

**FOOD STAMP EMPLOYMENT AND
TRAINING/JOB CONFORMANCE
DEMONSTRATION IN TEXAS**
Baseline Cost Analysis

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Revised

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Table of Contents

I.	Overview	1
	A. Evaluating the Demonstration	1
	B. The Food Stamp E&T Program	1
	C. Report Organization	3
II.	Research Methods	3
	A. Data Sources	3
	B. Cost Analysis Methodology	3
III.	E&T Program Cost Results	7
	A. Total E&T Program Costs	7
	B. Per-Participant E&T Costs	8
IV.	Concluding Observations	11
	References	12
	Appendix: Data Sources	13

I. OVERVIEW

A. Evaluating the Demonstration

The Center for the Study of Human Resources (CHR), a research center affiliated with the Lyndon B. Johnson School of Public Affairs of The University of Texas at Austin, is conducting a multi-year evaluation of the Food Stamp Employment and Training (E&T)/Job Opportunities and Basic Skills (JOBS) Program Conformance Demonstration.¹ This evaluation, which is sponsored and funded by the Food and Nutrition Service of the U.S. Department of Agriculture, is being conducted in McLennan and Smith counties for the Texas Department of Human Services (DHS). The evaluation is designed to describe and monitor the policies and practices implemented for the demonstration and to assess their preliminary impacts on service delivery, participation, outcomes and costs in order to refine the demonstration model for program improvements generally and for possible expansion to other Texas counties.

The purpose of this analysis is to determine the impact of the E&T/JOBS Conformance Demonstration on the costs of administering the program and providing services to E&T participants. Such costs will be measured both in the demonstration county (McLennan County) and in a comparison county (Smith County) in the baseline period preceding the demonstration, and again during the demonstration period. This approach should allow cross-site as well as pre-post comparisons.

B. The Food Stamp E&T Program²

The Food Stamp E&T program, which is authorized under the Food Stamp Act of 1977 (as amended in 1985, 1988 and 1990), is designed to provide Food Stamp recipients access to job readiness, education, training and work experience in order to increase their capacity for obtaining unsubsidized, full-time employment, reducing their dependence on public assistance and enhancing their prospects for economic self-sufficiency. Expenditures beyond the basic grant, which states receive by formula, are funded by a 50/50 state/federal match. DHS serves as the responsible administrative entity in Texas, overseeing programs operating in 56 of the state's 254 counties. In Federal Fiscal Year (FY) 1993 DHS administered the program primarily through a statewide contract with the Texas Employment Commission (TEC) in 53 of these counties; the Texas Association of Private Industry Councils (TAPIC) is the primary contractor in the remaining counties.

¹O'Shea and Pan (1993) provides an overview of the demonstration, the programs in each county and the evaluation itself.

²The following discussion draws heavily from O'Shea and Pan (1993).

All unemployed, able-bodied individuals between the ages of 16 and 59 must register for employment services prior to a determination of Food Stamp eligibility. Non-exempt work registrants must participate in employment and training activity components as a condition of Food Stamp receipt. Participants must complete at least one such activity component annually and attend at least 75 percent of the scheduled activity. While there were six recognized categories of component activities in the Food Stamp E&T program in FY 1993—including Directed Job Search, Job Search Skills Training, Vocational Training, Non-vocational Education, Work Experience and Refugee Social Services—only the first two have been of any importance in Texas as a practical matter. Support services are also available to E&T participants. Given the short-term nature of most activity components, the demand for and utilization of child care has been minimal; however, transportation reimbursement (up to \$25 per month) has typically been provided to all E&T participants.

McLennan County's E&T Program. Three primary agencies were involved in the FY 1993 Food Stamp E&T program in McLennan County which is the demonstration site: DHS, responsible for intake, eligibility, Food Stamp benefit determination and provision and sanctions; TEC, responsible for outreach, orientation, most client management functions and provision of Directed Job Search; and the Heart of Texas Council of Governments (HOTCOG), responsible for providing Job Search Training seminars and optional Survival Skills for Women workshops (through a subcontract with TAPIC). Limited numbers of E&T participants in the Waco area accessed other community services, including adult education services from the adult programs available through either the McLennan Community College (MCC) or the Heart of Texas Cooperatives (HOT Coop). While child care services were available through the Economic Opportunity Advancement Corporation, the area Child Care Management System (CCMS) contractor, there was little use of such care. Transportation payments were issued for all E&T participants in the county either through TEC or HOTCOG.

Smith County's E&T Program. The FY 1993 Smith County E&T program essentially operated as a "standard" E&T program. Only two primary agencies were involved in the comparison site. DHS handled all of the usual Food Stamp functions as in McLennan County; TEC provided both Direct Job Search and Job Search Training, and disbursed all transportation payments. Other community services and child care were available in the Tyler area, but were not utilized by FY 1993 Smith County E&T participants.

C. Report Organization

This report presents research findings concerning the costs associated with operating the Food Stamp E&T program for the 12-month baseline period prior to the beginning of the Food Stamp E&T/JOBS Conformance Demonstration in October 1993. Section II describes the data sources and research methods used. Section III presents preliminary cost analysis results for E&T programs in both McLennan and Smith counties for the FY 1993 baseline period. Section IV offers tentative concluding observations. Appendix A contains a more detailed description of the data sources.

II. RESEARCH METHODS

A. Data Sources

The data used for this analysis were provided by both state and substate program entities. At the state level, DHS provided automated FY 1993 E&T participation and expenditure data statewide and for each county. These data included child care receipt and cost information. TEC provided detailed, automated E&T expenditure information for FY 1993 for the state and for each county.

At the substate level, automated data on cost per participant and cost per participant hour and on cost per student and cost per student hour were provided by local Job Training and Partnership Act (JTPA) entities and local Adult Education Cooperatives in McLennan and Smith counties, respectively. CCMS offices in the areas encompassing McLennan and Smith counties provided automated child care receipt and expenditure data for each of these counties as well.

Manual participation data were also collected in each of the counties through the joint efforts of CHR and TEC staff. These data tracked participation in the various E&T components, including participation hours, beginning in March 1993. Detailed information on actual participation hours in the overall E&T program and by component are not available prior to March 1993.

B. Cost Analysis Methodology

Food Stamp E&T program costs can be separated into three broad categories: administrative, component activities and support services. Administrative costs are those state-level costs incurred in administering the program by all of the agencies involved. Such costs include contracting, oversight, federal and state reporting and other related costs. Component activity costs include the costs of providing E&T activity components and arranging for support services to participants. As indicated above, DHS contracted

with both TEC TAPIC (HOTCOG) during FY 1993 to provide training and education services to McLennan County E&T participants. Local adult education cooperatives and JTPA entities also may have provided other education and training services on a non-contracted (non-reimbursable) basis. It should be noted that non-component costs, such as those for outreach, recruitment, orientation and service planning, tend to fall partly into the administrative and the component categories. Support services costs include child care expenses arranged and paid for by the area CCMS and transportation allowances paid directly to participants by TEC and/or HOTCOG.

Administrative costs were measured directly where possible and estimated based upon itemized expenses where the requisite data were not available. Component activity costs were available only in aggregate for contracted services. Participant-level cost data were not available from any of the participating agencies. However, manually collected hours of participation data were available on a per-participant basis for part of the year. Participant-level data were not provided for child care or transportation payments.

Preferred Estimation Methodology. The ideal approach to estimating Food Stamp E&T program costs per participant would be to build upon detailed disaggregated, individual-level cost data. Such data were not available. In lieu of the ideal approach, a preferred cost estimation methodology is summarized by two equations. Equation 1 expresses the cost per E&T participant in a given county as a function of the sum of state administrative costs per E&T participant statewide, costs per component participant for each component in the county, child care costs per E&T participant in the county and the cost of transportation allowances per E&T participant in the county.

Equation 1:

$$AC_{County} = ADMIN_{State} + \sum (COMP_i \cdot \%PAR_i) + CC_{PAR} + TRANS_{PAR}$$

where,

AC_{County}	=	Average Cost per E&T Participant in County
$ADMIN_{State}$	=	State Administrative Cost per E&T Participant
$COMP_i$	=	Cost per Component Participant of Component i in County
$\%PAR_i$	=	Percent of County E&T Participants in Component i
$\sum(COMP_i * \%PAR_i)$	=	Sum of Component Costs in County
CC_{PAR}	=	Child Care Costs per Participant in County
$TRANS_{PAR}$	=	Transportation Costs per Participant in County

Equation 2 expresses the cost per component participant as a function of local administrative costs, hours of participation in that component and the cost per hour of component activity.

Equation 2:

$$COMP_i = ADMIN_{COUNTY} + HOURS_{PAR} \cdot COST_i$$

where,

$COMP_i$	=	Cost per Component Participant of Component i in County
$ADMIN_{COUNTY}$	=	County Administrative Cost per Participant in Component i
$HOURS_{PAR}$	=	Average Hours per Component Participant
$COST_i$	=	Cost per Hour of Component i Activity

Using this method, all costs would be presented on a per-participant basis, where an E&T participant is defined as a person who has at least one actual hour of participation in a component activity; individuals who have scheduled participation hours only would not be included in the cost computations. Most administrative costs would be assumed to be constant across participants in a given component activity. Component activity costs could be assigned on an individual basis by assuming that activity component costs were proportional to the number of participation hours in a given activity. Education and training service costs would thus be allowed to vary across service providers and, where possible, across types of services for a given provider. Aggregate child care and transportation costs would be averaged across all participants with actual participation hours.

There are serious problems with implementing this preferred cost estimation methodology, however. The primary difficulty is that we have insufficient data on actual hours of E&T participation to reliably gauge participant flow or component participation patterns for the full 12-month (FY 1993) baseline period preceding the start of the demonstration in each of the two counties. There are no manually collected participation data prior to March 1993 as indicated earlier. Moreover, as the demonstration start-up date approached, McLennan County's E&T enrollment rates began to fall (post-June 1993) and its Job Search Training activity eventually shut down altogether (in August 1993).³ In the

³These developments are clearly portrayed in Schexnayder and Olson (1994), Figures 2, 6 and 7.

last few months of FY 1993, McLennan County E&T program staff began to train for and direct their attention to implementing the demonstration. Similar problems beset Smith County, including the lack of manually collected data prior to March 1993 and the fact that Job Search Training was only provided to significant numbers of clients during the last half of the year.

Taken together, these data measurement problems preclude reliably estimating either the overall E&T participant flow or the numbers of E&T participants with actual hours of participation by component throughout FY 1993 in either county.⁴ Other methods must be used to estimate E&T program participation costs.

Alternative Methodology. An alternative method for calculating per participant costs is to simply divide the total program costs in each county by the number of E&T participants, recognizing that the preferred methodology would have provided greater insight into the source of E&T program cost differentials across both counties and time. The alternative methodology begins by presenting total E&T program costs, including the county's share of state-level administrative costs, component activity costs and support services costs for FY 1993. It should be noted that, like both the ideal and preferred methodologies, this approach is unable to isolate the costs of sanctioning and "curing" Food Stamp E&T participants; such costs are imbedded in the costs of administration as well as in component activity costs.

It then provides an array of FY 1993 E&T participation measures, including: the total number of adult Food Stamp recipients (aged 16-59 years); the number of mandatory (non-exempt) work registrants; the number of mandatory work registrants called in for service; the number of work registrants who actually responded to call-in with scheduled hours of participation in an activity component (at the county-level only). Finally, an accompanying array of per-participant E&T cost estimates is presented for each of the above participation measures.

⁴Alternative formulas and methods used to estimate the numbers of E&T participants in each county yielded widely varying figures with similar effects on the per-participant costs: per-participant cost estimates are highly sensitive to the method of estimating participation numbers.

III. E&T PROGRAM COST RESULTS

A. Total E&T Program Costs

Before examining costs on a per-participant basis, some broader measures of overall E&T program costs are provided. Table 1 presents FY 1993 E&T program costs by category and agency for Texas and the two counties. This table does not include any non-contracted expenditures incurred by adult education cooperatives or JTPA entities in the course of serving E&T participants.

Table 1 - FS E&T Direct Program Costs for FY 1993 by Agency, Statewide, and for Demonstration and Comparison Sites

Agency	Statewide	McLennan County (Demonstration)	Smith County (Comparison)
DHS	\$207,580	\$0	\$0
TEC	\$12,348,602	\$150,175	\$212,113
TAPIC	\$613,058	\$76,943 *	\$0
CCMS (Child Care)	\$65,421	\$7,998	\$0
Transportation Payments (made by TEC or TAPIC)	\$1,636,029	\$26,992	\$34,520
Total	\$14,870,689	\$262,108	\$246,633

Note: In FFY 1993, DHS only incurred costs associated with administration and monitoring the E&T contracts
 * TAPIC subcontracted with HOTCOG in McLennan County.

Administrative Costs. State administrative costs for the E&T program were calculated by adding DHS statewide administrative costs for the E&T program of \$207,580 and TEC statewide administrative costs of \$447,695; the latter figure represents about 3.6 percent of the \$12.3 million in direct TEC program costs shown in the table. This yields \$655,275 in total statewide E&T program administrative costs. TAPIC charged no state administrative costs to its Food Stamp E&T contract. TEA incurred administrative costs at the state level serving E&T participants via the adult education cooperative network, but these costs were quite modest and are not reflected here.

State administrative costs for the E&T program were allocated to each of the counties assuming that such costs were proportional to their share of E&T participants with scheduled hours. County-specific administrative costs for TEC and HOTCOG were derived from local agency administrative records.

Component Activity Costs. Statewide expenditures on E&T component activities by TEC and TAPIC were just over \$12.5 million in FY 1993, most of which were incurred by TEC. In McLennan County, the total expended on component activities was \$174,445, about 26 percent of which was spent on E&T participants by HOTCOG (TAPIC). This compares to component activity costs of almost \$172,000 in Smith County, all of which was expended by TEC.

Support Services Costs. Only \$65,421 was expended on child care statewide for E&T participants, reflecting the short-term nature of E&T participation and component activities generally and the low demand for and utilization of such care by E&T participants. In McLennan County, E&T child care expenditures were \$7,998. There were no child care expenditures in Smith County during FY 1993. In McLennan County, combined TEC and HOTCOG E&T transportation expenditures were \$26,992, compared to \$34,520 in Smith County expended by TEC.

B. Per-Participant E&T Costs

Table 2 presents the total cost per E&T participant, statewide and in both McLennan and Smith counties, using the various participation measures explained earlier. E&T costs per adult Food Stamp recipient ranged from \$12 in McLennan to \$17 in Smith County. This range suggests considerable variation, but both figures were quite low. A comparable statewide figure could not be computed due to the lack of information on unduplicated adult Food Stamp recipients.

Turning to the costs per (non-exempt) FS work registrant, the county variation persisted. E&T costs per work registrant were almost 59 percent greater in Smith (\$62) than in McLennan County (\$39), which may be explained by the fact that work registrants constituted more than 30 percent of McLennan County's Food Stamp recipients compared to only 26 percent of Smith County's recipients. The \$20 statewide cost per work registrant was artificially low in that it included registrants in counties without operating E&T programs.

The next measure examines E&T program costs for those work registrants who were actually called in for services. For this measure, Smith County's E&T costs (\$88) were about fifty percent greater than McLennan's (\$59), while the statewide figure was much closer to the two than with the other measures. The figure for Texas related to duplicated registrant counts, but was closer to the county-level cost numbers since it was based only on registrants in counties with operating programs.

Finally, the last per-participant measure presents E&T costs only for those work registrants who responded to call-in and had one or more scheduled hours in a component

activity in the two counties. (Per-participant costs at the state level were not available on this basis.) Per-participant costs were only marginally different between these two counties, with McLennan County costs (\$296) slightly below those for Smith (\$301). Note that the ratio of work registrants called in to adult Food Stamp recipients was about the same in the two counties (0.04 in McLennan and 0.05 in Smith), so that some of the differences outlined for the other participant measures were not present.

At this point, little weight should be placed on these per-participant cost estimates. The primary driving forces behind per-participant costs in each county were the size of the E&T program allocation and the monthly participant flow. The sources of any cost differences between the counties will only be revealed in FY 1994 and beyond with the help of more detailed and consistent data.

For comparative purposes, it is worth noting that recent research conducted by the Center for the Study of Human Resources found that the average cost per Texas JOBS program participant from all sources ranged from \$2,300-\$2,800.⁵ More relevant are the per-participant E&T cost estimates derived by Puma and Burstein (1994) as part of the national Food Stamp E&T Program Evaluation. Puma and Burstein defined a non-exempt work registrant as a participant who at the point of certification for Food Stamps was assigned to a program activity. Fully 53 percent of those assigned were no-shows, were found to be exempt or only had an initial assessment. They estimated that in FY 1988, E&T programs in their nationally representative study sites expended around \$135 per eligible participant, while individual local programs typically expended from \$10 to well over \$200 per E&T eligible participant. If this figure were adjusted for inflation and non-participants accounted for, it would have exceeded \$319 per participant in FY 1993.

⁵See: King et al. (1994), Section 7.

**Table 2: Food Stamp E&T Program Cost Measures,
Statewide and for McLennan and Smith Counties, FFY 1993**

Category	Texas*	McLennan Co.	Smith Co.
E&T Program Costs			
Administrative (State)	\$655,275	\$4,719	\$4,287
Administrative (County)	\$0	\$57,130	\$40,204
Component Activity	\$12,513,965	\$174,445	\$171,910
Support Services:			
Child Care	\$65,421	\$7,998	\$0
Transportation*	\$1,636,029	\$26,992	\$34,520
Total E&T Costs	\$14,870,690	\$271,284	\$250,921
E&T Participant Measures			
Adult FS Recipients	n.a.	23,068	15,086
FS Work Registrants	728,324	6,973	4,034
Work Registrants Called In	273,814	4,637	2,855
Work Registrants Responding to Call-In with Scheduled Hrs.	n.a.	917	833
E&T Costs Per....			
Adult FS Recipient	n.a.	\$12	\$17
FS Work Registrant	\$20	\$39	\$62
Work Registrants Called In	\$54	\$59	\$88
Work Registrants Responding to Call-In with Scheduled Hrs.	n.a.	\$296	\$301

Sources: DHS monthly Food Stamp strip tapes and DHS Monthly Automated Reports; CHR/TEC manually collected data; TEC automated reports; CCMS data; HOTCOG; MCC. See Appendix.

Notes: *Statewide figures include all 254 counties for adult FS recipients and work registrants; work registrants called in is only for the 56 counties with operating E&T programs.

**Unduplicated participant counts at the county level.

IV. CONCLUDING OBSERVATIONS

Per-participant Food Stamp E&T program costs in McLennan and Smith Counties probably approach the national average as indicated by the national FSE&T evaluation. For those E&T participants with scheduled hours, average FY 1993 costs were around \$300 per participant in the baseline period prior to the start of the FSE&T/JOBS Conformance Demonstration. The primary forces driving E&T program costs in the baseline period were the size of the E&T cost allocations and the monthly client flow in each county. Explanations for differential costs between the counties remain elusive.

The lack of automated data for actual hours of participation, detailed individual-level cost information and a full year's manually collected data in these two counties precludes using either the ideal or the preferred cost estimation methodologies which were presented and described here. Unfortunately, the researchers were left with having to utilize a less informative method in which total E&T program costs were divided by the number of FY 1993 E&T "participants". Participants were measured according to four different definitions, ranging from all adult Food Stamp recipients to work registrants responding to call and with scheduled component activity hours. But, this fall-back methodology was able to reveal very little about the source of program cost differentials in the baseline period.

It may be possible to implement the preferred methodology in the demonstration period in order to examine more fully both overall E&T program costs and the source of any program cost differentials between McLennan and Smith counties. But, conducting pre/post-demonstration cost comparisons on a per-participant basis with confidence will certainly not be possible.

REFERENCES

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Fund Ledger Numbers

<u>FY93</u>	<u>FY94</u>	<u>Description</u>
212	612	On-site TEC E&T Expenses
218	618	Off Site TEC E&T Expenses (i.e., TEC staff housed with DHS)
		<u>OR</u> Combined Total of all E&T Expenses
NA	674	Waco Pilot
675	675	E&T JOBS functions

To the extent possible, each cost listed for the two counties was categorized as administration, overhead, training expenses, or transportation payments.

JTPA Cost Data. Cost per participant and cost per participant hour for JTPA activities and services were provided by the Heart of Texas Council of Governments (McLennan) and East Texas Employment and Training, Incorporated (Smith).

Adult Education Cost Data. Cost per student and cost per student hour were provided by the McLennan Community College Adult Education Cooperative and the East Texas Adult Education Cooperative.

