

XKMBLE 110141

BY THE COMPTROLLER GENERAL



# Report To The Congress

OF THE UNITED STATES

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## Effect Of The Department Of Labor's Resource Allocation Formula On Efforts To Place Food Stamp Recipients In Jobs (A Supplement To Comptroller General's Report CED-78-60 April 24, 1978)

Congressman Paul Findley asked that GAO prepare this supplement to its 1978 report on food stamp work requirements. Labor has used its formula to allocate about one-third of the \$1 billion in Federal funds provided to State employment service agencies annually. A new allocation system is being developed for use starting in fiscal year 1980.

The formula's effect on State agencies' efforts to place food stamp recipients in jobs is not clear. However, several factors, including no explicit incentive for placing these recipients, could discourage such efforts. The Congress and the executive branch will need to decide on a special preference for food stamp recipients.

Labor gets \$28 million a year from the Department of Agriculture for food stamp work registration activities, but the services these funds are to cover are not clearly defined. The Office of Management and Budget should help clarify this matter.



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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

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To the President of the Senate and the  
Speaker of the House of Representatives

At Congressman Paul Findley's request, we are issuing this supplement to our April 24, 1978, report to the Congress entitled "Food Stamp Work Requirements--Ineffective Paperwork or Effective Tool?" (CED-78-60). Congressman Findley asked that we study the likely impact of the Department of Labor's current resource allocation formula on efforts by State employment service agencies to place food stamp recipients in jobs.

Labor is developing a new allocation system, to replace the current formula, for use in 1980 and after. Although our review primarily related to the current formula, the matters discussed in this report should be considered regarding any new fund allocation method that may be developed.

To receive food stamp benefits, able-bodied adult members of eligible households--with a few exceptions--must register for and accept employment. The Department of Labor, through State employment service agencies and their local offices, is responsible for helping the Department of Agriculture implement the work registration requirements by providing services, such as counseling, testing, training, and referral to potential employers, to food stamp recipients referred by local food stamp offices. In addition, the employment service agencies are to notify the food stamp offices of events which might affect a recipient's benefits, such as the recipient's obtaining a job or refusing to cooperate in efforts to find employment.

Labor has used the resource allocation formula to distribute certain Federal funds to State employment service agencies based on their relative funding needs and day-to-day performance. However, the formula's allocation has covered only about one-third of the more than \$1 billion in Federal funds given to these agencies annually. The remaining funds have been allocated on a variety of bases, such as past expenditure and activity levels, approved plans submitted by the State agencies, contracts, and other formulas.

Consequently, the resource allocation formula's precise effect on State employment service agencies' overall operations is not clear. Because of this and the uncertainty about how State agencies' costs to provide various employment services to food stamp recipients are to be financed, we were unable to assess the adequacy of funds for food stamp work requirement activities and the likely effect of existing funding arrangements on food stamp recipients' getting jobs.

Notwithstanding this, we believe that the following aspects of employment service operations and funding arrangements could have discouraged efforts to place food stamp recipients in jobs.

- The formula's basic design has encouraged efforts to place in jobs those persons easiest to place.
- The formula has not contained an explicit incentive for placing food stamp recipients in jobs.
- Administering the food stamp work requirement is not a major employment service activity.

Also, Agriculture and Labor have not clearly defined the employment services to be covered by the food stamp program funds which Agriculture transfers to Labor annually. These funds are not affected by the resource allocation formula.

These matters are summarized below and are covered in more detail in the appendixes.

THE FORMULA'S BASIC DESIGN HAS ENCOURAGED  
PLACEMENT OF PERSONS EASIEST TO PLACE

A factor which could have had a great impact on efforts to place food stamp recipients is the resource allocation formula's basic design which had heavily emphasized the number of people the State agencies placed in jobs. The formula has also given some weight to the types of people placed but not nearly as much as it has to the number of placements. It seems to us that this design encouraged States to place those people who were easiest to place because such efforts had the largest payoff in terms of obtaining the most money under the resource allocation formula.

Although the formula was designed to avoid large changes in a State's allocation from year to year, it provided an incentive to increase total placements. Such incentive might have tended to discourage efforts to place food stamp recipients because, as discussed in our April 1978 report, some employment service staff members believe that some food stamp recipients, although having good potential for employment, were sometimes uncooperative in finding jobs.

NO SPECIAL INCENTIVE IN FORMULA FOR  
PLACING FOOD STAMP RECIPIENTS IN JOBS

The resource allocation formula did not provide explicit financial incentives encouraging employment service agencies to find jobs for food stamp program participants. However, it contained such incentives for nine other special target groups, such as veterans, unemployment insurance claimants, women, and minorities. Labor officials indicated that, while food stamp recipients have not been explicitly identified and treated as a special target group, many of them probably have been included in one or more of the special groups for whom explicit financial incentives have been provided and that they have been included in the overall placements under the formula.

If food stamp recipients had been designated as a special target group, the States' allocations under the formula could have changed at least slightly. A computer simulation which Labor did for us showed that, if food stamp recipients had been designated as a special target group--in a manner similar to that applied to the other special groups--no State would have gained or lost more than 2 percent of its actual allocation for fiscal year 1979 and the average change would have been 0.1 percent. Although these changes do not seem significant, we are not sure what the cumulative effect would be over a period of years.

The Department of Labor noted that the large number and wide coverage of the target groups resulted in no one getting meaningful priority. This is the major reason the current resource allocation formula is being dropped.

If the Congress or the executive branch believes that employment service agencies should be given a special incentive for finding jobs for food stamp registrants, it should be possible to incorporate such an incentive in any fund allocation system. To be meaningful, however, the incentive would have to be high enough to give food stamp registrant placements a clear advantage, in terms of increased funding, over other placements. Whether food stamp registrants should be given preference over other groups and, if so, how much are issues affecting national policy and priorities which will have to be decided by the Congress and the executive branch.

ADMINISTERING FOOD STAMP WORK REQUIREMENTS  
IS NOT A MAJOR EMPLOYMENT SERVICE ACTIVITY

Administering the food stamp program's work requirements is not one of the State employment service agencies' main functions. Finding jobs for people and people for jobs under the Wagner-Peyser Act remains the agencies' primary activity, although they do receive funds from Agriculture to help administer the food stamp work requirements. At the end of fiscal year 1978, the employment service agencies had 20.5 million applicants registered and available for work, of which 2.2 million (11 percent) were food stamp recipients.

EMPLOYMENT SERVICE ACTIVITIES TO BE COVERED  
BY FOOD STAMP FUNDS NOT CLEAR

The State employment service agencies' costs for food stamp work registration activities are at least partially paid with funds from Agriculture's food stamp appropriation, but it is not clear exactly which activities the Agriculture funds are to cover. Agriculture has transferred \$176 million to Labor for food stamp work requirement activities since November 1971, including \$28 million annually since fiscal year 1975. Such funds have not been affected by the resource allocation formula and it is not clear whether these funds are supposed to cover all of the employment service agencies' food stamp activities or only the activities over and above the services provided to all job seekers who request them. If only employment services paid for by Agriculture were performed, food stamp recipients overall would, in effect, not receive the same services as other employment service registrants and the resource allocation formula would not

be relevant to food stamp recipients' obtaining jobs. However, indications are that such is not the case.

Our discussions with Agriculture, Labor, and Office of Management and Budget (OMB) officials as well as reviews of pertinent documents and analyses indicated that the executive branch had not decided which activities are to be funded with the Agriculture money. The 1976 interagency agreement under which Agriculture has transferred funds to Labor stipulates that Labor's responsibilities are to

- record food stamp program work registrations referred by State welfare agencies or local food stamp offices;
- furnish local food stamp offices with information on acceptance of employment or failure or refusal by registrants to comply with food stamp work requirements;
- provide quarterly reports to Agriculture on registrants, placements, and other items;
- insure that food stamp work registrants have equal access to the basic manpower services State employment service agencies offer to regular applicants; and
- insure that the level of "unique services" required for food stamp work registrants be commensurate with the level of funding Agriculture provides.

However, the agreement contains no detailed breakdown on which services are considered basic and which unique. ]

We discussed this issue with officials in the three agencies. Labor believes that all services employment service agencies provide for food stamp registrants are unique and should be funded by Agriculture. A key OMB staff member believes that none of the services is unique and that they should all be funded out of Labor funds exclusively. Agriculture is unsure what services it is getting for its money.

Labor bases its position on its belief that most food stamp work registrants request employment services only because they are required to do so to receive food stamp benefits. Although an in-depth analysis of the funding controversy was beyond the scope of our review, our opinion is that some, but not all, of Labor's activities are unique.

For example, furnishing local food stamp offices with information on food stamp registrants and providing quarterly reports to Agriculture seem to be unique activities because they are not provided for other types of employment service registrants. However, other services available to food stamp registrants seem to be the same as those available to other types of employment service applicants and funded by Labor funds as mandated by the Wagner-Peyser Act. Funding of these services should not be affected by the fact that food stamp registrants are required to register for and accept employment.

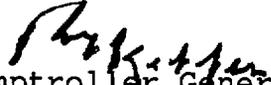
Further, it seems that Agriculture's payment to Labor would not be adequate to provide all the employment services food stamp recipients need. Our inquiries at the Philadelphia, Pennsylvania, employment service district office showed that Agriculture funds for 7 full-time caseworker positions to support food stamp work requirement activities were allocated to 16 local employment service offices. In effect, funds were available for only a part-time effort on food stamp work requirement activities in each of these 16 local offices.

Agriculture and Labor are trying to resolve questions dealing with employment services and funding. However, OMB has not approved any increases since fiscal year 1975 in the amount of funds Agriculture transfers to Labor for food stamp work requirement activities and the fiscal year 1980 budget also includes the same amount--\$28 million--for these activities. OMB's decision not to approve a higher budget request for food stamp work requirement activities may have hindered Agriculture and Labor efforts to resolve the question of which activities should be covered by food stamp funds. Resolution of this question and completion of a new agreement are essential for effective administration of the food stamp work requirements. We are recommending that OMB take the lead in getting an appropriate agreement completed.

Labor generally agreed with our overall findings and recommendation, although both it and Agriculture raised several specific objections which we have recognized as appropriate in this letter and/or appendix I. OMB did not agree with our recommendation that it take the lead in getting an agreement completed. It believed the two departments should work out an agreement, with OMB assistance in resolving differences, because legal authority for the food stamp program remains with the Secretaries of Agriculture and Labor. We continue to believe that OMB should take the lead because Labor and Agriculture have been unable to resolve basic differences and because OMB's decision not to approve additional funds for food stamp work requirement activities may have hindered Labor and Agriculture efforts.

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We are sending copies of this report to the Secretaries of Agriculture and Labor and to the Director, Office of Management and Budget.

  
ACTING Comptroller General  
of the United States

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ABBREVIATIONS

AFDC aid to families with dependent children  
CETA Comprehensive Employment and Training Act  
HEW Department of Health, Education, and Welfare  
OMB Office of Management and Budget  
WIN Work Incentive Program

THE DEPARTMENT OFLABOR'S RESOURCE ALLOCATION FORMULA:HOW IT AFFECTS PLACEMENT OF FOOD STAMP RECIPIENTS IN JOBSINTRODUCTION AND SCOPE OF REVIEW

Congressman Paul Findley requested that, as a continuation of our previous work on food stamp work requirements, 1/ we issue a supplemental report on an analysis of whether the Department of Labor's resource allocation formula--used to distribute certain Federal funds to State employment service agencies--provided an explicit incentive for States to place food stamp recipients in jobs. While studying the resource allocation formula, we found other important funding issues concerning food stamp work requirement activities that are also discussed in this report.

Our review included analyses of legislation, regulations, and other supporting documentation. We also interviewed officials from the Departments of Agriculture and Labor and the Office of Management and Budget (OMB).

To receive food stamp benefits, able-bodied adult members of eligible households--with a few exceptions--must register for and accept employment. Labor, through State employment service agencies and their local offices, is responsible for helping Agriculture implement the work registration requirements by providing services, such as counseling, testing, training, and referral to potential employers, to food stamp recipients referred by local food stamp offices. In addition, employment service offices are to notify the food stamp offices of events which might affect a recipient's benefits, such as the recipient's obtaining a job or refusing to cooperate in efforts to find employment.

Finding jobs for people and people for jobs is the goal of the cooperative Federal-State employment service program. Authorized by the Wagner-Peyser Act of 1933 (29 U.S.C. 49), the program now comprises about 2,400 local employment service

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1/See "Food Stamp Work Requirements--Ineffective Paperwork or Effective Tool?" (CED-78-60, Apr. 24, 1978).

offices in the 50 States, Puerto Rico, Guam, the Virgin Islands, and the District of Columbia. The U.S. Employment Service--part of Labor's Employment and Training Administration--administers the employment service program at the Federal level. It provides funding, guidance, and technical assistance to the States and establishes program standards and procedures. State governments (or comparable jurisdictions) operate the program at the State and local levels.

State employment service agencies and their local offices offer counseling, testing, and other employment services free to job seekers. Employers submit job orders to local employment offices and the offices then refer applicants to these openings.

Employment service activities are financed principally by Federal unemployment taxes collected from employers. State agencies receive these taxes and deposit them in the Unemployment Trust Fund. Title III of the Social Security Act of 1935 authorizes the use of money from the Unemployment Trust Fund to pay for employment service activities under the Wagner-Peyser Act. The Congress appropriates money to Labor from the trust fund as well as from the Treasury's general funds for subsequent grant allocations to State employment service agencies. 1/

Labor also receives funds from Agriculture and the Department of Health, Education, and Welfare (HEW) for participating in implementing the work requirements under the food stamp and aid to families with dependent children (AFDC)

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1/Appropriations from the Unemployment Trust Fund are restricted to providing services to the work force whose employers are subject to the Federal Unemployment Tax Act (26 U.S.C. 3301 et. seq. 1976). Services to the estimated 3 percent of the work force whose employers are not subject to the tax act are financed by appropriations from general funds of the Treasury under the Wagner-Peyser Act.

programs, respectively. 1/ In addition, State employment service agencies can be paid for providing services under the Comprehensive Employment and Training Act (CETA) (29 U.S.C. 801 et seq. 1976). The services provided and the amounts paid are subject to negotiations and contracts with State and/or local CETA sponsors.

The table below shows funding sources and staff years in fiscal year 1979 for the State employment service agencies.

<u>Program</u>	<u>Funding</u>		<u>Staff years</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
	(000 omitted)			
Title III	a/\$ 719,600	63.0	30,000	61.3
WIN (note b)	228,081	20.0	8,741	17.9
CETA	166,400	14.6	8,493	17.4
Food stamps (note c)	<u>27,190</u>	<u>2.4</u>	<u>1,686</u>	<u>3.4</u>
Total	<u>\$1,141,271</u>	100.0	<u>48,920</u>	100.0

a/Only \$402,780,003 was allocated to the State agencies using the resource allocation formula. (See pp. 6 and 7.)

b/See footnote 1/ below.

c/Labor used about \$810,000 of the \$28 million it received from Agriculture for salaries of its employees.

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1/Title IV of the Social Security Act, as amended, requires registration for manpower services, training, and employment as an AFDC eligibility condition. Able-bodied recipients between 16 and 65 not statutorily exempt must register for and accept appropriate work or training offered through the Work Incentive Program (WIN). WIN is jointly administered by Labor and HEW. State and local operation is through WIN sponsors, generally State employment service agencies and State welfare agencies. WIN funds are allocated to State employment service agencies based on the agencies' cost effectiveness and number of WIN registrants.

In general, 30,000 individuals are employed by the States to perform the various employment service activities under the Wagner-Peyser Act. Also, about 19,000 individuals are employed to carry out employment service responsibilities under other programs like food stamps, WIN, and CETA.

FACTORS THAT MIGHT DISCOURAGE  
EFFORTS FOR FOOD STAMP RECIPIENTS

The resource allocation formula's precise effect on employment service agencies' efforts to find jobs for food stamp recipients is not clear but several factors could have discouraged such efforts. One is that the formula's basic design has encouraged efforts to place in jobs those persons easiest to place. This might have discouraged efforts to place food stamp recipients because some employment service personnel believe some food stamp recipients are more difficult to place. <sup>1/</sup> Further, neither the formula nor other aspects of employment service funding have contained explicit financial incentives for placing food stamp recipients in jobs. Also, administering the food stamp work requirements is not a major employment service activity.

Resource allocation formula's basic  
design could have discouraged efforts  
for food stamp recipients

The resource allocation formula has been used by Labor to allocate part of the title III grants equitably among State employment service agencies on the basis of need and performance. The formula was designed to measure the performance of each State employment service agency during the most recent 12 months for which data was available and to determine the amount of funds given to each State based on this performance. According to Labor, the formula tried to achieve a balance among the many, and sometimes contradictory, needs and circumstances of the States, while continuing to reflect national policy and priorities through the system of weights used.

A substantial part of the formula has involved the computation of a weighted performance index for each State. In

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<sup>1/</sup>Discussed on p. 16 of our April 1978 report.

general, the higher a State's score on the performance index, the more title III dollars it received. 1/

As shown in appendixes III and IV, 60 percent of each State's performance index has been based on overall placements of people, including food stamp recipients, in jobs and 20 percent has been based on whether the people placed were members of nine designated target groups--veterans, unemployment insurance claimants, migrants, youth, minorities, poor, women, handicapped, or older workers. (App. IV shows how placements from the respective target groups affected the performance index.) The remaining 20 percent of the performance index has been based on (1) whether the employment service agency placed the people to whom it provided counseling and (2) the types of jobs in which people were placed.

This heavy emphasis on the number of placements could have been a disincentive for some employment service offices to try to place food stamp recipients. During our earlier review some employment service workers and officials told us that some food stamp recipients, although having good potential for employment, were sometimes uncooperative in finding jobs. 2/ This could have resulted in such employment service workers and officials emphasizing placements of people other than food stamp recipients in jobs because they believed their efforts to place these other people resulted in larger numbers of placements. Larger numbers of placements resulted in the State receiving more funds under the resource allocation formula.

In commenting on this matter (see app. VI), Agriculture said that there is no factual basis for the belief among employment service personnel that some food stamp recipients are not as interested in finding work as other employment service registrants and are sometimes uncooperative.

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1/Appendix II provides a general illustration of the resource allocation formula used to distribute funds among State employment service agencies. Appendix III shows the factors that are included in the weighted performance index and their respective weights.

2/Discussed on p. 17 of our April 1978 report.

Agriculture also believes that the employment service statement is self-serving--that it may be offered to justify its poorer record in serving food stamp work registrants--and, therefore should be deleted from our report.

We know of no conclusive data bearing on this matter; however, Labor has developed information showing that only 22 percent of food stamp work registrants had previously been registered for work with the employment service, including those who were previously required to register in connection with other programs such as AFDC and unemployment insurance. According to Labor, this apparently means that 78 percent of food stamp work registrants were registered only because they were required to do so to get food stamps. This raises some question as to whether most food stamp recipients would be seeking employment services in the absence of a requirement to register for work.

In any event, the validity of the employment service opinion of food stamp recipients' attitudes toward work is not a major factor in our conclusion that the resource allocation formula's basic design may have discouraged efforts to place food stamp recipients in jobs. Because employment service personnel are responsible for trying to find jobs for people, including food stamp recipients, and because of the resource allocation formula's emphasis on numbers of placements, attitudes, and perceptions of attitude can adversely affect food stamp recipients' getting back into the Nation's work force.

Although the resource allocation formula has strongly emphasized placements, it also contained several features which would have decreased somewhat its overall impact on employment service agencies' funding. For example, the formula covered only about 56 percent of the funds distributed to State employment service agencies under title III of the Social Security Act in fiscal year 1979. The remaining 44 percent of the title III grants--which were for State program administration, special projects, and regional discretionary funds--were allocated for the most part according to past and anticipated future levels of activity. Also, the resource allocation formula has not applied to other funds that State employment service agencies received. These other funds were distributed on a variety of bases, such as past expenditure and activity levels, approved plans submitted by State agencies, contracts, and other formulas. In fiscal year 1978 the resource allocation formula allocated

about \$379 million, and, in fiscal year 1979, it allocated about \$403 million, or about one-third of the total Federal funds given to State employment service agencies.

In addition, the formula contained a "compression factor" which helped to prevent large changes in a State's allocation under the formula from year to year. This factor reduced any change under the formula to 40 percent of what it would have been without the compression factor. Other factors which reduced the formula's effects are described in appendix II.

Thus, changes in a State's total funds for employment services would not have been as fully responsive to changes in performance output as might otherwise have been the case.

Funding mechanisms have not contained explicit incentives for placing food stamp recipients

The resource allocation formula has not contained a direct incentive for trying to place food stamp recipients in jobs and therefore could have encouraged the States to place greater emphasis on providing such services to other categories of employment registrants. If an incentive had been added to the resource allocation formula for fiscal year 1979 to encourage placing food stamp recipients in jobs--similar to the incentives provided for designated target groups under the formula--the changes in the amounts of funds provided to the States would not have exceeded 2 percent of the amount allocated to each State under the formula.

The current method of distributing the funds Agriculture provides to Labor for food stamp work requirement activities does not use performance incentives. A performance-type formula (similar to the resource allocation formula) had been developed for distributing these funds but was used only in fiscal year 1975.

Resource allocation formula has not contained explicit incentives for food stamp activities

Labor officials said that, although food stamp recipients as a group were not explicitly included as one of the nine special categories in the formula's performance index,

an individual food stamp recipient could have been in one or more of the special categories--such as unemployment insurance claimants, poor, or minorities. The officials indicated that food stamp recipients could have been added as another target group under the formula but that, without removing one or more other groups on the list, such addition would have diluted placement weights given to all of the various target groups.

A computer simulation done by Labor at our request showed that including an explicit incentive for food stamp recipient placements would not have drastically changed the overall title III grant allocations going to the States for fiscal year 1979. Using food stamp recipients as a 10th target group, the simulation showed that one State would have gained 2 percent of the amount it actually received pursuant to the formula for fiscal year 1979 and none of the other States would have gained or lost more than 0.2 percent. The average allocation change would have been about 0.1 percent. These percentages would have been even lower if based on total title III funds or total Federal funds provided to State employment service agencies. (App. V gives a State-by-State comparison of allocations under the actual and hypothetical formulas.)

The staffing levels supported by title III grants have remained relatively constant since fiscal year 1966. This has led officials from some State employment service agencies to remark that "the best any [resource allocation] formula can do is try to distribute shortages equitably." Including an explicit food stamp incentive in the formula, without a corresponding increase in the staffing levels supported by title III grants, would probably only provide a new way to divide up a fixed amount of employment services without significantly affecting overall performance.

Food stamp recipients could be granted a clear, substantial preference over other employment service target groups (instead of just adding food stamp recipients as another target group). This could be done, for example, by giving a food stamp recipient placement a greater weight than a placement from other special categories, such as those recognized in the resource allocation formula. Those agencies placing the most food stamp recipients would therefore likely receive more of the title III allocation.

We are not sure of the exact effects a new fund allocation formula giving a strong priority to food stamp placements would have on food stamp recipients or on other groups and, based on our work, we cannot say which group or groups should get priority. In addition, there is no certainty that this would actually bring about an increase in the number of food stamp recipient placements. We cannot be sure from the work we have done in this area that State employment service agencies' efforts and/or the number of food stamp placements do not also hinge on factors other than the funding mechanism or even the amount of funding. There may be other things that we just do not know about.

According to Labor (see app. VII), a change made in the resource allocation formula in fiscal year 1976 to include food stamp work registrants in the overall count of job placements has had a greater impact in improving placements of food stamp recipients than would their addition as another target group. Before 1976, placements of food stamp registrants were not counted in resource allocation formula calculations.

No data is available on the effect of this change. Although it might have lessened the disincentive to State employment service agencies to try to place food stamp recipients in jobs, it is clear that the resource allocation formula has not contained specific incentives for efforts to place food stamp recipients. We, therefore, believe that the formula's emphasis on numbers of placements could have been a disincentive to such efforts.

Labor officials told us that the current resource allocation formula will not be used after fiscal year 1979 primarily because the large number of target groups and their wide coverage resulted in almost everyone being a member of at least one group and in no one getting any meaningful priority. A new allocation system is being developed for use in fiscal year 1980 and after. The issue of whether, and to what extent, Labor should give food stamp recipients greater job placement possibilities through the use of a direct incentive provision in any new fund allocation system involves judgments affecting national policy and priorities. Therefore, the Congress and the executive branch will have to make the decision.

Food stamp allocations  
do not provide incentives  
to State employment service agencies

Agriculture funds for food stamp work requirement activities have not been affected by the resource allocation formula and Labor's regional and State allocations of these funds have generally remained the same over the last 4 fiscal years--that is, each year the regions and States have received about the same amount of money. These allocations have been primarily based on the prior fiscal year's expenditures, with no adjustments for such factors as increased registrations or placements.

In fiscal year 1975 Labor, for the only time, used a funding mechanism called the food stamp allocation formula (which was patterned after the title III resource allocation formula) to determine individual State allocations of food stamp work requirement funds. The food stamp formula took into account, among other things, a State's relative productivity rate and success in placing food stamp recipients who were members of the various specified target groups under Labor's resource allocation formula. State amounts determined by the food stamp formula were then combined to arrive at regional totals.

According to a Labor official, States are underfunded for their food stamp work requirement activities and, because overall funding has remained constant since 1975, Labor's use of the food stamp formula would have further underfunded some States to an unfair degree. Instead, Labor has based subsequent allocations of the Agriculture payment on the approximate amounts allocated to its regional offices for fiscal year 1975. Labor told us that the regional offices also use about the same amounts for State allocations from year to year--with possible adjustments for unexpended funds at the end of a given fiscal year. Consequently, a State could have a drastic increase or decrease in placements or even registrations of food stamp recipients but still receive the same level of funding for the next fiscal year.

We believe that Agriculture-Labor discussions on the food stamp work requirement activities (see pp. 16 through 19) should include the possibility of using a funding mechanism for regional and State allocations of food stamp

work requirement funds based on performance--to try to reward good performance and not treat success and failure equally as is done now.

Administering food stamp work requirements is not a major employment service activity

Administering food stamp work requirements is not one of the employment service agencies' primary functions. Basically, the agencies operate as "labor exchanges" under the Wagner-Peyser Act although they are also involved in administering about 21 other laws, 11 Executive orders, and 14 agreements with Federal agencies, including the agreement with Agriculture to help administer the food stamp work requirements. These laws, Executive orders, and agreements cover

- work requirements under which recipients of food stamps, unemployment compensation, and/or AFDC must accept appropriate employment when it is available;
- preferential service or special assistance to certain categories of job seekers, such as veterans, minorities, women, the economically disadvantaged, the handicapped, older workers, youth, and seasonal farmworkers and migrants; and
- enforcement and compliance activities involving, among other things, certification of foreign workers for permanent employment or temporary farm employment in the United States, and investigations of discriminatory job orders and complaints about working conditions.

Of the 20.5 million people registered with the employment service and available for work at the end of fiscal year 1978, 2.2 million (11 percent) were food stamp recipients.

The \$176 million that Agriculture has provided to Labor since 1971 for food stamp work requirement activities--\$28 million annually since 1975--has not constituted a major source of the more than \$1 billion in annual overall Federal funding for the employment service.

Most employment service personnel do not exclusively deal with a single program. Except for individuals assigned to WIN who often work on that program exclusively, State employment service employees serve primarily "mainstream" applicants who voluntarily seek help to find jobs.

EMPLOYMENT SERVICES TO BE COVERED  
BY FOOD STAMP FUNDS NOT CLEAR

It is not clear what services the funds Agriculture provides to Labor for food stamp work requirement activities are supposed to cover. Our inquiries indicate that:

1. No detailed plan or agreement exists covering
  - the specific services Labor is to provide food stamp recipients,
  - what the services should cost,
  - whether the funds are to cover only special services in addition to the services mandated by the Wagner-Peyser Act, or
  - the desired effectiveness of employment services to food stamp recipients in terms of job placements and food stamp program savings.
2. Separate evaluations of the program by Labor and Agriculture reach differing conclusions about its past effectiveness, and unreliable data prevents a reconciliation between these different evaluations.
3. Several State employment service agencies reported that they ran out of food stamp funds late in fiscal year 1978 and used title III grant funds to avoid terminating or severely curtailing their food stamp work requirement activities.

Labor and Agriculture have been studying the food stamp work requirement program to develop a new agreement on funding levels and the specific services to be covered by the funds Agriculture provides.

The interagency agreement lacks specifics

The principal interagency agreement under which Agriculture currently provides funds to Labor for food stamp work requirement activities was signed in 1976. The agreement, in part, stipulates that Labor's responsibilities are to record food stamp work registrations referred by State or local food stamp offices, furnish local food stamp offices with information on recipients' acceptance of employment or failure or refusal to comply with food stamp work requirements, and provide quarterly reports to Agriculture on registrants, placements, and other items.

The agreement also states that Labor must insure that (1) food stamp work registrants have equal access to the basic manpower services offered by State employment service agencies to their mainstream applicants and (2) the level of unique services required by food stamp work registrants be commensurate with the level of funding provided. However, the agreement contains no description of the services to be offered nor any detailed breakdown on which services are considered basic and which are considered unique, what the costs of the unique services should be, or how effective these services should be in helping food stamp work registrants get jobs.

Our discussions with Labor, OMB, and Agriculture officials indicated that Labor officials believe that all services the State employment service agencies render to food stamp recipients are unique and should be funded by Agriculture, a key OMB staff member believes that none of these services are unique and they should all be funded out of title III exclusively, and Agriculture is uncertain what services (unique and/or basic) it is getting for its money. Agriculture attributes its uncertainty to Labor's failure to accurately report on the services provided through the Agriculture funds. (See app. VI.)

Labor bases its position on its belief that, for the most part, food stamp recipients would normally not be in an employment service office looking for work and that their motivation and attitude toward work differ fundamentally from that of the mainstream employment service applicant. (See app. VII.) As discussed previously (see p. 6), a Labor study indicated that only 22 percent of the food stamp work registrants had previously been registered with

the employment service, including those required to register in connection with the AFDC and unemployment insurance programs. Labor believes this study shows that most food stamp work registrants go to employment service offices only because of the work requirement. Labor believes that, if the registrants were seeking employment services voluntarily, the associated costs would clearly be payable from title III funds.

Although an in-depth analysis of the funding controversy was beyond the scope of our review, we believe that some, but not all, of the employment service agencies' activities related to food stamp recipients are unique. For example, furnishing local food stamp offices with information on food stamp work requirement registrants and providing quarterly reports to Agriculture seem to be unique activities. However, other services--counseling, testing, training, and referral to jobs--that are available to food stamp registrants seem to be the same as those available to other types of employment service applicants and funded by Labor funds as mandated by the Wagner-Peyser Act. Funding of these services should not be affected by the fact that food stamp registrants are required to register for and accept employment.

Agriculture's payment to Labor would not seem adequate to pay for all the employment service agencies' activities related to food stamp recipients. Our inquiries at the Philadelphia employment service district office showed that Agriculture funds for 7 full-time caseworker positions to support food stamp work requirement activities were allocated to 16 local employment service offices. In effect, funds were available for only a part-time effort on food stamp work requirement activities in each of these 16 local offices.

According to Labor, the Agriculture payment provides only \$12 per food stamp registrant while title III funds provide \$54 per registrant and WIN funds provide \$95 per registrant. However, comparison of these amounts per registrant are meaningful only if one accepts the premise that Agriculture funds should pay for all of the employment service agencies' activities related to food stamp recipients. As discussed earlier, we do not believe this premise is correct.

Except for annual amendments to reflect each new fiscal year's funding level, the interagency agreement on the food stamp work requirements has not been updated since 1976. We also learned that the program's annual funding level is apparently not determined by specifying the services required and then estimating these services' costs. Instead, OMB has required that the funding remain at its 1975 level because Labor could not show that increases would be cost effective.

Estimates of program effectiveness differ

Data from an August 1977 Agriculture study shows the work requirements' overall benefit/cost ratio as 0.35; that is, the Federal Government realized a food stamp benefit reduction of 35 cents for each \$1 spent on food stamp work requirement activities for the 65 months between November 1971 and March 1977. 1/ Labor had previously developed estimates involving slightly lower cost figures and different assumptions which indicated a benefit/cost ratio of 1.61 for fiscal year 1975--the comparable Agriculture ratio for that year was 0.39. 2/ We could not reconcile these differences between the Agriculture and Labor estimates of the requirements' effectiveness.

Labor objected to our using its estimates to compare its assessment of the requirements' effectiveness with Agriculture's. (See app. VII.) Labor said the purpose of the estimate was to point out Agriculture's under reporting of savings resulting from work registration activities and should not be used for determining benefit/cost ratios. Labor said no accurate data is available on benefit/cost ratios for food stamp work requirement activities.

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1/Savings resulted from (1) reduction or termination of benefits due to the placement of a household member in a job or (2) a benefit termination due to a household member's failure to comply with the work requirements.

2/None of these benefit/cost ratios took into account the requirements' potential deterrent effect--would-be applicants not signing up for food stamps due to the work requirements.

We agree that accurate data on effectiveness is not available and, in our April 1978 report, recommended that such data be obtained. However, Labor believes that the work requirements are more effective than Agriculture believes them to be. Labor urged Agriculture to use the 1975 Labor estimate in responding to a congressional request for data on the requirements' results, stating that it was a fair estimate of the savings resulting from the requirements and that Agriculture's data on savings was understated.

As stated in our April 1978 report, the data reported by both the State employment service agencies and local food stamp offices had been too unreliable to use for evaluation purposes. For example, Labor's cost figures could have been distorted because employment service offices sometimes charged food stamp work requirement costs to their title III funding, thereby making reported food stamp costs lower than the actual costs. Also, until fiscal year 1978, there was no Federal requirement for State validation of employment service data reported to Labor. In an earlier report on employment services (HRD-76-169, Feb. 22, 1977) and again in our April 1978 report, we pointed out that employment service data on placements tended to be overstated. Similarly, Agriculture data on work requirement activities was often incomplete or untimely.

We continue to believe that, to properly evaluate the work requirements' effectiveness, the Government needs specific information (and not estimates as Labor has used) on the extent to which the requirements have lowered food stamp benefit costs. Unfortunately, Agriculture stopped collecting this kind of information, rather than improving its reliability and comparability. The results of work requirement activities are now compiled and reported exclusively by the employment service offices using their automated reporting system. This system does not provide specific information on food stamp benefits reduced or terminated due to work requirements.

#### Current problems and negotiations

Both Agriculture and Labor agree that the reported job placement rate for food stamp recipients is low but they differ on the reasons for the low rate and, not unexpectedly, the need for and ability of Agriculture to substantially increase its funding for the work requirement program.

Agriculture, Labor, and OMB have engaged in a series of discussions to resolve both short-term and long-term funding problems and other program matters.

Labor has stated that the placement rate for food stamp recipients is substantially below the rate for regular employment service applicants because the existing funding for work requirement activities normally covers registration costs only. Agriculture believes that inadequate funding may contribute to the low food stamp recipient placement rate, but thinks that other factors are involved as well. For example, according to Agriculture, there is no single guaranteed way to ensure that, even with a relatively high funding rate per registrant, most food stamp registrants will get jobs through the employment service agencies. Agriculture believes many food stamp registrants, due to their age, work experience, location in areas of high unemployment, and other reasons, are difficult to place regardless of the services offered and the funding level supporting these services.

In commenting on this matter (see app. VI), Agriculture said that the low job placement rates reported for food stamp registrants may be misleading. Agriculture believes that many food stamp recipients may obtain jobs by simply visiting an employment service office without identifying themselves as food stamp recipients. Such individuals would not be included in the placement statistics for food stamp recipients. Agriculture also believes that the relatively short average length of participation in the food stamp program indicates that significant numbers of recipients get jobs in fairly short times and leave the program.

Agriculture cited no specific studies or data to substantiate its contention that job placements for food stamp recipients may be higher than reported. Further, the Labor data showing that only 22 percent of the food stamp work registrants had previously been registered with the employment service (see p. 6) would seem to indicate that a relatively small proportion of food stamp recipients voluntarily visit employment service offices seeking employment.

In early 1978 Labor sent Agriculture a \$90.6 million proposal for the food stamp work requirement program including registration, orientation, counseling, testing,

and referral. Agriculture responded in March 1978 saying it could not accept the proposal because such a funding level was not possible under current food stamp authorization ceilings and would be contrary to congressional intent. Agriculture noted that, during the debate on the Food Stamp Act of 1977 (91 Stat. 958), the Congress rejected a provision calling for a \$100 million authorization for work requirement activities. Agriculture said, however, that a minor adjustment taking inflation into account was possible and cited a \$31.5 million figure for fiscal year 1979 as an example of an adjusted amount (compared with \$28 million transferred in each of the past 4 fiscal years.)

In July 1978 Agriculture and Labor began a series of discussions to determine (1) an appropriate funding level, (2) what specific additional services this money buys, (3) a possible stratification of the registrant population into the job ready, non-job ready, students, and job-attached (persons laid-off or on strike) so that only those persons with a potential for job placement would receive the additional services, and (4) ways to combine the new job search provisions of the 1977 act with the present work requirements. In commenting on this matter (see app. VI), Agriculture noted that it and Labor are also developing a series of options with specific services and costs. Labor also noted these efforts to resolve the differences. (See app. VII.)

OMB has not approved any increase in Agriculture's funds for Labor's traditional food stamp work requirement activities, and the fiscal year 1980 budget request for these activities remains at \$28 million. OMB's decision not to approve a higher budget request for food stamp work requirement activities may have hindered Labor and Agriculture efforts to complete a new agreement for the services the employment service agencies are to provide and the amount needed to pay for them. Instead, OMB approved \$4.5 million for pilot projects over a 2-year period to determine if increased funding would be cost-effective.

An OMB staff member knowledgeable about both the food stamp and employment service programs told us that he was skeptical about whether an increase in funding would achieve a higher placement rate and that OMB would probably not approve an expanded, more costly work requirement program without strong evidence that (1) Agriculture and Labor have abided by all provisions in their current interagency

agreement and (2) the employment service agencies have the demonstrated capability to use the higher funding to achieve a better placement rate.

We believe that an updated agreement between Agriculture and Labor is essential for effective application of the food stamp work requirements and that OMB should take the lead in getting an appropriate agreement completed.

RECOMMENDATION TO THE DIRECTOR,  
OFFICE OF MANAGEMENT AND BUDGET

We recommend that the Director, Office of Management and Budget, take the lead in completing an agreement between the Departments of Agriculture and Labor for effectively administering the food stamp work requirements. The agreement should include specific descriptions of the services that are unique to food stamp recipients and are to be paid for by the funds Agriculture transfers to Labor and that the amount to be transferred be based on the estimated cost of such services.

AGENCIES' COMMENTS AND OUR EVALUATION

Although Labor raised certain objections, it said that, in general, it agreed with our findings and recommendation. (See app. VII.) Labor's specific comments are discussed as appropriate in the respective sections of this report.

Agriculture also raised certain objections but did not comment on the overall thrust of this report or its recommendation. (See app. VI.) Its specific comments are also recognized and discussed in appropriate sections.

OMB did not agree that it should take the lead in completing an agreement. (See app. VIII.) It said that the two departments should work out an agreement specifying the services to be provided by the State employment service agencies for food stamp recipients for which funding is to be provided by Agriculture and that OMB will continue to work with the departments to help them resolve differences. OMB also believes it should not take the lead in completing the agreement because legal authority for the food stamp program rests with the Secretaries of Agriculture and Labor.

We continue to believe that OMB, as the President's representative in budgetary and management matters, should take the lead in this matter because Labor and Agriculture

have been unable to resolve basic differences. OMB should not allow administration of work requirement activities to continue to be adversely affected by the lack of an agreement on their funding. Also, OMB's decision not to approve additional funds for food stamp work requirement activities may have hindered Labor and Agriculture efforts.

ILLUSTRATION OF LABOR'S  
RESOURCE ALLOCATION FORMULA USED TO  
DISTRIBUTE FUNDS AMONG STATE EMPLOYMENT SERVICE AGENCIES

Labor used the resource allocation formula to try to allocate Federal title III funds equitably among State employment service agencies on the basis of each State's need and performance during the most recent 12 months for which data was available.

Although some individual measures were changed, Labor's basic methodology for making fiscal year 1979 allocations did not change from that used for fiscal year 1978; that is, the combination of performance and need was retained.

The resource allocation formula is complicated and an in-depth analysis and explanation of it is beyond the scope of this report. The following page, however, contains a hypothetical example of how the formula would have worked for State A in fiscal year 1979. It is intended to give a general understanding of how the formula worked so that the reader can better appreciate its possible effects on food stamp recipients.

## APPENDIX II

## APPENDIX II

1. Staff years allocated, FY 1978	371.6
Less civilian labor force share in FY 1978 (note a)	<u>-62.2</u>
Difference	<u>309.4</u>
2. Staff years adjusted by performance score (110.2% (note b) x 309.4)	341.0
Add civilian labor force allocation received in FY 1978	<u>+62.2</u>
Initial allocation, FY 1979	<u>403.2</u>
3. Compression factor (note c) applied to change from FY 1978 (40% of (403.2 - 371.6))	<u>12.6</u>
4. FY 1979 allocation (FY 1978 allocation of 371.6 + compressed change of 12.6)	384.2
5. Multiply by average salary and benefit cost in State A	<u>x\$15,457</u>
Tentative dollar allocation to State A (\$15,457 x 384.2)	\$5,938,579
6. Dollars available adjustment (note d)	<u>-18,355</u>
Dollar allocation to State A	<u>\$5,920,224</u>

a/Civilian labor force is a number of staff years proportional to each State's share of the national civilian labor force, adjusted because the difficulty of placing applicants varies from State to State due to labor market conditions over which the State employment service agencies have no control.

b/Performance is measured both quantitatively and qualitatively. (See app. III for this calculation.)

c/The compression factor provides protection against possible disruption of employment service agencies' operations because of a drastic decrease or increase in their funding as determined by the resource allocation formula.

d/Because the sum of the tentative allocations to all States may equal, exceed, or be less than total dollars actually available for title III distribution, a proportional adjustment to each State may be necessary as it is in this example.

The higher the score a State obtained on its performance index, generally the more Federal dollars it should have received through the resource allocation formula, although the civilian labor force, compression factor, and dollars available adjustments could have reduced this result. Thus, State A would have received about \$5.9 million of the approximately \$400 million that Labor allocated in fiscal year 1979 using the resource allocation formula.

STATE A'S FISCAL YEAR 1979 PERFORMANCE INDEX

	Credit index (note a)	Initial budget weight	Adjusted budget weight
(percent)			
<u>Quantitative factors</u>			
Productivity (placement performance per staff year)			
Number of individuals placed per staff year	120.2	20	24.0
Number of placement trans- actions per staff year (note b)	105.9	10	10.6
Productivity adjusted for labor market factors			
Individuals placed per staff year, adjusted for labor market factors	92.6	20	18.5
Placement transactions per staff year, adjusted for labor market factors	87.9	<u>10</u>	<u>8.8</u>
Total		60	<u>61.9</u>
<u>Qualitative factors</u>			
Type of individual placed			
Placement of target group members (note c)	99.0	20	19.8
Counseled individuals placed per total individuals placed	254.1	5	12.7
Type of job filled			
Long-term openings filled per total openings filled	117.0	5	5.9
Average placement wage, related to average wage in employment covered by unemployment insurance	110.7	5	5.5
Occupational level of jobs filled per total openings filled	87.9	<u>5</u>	<u>4.4</u>
Total		<u>40</u>	<u>48.3</u>
Total		100	<u>110.2</u>

a/By means of a system of credit indexes, a State's performance "score" on each element of the quantitative and qualitative factors is developed; generally speaking, the credit index compares State performance with national average performance and takes into consideration set policy weights for certain qualitative factors.

b/"Placement transactions" reflects the actual number of job placements; that is, an individual placed more than once would be counted the number of times he or she was placed.

c/See app. IV for the calculation of the credit index for "placement of target group members."

TARGET GROUPS WITHIN STATE EMPLOYMENTSERVICE AGENCIES' APPLICANT POPULATION

The weighted performance index consisted of two sections--quantity and quality of placements. One of the qualitative factors in the performance index measured a State's success in placing members of nine target groups. Labor assigned policy weights to the nine groups as follows.

<u>Target group</u>	<u>Policy weight</u>
Veterans	10
Unemployment insurance claimants	7
Migrants	7
Youth	7
Minorities	5
Poor	5
Women	5
Handicapped	5
Older workers	5

Labor indicated that the policy weights reflected the importance and/or difficulty of providing placement services to these target groups. Although food stamp recipients were not explicitly included as one of the nine target groups, they could have been included under one or more of the categories. For example, a recipient who was poor, from a minority group, and claiming unemployment insurance would have been included under each of those categories. How the policy weights were used is shown on the next page.

TYPES OF INDIVIDUALS PLACED

<u>Target groups</u>	<u>Target group individuals placed (note a)</u>	<u>Policy weight</u>	<u>Weighted performance (Col.1xCol.2)</u>	<u>ES staff years</u>	<u>Productivity (Col.3+Col.4)</u>	<u>National average productivity</u>	<u>Credit index (note b) (Col.5+Col.6) x100</u>
Veterans	11,351	10	113,510				
Unemployment insurance claimants	13,407	7	93,849				
Migrants and seasonal farmworkers	114	7	798				
Youth	33,033	7	231,231				
Minorities	38,682	5	193,410				
Economically disadvantaged	19,943	5	99,715				
Women	34,908	5	174,540				
Handicapped	4,110	5	20,550				
Older workers	7,394	5	<u>36,970</u>				
Total			<u>964,573</u>	<u>82,628</u>	<u>11.67</u>	<u>11.8</u>	<u>99.0</u>

a/ This column shows individuals fitting into various target groups; a single individual could be counted in several groups, so the total of this column is far more than the number of individuals actually placed.

b/ The number obtained in column (7) is a credit index that, when multiplied by the budget weight of 20 percent, becomes one part of a State's total performance index. (See quantitative factors and type of individual placed in app. II.)

RESULTS OF LABOR'S COMPUTER SIMULATION  
ON THE IMPACT IF FOOD STAMP  
RECIPIENTS WERE INCLUDED AS A TARGET GROUP  
IN THE RESOURCE ALLOCATION FORMULA

State	Actual allocation fiscal year 1979	Allocation with a food stamp target group (note a)	Impact of a food stamp target group on allocations		
			Gain	Loss	Percent
Alabama	\$ 6,544,299	\$ 6,539,330	\$	\$ 4,969	0.08
Alaska	3,965,905	3,962,929		2,976	0.08
Arizona	5,187,071	5,184,748		2,323	0.04
Arkansas	5,541,623	5,538,018		3,605	0.07
California	44,027,386	43,987,510		39,876	0.09
Colorado	5,343,119	5,447,636	104,517		2.00
Connecticut	5,061,370	5,060,775		595	0.01
District of Columbia	3,207,559	3,201,870		5,689	0.18
Delaware	856,445	855,936		509	0.06
Florida	9,848,344	9,852,051	3,707		0.04
Georgia	7,568,979	7,572,911	3,932		0.05
Hawaii	2,047,600	2,045,129		2,471	0.12
Idaho	2,682,504	2,681,618		886	0.03
Illinois	17,162,408	17,149,710		12,698	0.07
Indiana	8,298,521	8,293,972		4,549	0.05
Iowa	6,711,824	6,706,973		4,851	0.07
Kansas	3,460,499	3,456,587		3,912	0.11
Kentucky	4,366,403	4,368,097	1,694		0.04
Louisiana	5,751,277	5,745,035		6,242	0.11
Maine	1,694,841	1,695,226	385		0.02
Maryland	4,064,083	4,061,916		2,167	0.05
Massachusetts	9,437,804	9,438,955	1,151		0.01
Michigan	15,089,605	15,092,559	2,954		0.02
Minnesota	7,807,030	7,801,405		5,625	0.07
Mississippi	5,921,262	5,920,182		1,080	0.02
Missouri	8,614,714	8,607,550		7,164	0.08
Montana	2,823,997	2,826,398	2,401		0.09
Nebraska	3,086,969	3,085,171		1,798	0.06
Nevada	2,539,763	2,537,270		2,493	0.10
New Hampshire	1,065,602	1,066,450	848		0.08
New Jersey	10,531,418	10,524,974		6,444	0.06
New Mexico	2,946,218	2,946,769	551		0.02
New York	39,921,473	39,989,530	68,057		0.17
North Carolina	8,544,194	8,544,667	473		0.01
North Dakota	2,248,307	2,245,381		2,926	0.13
Ohio	12,156,608	12,158,826	2,218		0.02
Oklahoma	8,094,791	8,086,305		8,486	0.10
Oregon	6,837,349	6,841,890	4,541		0.07
Pennsylvania	21,644,093	21,620,295		23,798	0.11
Puerto Rico	3,323,901	3,321,124		2,777	0.08
Rhode Island	2,069,460	2,068,718		742	0.04
South Carolina	4,396,311	4,394,887		1,424	0.03
South Dakota	2,211,385	2,209,750		1,635	0.07
Tennessee	5,765,728	5,772,856	7,128		0.12
Texas	28,148,254	28,117,213		31,041	0.11
Utah	5,824,562	5,819,220		5,342	0.09
Vermont	930,856	931,188	332		0.04
Virginia	6,144,156	6,141,408		2,748	0.04
Washington	9,022,007	9,028,146	6,139		0.07
West Virginia	2,813,159	2,812,730		429	0.02
Wisconsin	7,927,423	7,922,061		5,362	0.07
Wyoming	1,499,544	1,498,148		1,396	0.09
Total	<u>\$402,780,003</u>	<u>\$402,780,003</u>	<u>\$211,028</u>	<u>\$211,028</u>	

a/In this simulation, food stamp recipients, as a target group, were given a policy weight of 7. (See app. IV.)

**UNITED STATES DEPARTMENT OF AGRICULTURE  
FOOD AND NUTRITION SERVICE**

WASHINGTON, DC 20250

MAY 17 1979

Mr. Henry Eschwege, Director  
Community and Economic  
Development Division  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Eschwege:

We would like to make the following comments in response to the draft of your supplemental report on food stamp work registration. We believe there are some areas where the supplement does not adequately reflect our position.

1. The discussion on page 5 of the summary and page 13 of the appendix somewhat misstate and oversimplify our position. There are two distinct issues here. One issue is whether or not the services are unique. The second issue is what services we are getting for our money.

Regarding the first issue, we are in agreement with GAO. Certain information services provided by ES offices to welfare offices are unique, but the basic job placement services are not.

Regarding the second issue, the final report should explain that USDA is unsure what services it is getting for its money because DOL has apparently not devised an accurate method of accounting for and reporting on services provided through USDA funds. It would appear that USDA provided funds are aggregated at the State or county level with all other funds DOL provides to State Employment Services (ES) for administration of job placement activities.

2. The discussion on pages 13-14 of the appendix does not accurately reflect how the annual funding level is determined, or recent developments regarding the funding level. USDA did request an increase in the FY 1980 funding level (beyond the \$31.5 million level referred to by GAO) in its budget submission to the Office of Management and Budget (OMB). However, OMB decided not to approve any increase in funding on the grounds that DOL could not show that the increase would be cost effective.\* Instead, OMB authorized \$4.5 million to conduct pilot projects over the next two years to determine if the efficiency of the work registration process could be

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\*The Congressional Budget Office indicated in 1977, in a letter to Agriculture Committee Chairman Herman Talmadge, that it believed increasing work registration funding to \$100 million a year was likely to be highly cost ineffective.



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improved, and to measure whether increased funding would be cost effective. OMB has stated its willingness to change its position if DOL can demonstrate cost effectiveness.

Given this background, we believe it is not accurate to state, as the draft report does, that the final decision is made by "Agriculture deciding what its food stamp budget can afford..." The final decision is indeed made by OMB.

We should further explain that resolution of the funding issue is complicated by DOL's view that all services are unique. Taking this view, DOL officials have argued that we need to nearly double the historic \$28 million funding level just to maintain the services we already have. This makes it rather difficult to justify an increase to OMB.

3. There is no factual basis for the statement of some ES staff members that food stamp recipients are more difficult to place than other ES registrants because they are sometimes more uncooperative. This reference should be deleted from the final report. There is no evidence ES has ever provided to support what is simply a contention from a few ES staff. Moreover, the contention is self-serving, because it may be offered to help justify ES' poorer record in serving food stamp registrants than mainstream registrants. Contentions that are unsupported and self-serving should have no place in a GAO report.

4. The GAO refers to the "low" job placement rate for food stamp registrants on pages 15-16 of the report. We would note that the placement rate may not be as low as it would initially appear. We believe that many food stamp recipients may get job placements through regular, mainstream ES service. These persons, if they walk in off the street into an ES office, will generally get more service than when they are referred to ES through the food stamp work registration system. ESAARS data shows a significant number of food stamp recipients being placed in jobs (about 250,000 last year). While there may be concerns over the reliability of this data, there is a very distinct possibility that a substantial number of placements are being made in this fashion. Moreover, food stamp "turnover rates", and the average length of participation in the food stamp program by employable persons, indicate that significant numbers of unemployed food stamp recipients do get jobs in fairly short order and go back off the program.

Finally, we should note that USDA and DOL are now working to resolve the funding issues by developing a series of options with specific services and costs.

We appreciate this opportunity to comment on the GAO report.

Sincerely,



Bob Greenstein  
Acting Administrator

U. S. Department of Labor

Inspector General  
Washington, D C 20210

JUN 5 1979

Mr. Gregory Ahart  
Director, Human Resources Division  
U. S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Ahart:

In general, we are in agreement with the findings and recommendations contained in the supplement to the Comptroller General's Report to the Congress, "Food Stamp Work Requirements--Ineffective Paperwork or Effective Tool?" (CED 78-60, April 24, 1978). However, we believe certain sections are misleading or do not accurately reflect the Department's position.

1. Effect of the Resource Allocation Formula (RAF).

As noted on Page 3 of the report, the RAF will not be used in FY 1980 and after, which renders most of this question moot. However, the Resource Allocation Formula (RAF) was designed to be a performance-oriented method for distributing ES Grant funds to State employment service agencies and it, in fact, did distribute about 55 percent of the employment service appropriation on this basis. Therefore, it was appropriate that the basis for measuring State performance would be those activities funded by Grants-to-States.

Nowhere in the report is the fact mentioned that food stamp placements are counted in the RAF, even though they are not specified as a target group. Food stamp placements were purposely included in the formula to maintain an incentive for serving this applicant group.

Granting credit for food stamp placements was much more significant than identifying such applicants as a target group in the formula. This was amply demonstrated in the formula simulation provided to the GAO investigator, where the average change, if food stamp registrants were a target group, would be only .1 percent.

We are surprised that GAO did not call attention to one of the basic problems with the RAF, which was a major reason for deciding to drop it, i.e., the plethora of target groups (women, poor, youth, older workers, veterans, U.I. claimants etc.) which makes practically everyone a target group, with really no one getting any meaningful priority (although veterans and migrant workers do receive priority for other reasons).

## 2. Budgeting food stamp work registration activities.

On page 5 the report states "...Labor believes all services the employment service agencies provide to food stamp program participants are unique and should be funded by Agriculture". This statement does not adequately represent our position.

We are dealing with people who for the most part would not normally be in an ES office looking for work. Food stamp work registrants differ fundamentally from the mainstream ES applicant in terms of their motivation and attitude toward work. Recently, the ES conducted a computerized 2 percent random sample of food stamp work registrants to determine what percentage had been previously registered. The results indicated that only 22 percent had been registered previously with the ES, and this number included AFDC and UI registrants as well. Thus, 78 percent of the food stamp workload apparently was in the ES office only because of the work requirement. If there were no mandatory work requirement for food stamps, with recipients applying for ES services on a voluntary basis as Social Security or medicare recipients do, we would agree that the costs should be absorbed from Title III.

But since there is a mandatory work registration requirement, it is not clear what the proper treatment of the associated costs should be. We are working with the Department of Agriculture to resolve this problem.

## 3. Comparison of Federal Funding.

We believe the table (Page 4 of Appendix I) showing Federal funding for the various programs should include number of registrants and funding per registrant, to give meaningful comparison.

4. ES registration of food stamp participants.

On Page 4 of the report it states that Labor's responsibilities are to register food stamp work participants referred by State welfare agencies. This is incorrect. Food stamp work requirement participants register for work at the welfare office by executing an ES-511 (application for work).

This form is then forwarded to the ES office where the application is placed in the active file and entered into ESARS.

5. Cost/Benefit ratios.

On page 14, the report discusses program cost effectiveness and mentions a 1975 study in which we stated that there was a benefit/cost ratio of 1.61 for work registration for FY 1975. This was based on estimated data, which was contained in a letter we sent to USDA, the purpose of which was to point out that the FNS-285 report had to be significantly under-reporting benefit savings from work registration. USDA agreed with us that the report was not accurate and has discontinued its use. We do not believe the Department of Labor's estimate should be used in this quite different context, as if it were data we had collected and were ready to back up. Actually, there is no accurate data on benefit/cost ratios available.

Thank you for the opportunity to review this report. If there are any questions on our comments, we would be happy to discuss them with your staff.

Sincerely,



MARJORIE FINE KNOWLES  
Inspector General

## EXECUTIVE OFFICE OF THE PRESIDENT

## OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

JUN 11, 1979



Mr. Allen R. Voss  
Director  
General Government Division  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Voss:

This is in response to your April 1979 request for comments on your draft supplement to the report "Food Stamp Work Requirements - Ineffective Paperwork or Effective Tool?"

The draft states:

" We recommend that the Director, Office of Management and Budget, take the lead in completing an agreement between the Departments of Agriculture and Labor for the effective administration of the food stamp work requirements. We recommend also that the agreement include specific descriptions of the services that are unique to food stamp recipients and are to be paid for by the funds Agriculture transfers to Labor and that the amount to be transferred be based on the estimated cost of such services."

The Office of Management and Budget believes that the two Departments should reach an agreement which specifies the services to be provided by the State Employment Service for food stamp recipients for which funding is to be provided by the Department of Agriculture.

The Office of Management and Budget will continue to work with the Departments of Agriculture and Labor to help them resolve differences. Since the legal authority for the food stamp program rests with the Secretary of Agriculture, and that for the Employment Service with the Secretary of

Labor, we do not believe that OMB should "take the lead" in completing the agreement.

Sincerely,

A handwritten signature in cursive script that reads "Suzanne H. Woolsey". The signature is written in black ink and is positioned above the typed name.

Suzanne H. Woolsey  
Associate Director for Human  
Resources, Veterans and Labor

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