



United States
Department of
Agriculture

Food and
Nutrition
Service

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MAR 26 2010

SUBJECT: Treatment of TANF-Funded Subsidized Employment Income

TO: All Regional Directors
Supplemental Nutrition Assistance Program (SNAP)

Under the American Recovery and Reinvestment Act (ARRA), additional funds are available to States and Indian tribes through the Emergency Contingency Fund for State Temporary Assistance for Needy Families (TANF) programs (also called the Emergency Fund). The funds are available over fiscal years 2009 and 2010 to assist with increased costs associated with caseload growth and providing basic assistance, including increased spending on subsidized employment. It has come to our attention that a number of States have begun using the Emergency Fund to develop and implement a wide range of subsidized employment efforts. In addition to the Emergency Fund program, subsidized employment may be funded under the regular TANF block grant or State Maintenance of Effort (MOE) funds. As a result of the increase in these programs, the Food and Nutrition Service (FNS) has been asked to clarify its policy concerning the treatment for SNAP purposes of income earned under a work supplementation or support program funded through TANF.

Traditionally, FNS policy has been to treat subsidized employment income as unearned income; the Food and Nutrition Act of 2008 provides that any portion of income earned under a work supplementation or support program attributable to public assistance cannot be considered earned income. However, due to the nature of these programs and the treatment of this income by the Department of Health and Human Services (DHHS), FNS has reviewed its policy and determined that TANF-funded subsidized employment income constitutes earned income rather than public assistance. This policy applies to all TANF-funded subsidized employment paid to SNAP clients or applicants in the form of wages, regardless of the source of TANF funding (e.g. Emergency Fund, TANF block grant, or State MOE).

DHHS regulations specifically exclude work subsidies from their definition of assistance. DHHS views payments made to participants under work experience and community service as closely associated with traditional welfare benefits in that they are designed to meet a household's basic needs rather than as compensation for services performed. However, subsidized employment funded under TANF is distinguishable from traditional welfare benefits for the following reasons:

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- Individuals who participate in subsidized employment need not be recipients of TANF grants. In limited circumstances, income-eligible adults without children may also participate.
- Because DHHS has determined that these wage subsidies do not constitute "assistance," the 60-month Federal time limit does not apply unless the individual actually receives assistance funded under the TANF block grant. Participants of subsidized employment incur the expenses associated with earned income, such as taxes, expenses related to work, and any mandatory withholdings.
- The income received is in the form of wages, which eligibility workers cannot easily distinguish from unsubsidized income. Participants are paid for the hours actually worked rather than in exchange for a TANF grant.

After careful consideration of the foregoing reasons, FNS finds that subsidized employment income received is not public assistance as defined under 7 CFR 271.2 and should therefore be treated as earned income in determining SNAP eligibility and benefits. In addition, treating income received through subsidized employment programs as earned income simplifies program administration. Allowing State agencies to treat subsidized employment income in the same manner for SNAP and for TANF may also prevent errors and ease program administration.

State agencies that have questions regarding this guidance should contact their respective Regional Office representative. Regional Office staff who have questions regarding this guidance should contact Angela Kline, Chief, Certification Policy Branch at (703) 305-2495 or at angela.kline@fns.usda.gov.



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