flexibility to include any combination of allowable service components in their Food Stamp E&T Program, decide which individuals should participate in one or more of the components, generally decide how many hours an individual must participate in a particular component, and how many months he or she can participate in each type of component.⁶

Federal regulations specify the allowable service components that States may include in their Food Stamp E&T Program. The range of components that States can and do offer include the following. However, while States had overall flexibility in the design of their Food Stamp E&T Programs, prior to enactment of BBA, the large majority of participants who began a component were placed in job search or job search training.

- **Job Search.** Job search is a relatively low-cost, short-term component that requires participants to make a specified number of job contacts in a given time period and report these contacts to their food stamp office.
- **Job Search Training.** Activities known as job search training are those designed to teach participants job-seeking techniques, motivation, and self-confidence. This component can include job skills assessment, job-finding clubs, and job placement services.
- **Education.** The general label of education is used in the Food Stamp E&T Program to describe programs or activities to improve basic skills or otherwise improve employability, such as adult basic education, literacy training, high school equivalency preparation (general educational development (GED) classes), or formal postsecondary education programs with an academic curriculum.

⁶By Federal law, the number of hours of participation in workfare and work experience components are limited to the individual's food stamp benefits divided by the Federal or State minimum wage, whichever is higher.

- **Vocational Training.** Components categorized as vocational training are those that provide training in a skill or trade, allowing the participant to move directly into employment.
- **Workfare and Work Experience Programs.** Workfare programs (sometimes referred to as work experience programs, particularly when they involve placements in the for-profit sector) provide positions to participants in the public or private sector. Participants are required to work without pay as a condition of eligibility. These programs are intended to help participants gain work experience and acquire general and specific job skills.
- **Job Training Partnership Act (JTPA) Programs and Trade Adjustment Act (TAA) Programs.** JTPA programs include classroom training in occupational skills, such as word processing and electronics repair; on-the-job training in subsidized employment; job search assistance; GED preparation; English as a Second Language (ESL); and work experience programs. Until legislative changes in 1998 that consolidated multiple Federal employment and training funding streams, JTPA was the largest Federal funding source for State employment and training programs that served all categories of low-income adults, including those who do not have dependent children (Orr et al., 1996; Friedlander et al., 1997).⁷ TAA programs provide worker training and readjustment assistance to workers who have become unemployed due to plant closings.

Funding

Federal funding to States for the Food Stamp E&T Program has been provided through a combination of 100 percent federally funded grants to the States (the largest share of food stamp E&T funding nationwide) and Federal matching funds. If a State contributes its own funding for the program, FNS will provide matching funds by reimbursing the State for 50 percent of the allowable costs expended, the same rate FNS provides for all State Food Stamp Program administrative functions. States also receive Federal dollars to match State dollars spent for dependent care and transportation assistance for Food Stamp E&T Program participants, up to a capped amount. For

⁷The JTPA Program is being replaced as a result of the Workforce Investment Act (WIA) of 1998. However, this Act was implemented after the period covered in this study. A program funded under WIA will qualify as an approved Food Stamp E&T Program component.

transportation assistance, the cap on Federal reimbursements is \$12.50 per participant per month.

The allocation formula for distribution of the Federal grant funds changed over time. Initially, each State's allocation from the national pot of Federal grant dollars authorized each year was based on the size of its food stamp caseload as a proportion of the national caseload. Starting in FY 1991, 20 percent of the grant was allocated on the basis of whether States met certain performance-based criteria involving how many individuals required to participate in the Food Stamp E&T program (i.e., "mandatory participants") the State had placed in program components. Starting in FY 1992, the 80 percent of the grant that was not performance-based was determined on the basis of the number of work registrants in the State.

The Federal funding for the grant program was relatively stable from 1987 through the enactment of BBA. The initial authorization level for the Federal E&T grant program was set at \$50 million in FY 1987, \$60 million in FY 1988, and \$75 million in FY 1989. Between 1989 and the enactment of Federal welfare reform in FY 1997, the authorization ceiling remained level.

Once the program was fully implemented, States took advantage of the funding and spent most of their Federal grant allocations and many also spent additional State funds. In FY 1995, 3 years before BBA took effect, State spending of the Federal grant was \$73.1 million of the \$75 million available. In that year, States spent \$69.2 million in additional administrative funds for this program that were matched with Federal dollars (USDA, 1996).

Prior to BBA, the Federal Government provided fewer funds to States through the Food Stamp E&T Program than through any other major Federal employment and training program. Even after BBA, Federal funding for the Food Stamp E&T Program pales in comparison with the other major State funding streams for employment and training. For example, in FY 1998, \$665 million of TANF block grant funds was spent by States on work activities and a further \$1.1 billion was spent on Welfare to Work program grants (HHS, 1999).

The next section describes the ABAWD provisions of PRWORA and how they led to the transformation of the Food Stamp E&T Program through the enactment of BBA in 1997.

Food Stamp Work Requirement in PRWORA

Since the passage of PRWORA in 1996, food stamp participants aged 18-50, who do not have responsibility for a dependent child and who are considered "able-bodied," are defined as ABAWDs. An ABAWD's participation in the Food Stamp Program is limited to 3 out of each 36 months unless he or she meets certain work requirements. Passage of PRWORA was the first time that Federal legislation had imposed a time limit on the receipt of benefits for any category of food stamp recipients.

States have the option of requesting a waiver from the time limit for areas of the State with unemployment above 10 percent or where they can provide data showing that there are insufficient jobs to provide employment for the individuals affected by the ABAWD provision.⁸ In March 1999, 39 States had approved waivers for some portion of the State. A recent analysis indicated that on average the waivers covered areas with populations equal to approximately 17 percent of each State's total population (Figlio et al., 2000).

To meet PRWORA's food stamp work requirement and not be subject to the time limit, ABAWDs must be employed or must participate in a qualifying work or training program for an average of 20 hours a week, or participate in and comply with a workfare program. "Qualifying" E&T activities include all the Food Stamp E&T Program service components described previously, except job search and job search training.⁹

In excluding job search and job search training from the definition of qualifying work activities, BBA disallowed those components that traditionally had been most commonly assigned to food stamp E&T participants. For example, in FY 1995, more than two-thirds of the program's placements were in job search or job search training activities (USDA, 1996). Hence, while some portion of the ABAWD food stamp population had long participated in the Food Stamp E&T Program, at the time that PRWORA was enacted, most

⁸In determining whether an insufficient jobs waiver can be approved, FNS considers factors such as whether the area is defined as a "labor-surplus area" by the Department of Labor, population growth is outstripping job growth, or jobs are declining in sectors that are likely to employ ABAWDs.

⁹FNS later determined that job search can count as a qualifying component if it occurs during the first 30 days of a workfare program.

ABAWDs were likely to be involved in E&T activities that did not meet their new work requirement. Most State Food Stamp E&T Programs were ill-equipped to provide the enhanced and expanded components that PRWORA demanded.

At the same time that it excluded these widely used components, PRWORA authorized only a very modest increase in funding for the Food Stamp E&T Program. The authorization was increased by \$4 million to \$79 million for FY 1997. Funding for subsequent years was authorized at \$81 million for FY 1998, \$84 million for FY 1999, \$86 million for FY 2000, \$88 million for FY 2001, and \$90 million for FY 2002. Concerns over the services States could and would offer to ABAWDs with these limited funds led to further increases in funding and major changes in the Food Stamp E&T Program when BBA passed in 1997.

Balanced Budget Act Changes to the Food Stamp E&T Program

One year after the passage of PRWORA, Congress and the Administration revisited the need for an expanded and modified Food Stamp E&T Program and incorporated significant changes to this program into an omnibus legislative package known as BBA. These changes—a response to concerns over the ability of ABAWDs to meet the work requirements imposed on them by PRWORA—increased funding for State Food Stamp E&T Programs and required States to target the large majority of their food stamp E&T grant funds for the provision of services to help ABAWDs meet their work requirement.

The following BBA provisions affecting ABAWDs and the Food Stamp E&T Program are summarized.

Increased 100 Percent Federal Funding

BBA increased the authorized Federal grant funding for the Food Stamp E&T Program beginning in FY 1998, with a \$131 million increase for each fiscal year from 1998 through 2001 and a \$75 million increase for FY 2002. In the first year of the new law, \$212 million was available in Federal grants for the creation of work slots.

Focused Spending on ABAWDs

The legislation requires that States spend at least 80 percent of their Federal food stamp E&T grant dollars on qualifying E&T activities for ABAWDs.

Stipulated Maintenance of Effort Requirement

BBA has a maintenance of effort (MOE) clause stipulating that in order to receive the increased Federal funds available in the grant program, States that had been spending non-Federal dollars must maintain this same dollar level of commitment. The level of commitment is based on State expenditures in FY 1996.

Capped the Reimbursement Rate

BBA authorizes USDA to set a limit on reimbursable costs of E&T components. Starting in FY 1999, USDA implemented a capped reimbursement rate per E&T slot offered and per E&T slot filled as the methodology for determining year-end Federal grant allocations. USDA set the rate at \$30 per month for each slot that was offered to a participant but not filled and \$175 for each slot that was filled.

In FY 1999, FNS permitted eight States to opt out of the per slot reimbursement rate and receive their full 100 percent grant in return for agreeing to offer a qualifying slot to all ABAWDs who do not reside in a waived area of the State. These eight States are Arizona, Delaware, Florida, Michigan, Mississippi, Nebraska, South Dakota, and Washington.¹⁰ States opting out of the reimbursement rate must provide a slot to all ABAWD applicants and participants as well as to ABAWDs who have exhausted their 3-month time limit and wish to reapply for benefits.

Changed the Allocation Formula

Under BBA, each State's allocation is determined at the beginning of the fiscal year on the basis of the number of estimated ABAWDs in each State as a proportion of the total estimated number of ABAWDs in the Food Stamp Program nationwide. Prior to BBA, by contrast, the allocation formula was based on a combination of each State's number of total work registrants and its success at meeting certain performance standards. The consequence of this change is that the increase in Federal food stamp E&T grant allocations varied greatly among States.

Granted Discretionary ABAWD Exemptions

BBA also gives States the option of exempting up to 15 percent of the total number of ABAWDs who

¹⁰Georgia was only an alternative reimbursement State for the first half of 1999 so is not counted as an alternative reimbursement State for this report.

would otherwise be subject to the work requirement and time limit. States have flexibility to determine their own criteria to establish these exemptions.

Required a Report to Congress

Finally, BBA requires USDA to report to Congress on whether the additional funds made available to States have led to an increase in the number of work slots available to participants in the Food Stamp E&T Program and whether this has been done in an efficient and effective manner. This report is designed to fulfill this congressional mandate.

Program Changes Since BBA

Reduction in Authorized Grant Level

After BBA was enacted, States were reluctant to implement the changes required in the Food Stamp E&T Program because of their uncertainty over how FNS would interpret the law, and particularly its funding rules. The law was passed in August 1997, but administrative policy decisions about the implementation of the new program and State reimbursement rules were not made until late in winter of 1998.

Given this delay, States were not required to complete their food stamp E&T plans describing their efforts to target ABAWDs until May 1, 1998, when the fiscal year was already more than one-half over. By spring 1998, FNS and Congress recognized that States were not going to be able to spend a substantial amount of their allocation for the Food Stamp E&T Program by the end of FY 1998.

Although BBA allows a State's unspent funds to be reallocated to it or other States during the fiscal year or the subsequent fiscal year, there was concern over the considerable amount of leftover funds to be reallocated. In part as a response to this concern, Public Law 105-185, the Agricultural Research, Extension, and Education Reform Act of 1998, reduced the authorization levels for the Food Stamp E&T Program for FY 1999 and FY 2000 and used the funds to offset increases in other program areas. The level for FY 1999 was reduced by \$100 million to \$115 million; for FY 2000, the level was reduced by \$45 million to \$172 million. However, remaining funds were reallocated so the total dollars available to States for FY 1999 went up to \$215 million from \$212 million in FY 1998.

Capped Reimbursement Rates for Filled and Offered Work Slots

The concept of work slots was introduced to States in FY 1999 as a way to measure their E&T services to ABAWDs and to determine the amount of Federal dollars that would be reimbursed for State expenditures on food stamp E&T services. FNS considers a slot as "offered" when an ABAWD is told to report to a specific work site or training facility at a given date and time to participate in a qualified activity but either refuses or does not report. Thus, if an ABAWD is given a date and time when he or she needs to be at a workfare site and the ABAWD does not appear at that work site, this is counted as being an offered slot and the State can claim a reimbursement at the lower rate for offered slots.

A "filled" slot is a qualifying activity in which an ABAWD participates. If an ABAWD does report to the work site, this is considered a filled work slot, and the State can be reimbursed at the higher rate for a filled slot. Note that slots do not equal numbers of people or participants because, if an ABAWD participates in an activity for multiple months, each month of participation counts as a filled slot. In other words, if an ABAWD participates in workfare in May, June, and July, this will count as three filled slots.

This chapter has reviewed the evolution of the work requirements and E&T services tied to the Food Stamp Program. Indeed, the Food Stamp E&T Program received a relatively large increase in funding through BBA. As a condition for receiving these funds, beginning in FY 1998, States were asked to redesign their food stamp E&T components, which had been primarily focused on job search and job search training activities for a diverse group of work registrants, to focus on training, education, and workfare components for the ABAWD population. While the BBA resulted in a very large increase in available funds for the Food Stamp E&T Program, as noted earlier, the total Federal funding for food stamp E&T is much less than amounts made available to States through the TANF block grant and the new Welfare to Work grants.

The next chapter reviews available information from published literature to shed light on the diverse nature of the food stamp ABAWD population, its limited education and employment experience, and the challenges and successes that E&T programs have experienced in improving employment outcomes for individuals similar in characteristics to the ABAWD population.