FOOD STAMP PROGRAM
USDA/FCS/RM. 710
ALEXANDRIA, VA 22302
703-305-2454–FAX

Fax

To:	Diana Fortuna	**From:**	Bonny O'Neil
Fax:		**Pages:**	2
Phone:	202-456-5570	**Date:**	11/28
Re:	Food Stamp Demos.	**CC:**	

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• **Comments:**

Diana - I'll be out of the office next week. We'd like to start contacting these States as soon as possible so we can negotiate reasonable dates for shutdown. Pls. call Art Foley in my absence at 703-305-2490. Thanks. Bonny

F: Food Stamp Waivers

Food Stamp Demonstration Projects
With Waivers That Will be Terminated

Statewide Projects		Limited Projects	
Arizona	1	Alabama	3 counties
California*		Colorado*	5 counties
Connecticut	2	Florida	1 county
Delaware*		Georgia*	1 county
Illinois*		Maine	3 regions
Indiana	3	North Dakota	10 counties
Iowa*		Ohio	5 counties
Illinois*		Texas	4 counties
Kansas	4		
Maryland	5		
Massachusetts	6		
Michigan	7		
Montana	8		
New Hampshire	9		
Oregon	10		
South Carolina	11		
South Dakota*			
Vermont	12		
Virginia	13		
Utah	14		
Wisconsin*			

Notes:

* These ten states requested that their waivers be terminated (CA, CO, DE, GA, IL, IA, MS, MO, SD, and WI).

In all states except for Florida, Ohio, South Carolina, and Texas, some portion of the demonstration project can continue, either under the demonstration authority or some other authority.

In three states (North Carolina, Mississippi, and Missouri), the only waivers that the states would like to continue that will be terminated are demonstration waivers relating to their wage supplementation programs. Although the wage supplementation waivers will be terminated, the wage supplementation project can continue without waivers under section 16(b) of the Food Stamp Act. Because these states can continue their projects as requested, we have not included these three states on this list of states with waivers that will be terminated.

- cost
- any states want to do w/ own $
- letter shld say can use TANF

F: Food Stamp Waivers

cc Cynthia
Jeff Farkas, OMB

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

OCT 28 1997

cc Emily Bromberg
Sky Gallegos
From Diana

INFORMATIONAL MEMORANDUM FOR THE SECRETARY

FROM: Shirley R. Watkins
Under Secretary
Food, Nutrition and Consumer Services Shirley R. Watkins

Call me on this.

SUBJECT: Review of All Food Stamp Demonstration Waivers Approved by the Food and Consumer Service Prior to Welfare Reform Legislation

ISSUE:

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) made significant changes to Food Stamp Program (FSP) certification policy and demonstration project authority. As a result of these changes, the Food and Consumer Service (FCS) has reviewed all FSP demonstration projects to determine whether waivers are still needed and, if so, whether the waivers can be continued under the new requirements and cost neutrality methodology. We have determined that 11 of the 33 existing demonstration projects can continue in whole or in part; the remaining 22 projects must be terminated entirely.

DISCUSSION:

One of PRWORA's most significant effects on FCS' ability to approve demonstration projects involves the method for determining whether proposed demonstration projects are cost neutral to the Federal Government. As a matter of policy, FCS has always required that demonstration projects be cost neutral to the Federal Government. Before PRWORA, States requesting waivers generally demonstrated cost neutrality by offsetting increased food stamp costs with long-term savings in the Aid To Families With Dependent Children (ADFC) program. With PRWORA's block-granting of the AFDC program, cost savings in the Temporary Assistance to Needy Families Program are no longer *Federal* savings. Consequently, continued demonstration projects must now demonstrate cost neutrality with respect to food stamp costs *only* and it must be shown on an annual basis (even if the project covers many years). PRWORA also increased State agencies' flexibility to implement the FSP, thereby making many existing demonstration waivers obsolete. Because of these changes, FCS determined that it would need to re-evaluate all existing and pending demonstration projects to determine which could be continued under the post-PRWORA framework.

under law?

FCS worked closely with the Department of Health and Human Services, the Domestic Policy Council (DPC), and the Office of Management and Budget (OMB) and it was agreed that States' potential liabilities would be forgiven if they agreed to either close down their demonstration projects by July 1, 1997, or revise them to meet the new cost neutrality criteria. FCS twice notified these States, informing them of these options, and asking them for a decision. Thirty-three States have demonstration projects which were approved prior to PRWORA, but only 24 States responded. We believe we have made a good faith effort to advise and assist the affected States. However, we have already gone beyond the July 1, 1997, time limit in our agreement with the DPC and OMB. Therefore, we are reluctantly moving forward to notify these States that their demonstration projects will be terminated. We will work with the States to allow adequate notice to affected food stamp recipients. Nevertheless, our letters will make it clear that no further extensions to these demonstration projects will be allowed. Of the original 33 approved projects:

33
-24
9

- Six States (Florida, Kansas, Maine, Missouri, North Carolina, and Wisconsin) did not request to continue their demonstration projects, so they will be terminated.
- Nine States (California, Colorado, Delaware, Georgia, Illinois, Iowa, Maryland, Mississippi, and South Dakota) have requested termination of their projects or have projects that are already terminated.
- Seven States (Alabama, Connecticut, Ohio, Oregon, South Carolina, Texas, and Utah) requested continuation of their projects, but because the projects either do not meet the new statutory requirements for waivers or are not cost neutral, they will be terminated entirely.
- Nine States (Arizona, Indiana, Massachusetts, Michigan, Montana, New Hampshire, North Dakota, Virginia, and Vermont) requested that their projects continue, but because some of the projects' waivers do not meet the new statutory requirements for waivers or are not cost neutral, they can only be continued in part. The remaining demonstration waivers will be terminated.
- Two States (New York and Nebraska) have demonstration projects that will continue unchanged.

In addition, five States with pending requests (Idaho, New Mexico, Pennsylvania, West Virginia, and Wyoming) were asked, in light of the changes made by PRWORA, whether they still wished to have their requests considered for approval. None of the States responded, and so each of these pending waivers will be denied.

SUMMARY:

Because of the changes made by PRWORA, FCS is terminating 22 of the 33 existing demonstration projects. Five pending waivers will be denied. The remaining projects will continue either in whole or in part. Many States no longer need waivers because of the flexibility provided by PRWORA. We will notify each State separately, and send the required notification letters to the Agriculture Committees.

cc: Diana Fortuna, The White House

F: Food Stamp Waivers

cc Emily Bromberg
Cynthia Rice
Keith Fontenot

NOV 13 1997

INFORMATIONAL MEMORANDUM FOR GREG FRAZIER

FROM: Shirley R. Watkins
Under Secretary
Food, Nutrition and Consumer Services

Shirley R. Watkins

SUBJECT: Review of Food Stamp Demonstration Waivers

ISSUE:

The Food and Consumer Service (FCS) has reviewed all welfare reform demonstration projects approved prior to the welfare reform legislation and is recommending that 11 of the 33 existing projects be continued in whole or in part, and that the remaining 22 be terminated entirely. This memorandum is in response to the questions we received from you on Wednesday, October 29, 1997.

DISCUSSION:

In your letter of October 29, 1997, you asked what projects would be ended, why they no longer meet the statutory requirements, and why they are not cost neutral.

We have attached a list that answers these questions in detail for those States that asked for their waivers to continue, but which we are recommending be terminated. The decision that Food Stamp Program waivers must be cost neutral was made by Office of Management and Budget and was agreed to by the Domestic Policy Council.

Generally, most of the waivers that are being terminated are being terminated because they are not cost neutral. Before the welfare reform legislation, the Food Stamp Act prohibited waivers that would decrease households' benefits, and so the only food stamp waivers affecting benefits that could be approved were those that either increased participating households' benefits, or that made people eligible for food stamps that would otherwise not have been eligible. Waivers that raise benefit levels or that make households eligible that otherwise would not have been (e.g., those that exclude income or resources or that increase income deductions) increase food stamp costs. Before the welfare reform legislation, States demonstrated that their projects were cost neutral by offsetting these increased food stamp costs with long-term savings in the Aid to Families With Dependent Children (AFDC), now the Temporary Assistance For Needing Children (TANF) program. Because TANF was block granted, savings in the TANF program are no longer Federal savings, and so most States cannot show that their existing food stamp demonstration projects are cost neutral.

How are States being notified, and who is notifying them?

As we have done in the past, FCS intends to notify States by letter of our decisions on these demonstration projects. As required by statute, FCS intends to simultaneously notify the House and Senate Agriculture Committees.

Is Intergovernmental affairs aware of this and involved?

Because this situation is unique in that so many States are affected at once, FCS is working with Cheryl Tate-Marcias who is keeping the Office of Intergovernmental Affairs informed.

<u>SUMMARY:</u>

We hope this additional information is useful. Unless you have additional concerns, we intend to move on this shortly.

Attatchment

cc: Diana Fortuna, The White House

FINAL:USDA:FCS:FSP:PDD:PDB:VGERBASI:mcl:11/4/97
DATA\SHARED\PDB\DEMOS\Frazier Demo Answers

Projects Which States have Requested be Continued, but Which Will be Terminated in Whole or in Part

Alabama - "Avenue of Self-Sufficiency Through Employment and Training Services" (ASSETS) - The ASSETS project will be terminated because it has shown to increase food stamp costs significantly. Five of the waivers are no longer necessary because with modification, the policies can continue without demonstration waivers because of changes made by the welfare reform legislation.

Arizona - "Empower Program" - Only one of Arizona's waivers can continue; the other two waivers increase food stamp costs by excluding income for purposes of calculating food stamp benefits.

Connecticut - "Reach for Jobs First" - One of Connecticut's waivers is being terminated because it is now allowable w/o a waiver. All but one of its other waivers must be terminated because they increase food stamp costs by excluding income and resources for purposes of calculating food stamp benefits.

Indiana - "Indian Manpower, Placement, and Comprehensive Training Program" (IMPACT) - Indiana can retain two of its waivers; its other two waivers must be terminated because they increase food stamp costs. One increases costs by excluding income; the other changes recipients' reporting requirements, which OMB has determined increases food stamp costs.

Massachusetts - "Welfare Reform 95" - One of Massachusetts's waivers is no longer necessary because of changes made by the welfare reform legislation. The other waiver must be increased because it increases food stamp costs by increasing the resource limit.

Michigan - "To Strengthen Michigan Families" - Ten of Michigan's 13 requested waivers can be approved because they would either not increase costs, or because modest increased costs are offset by savings in the project. Of the three that must be denied, one is being denied because it would violate clients' due process rights. This waiver would have provided most of the project's cost savings. The other two waivers are being denied because the remaining savings are not adequate to offset the increased costs that these waivers would bring.

Montana - "Families Achieving Independence in Montana" - Three of Montana's waivers can continue; the remaining waivers must be terminated because they increase food stamp costs. The waivers increase food stamp costs by disregarding certain income or resources, and with other waivers that effectively decrease the household's income, thereby increasing its food stamp benefit. One of its terminated waivers, if modified, could be allowed without a waiver because of a change in the welfare reform legislation.

New Hampshire - "Employment Program" - Only one of New Hampshire's waivers must be terminated; the remaining waivers can be retained. The waiver that must be terminated involves changing clients' reporting requirements. FCS has tested many variations of client reporting requirements, and has determined that this waiver no longer has research value as required by section 17(b) of the Food Stamp Act. A variation of this waiver is now allowed without a demonstration waiver.

North Dakota - "Training, Education, Employment, and Management" (TEEM) - The project does not meet the primary, statutory goal for demonstration projects and the Food Stamp Program of providing food assistance to raise levels of nutrition among low income individuals. Both waivers would alter fundamental concepts of the FSP by changing how food stamp benefits are calculated and redefining who is included in the food stamp household. The Secretary and the House and Senate Agriculture Committees have already been notified of our intent to deny these waivers.

Ohio - "Learning, Earning and Parenting Program" (LEAP) - Ohio asked that one of its two waivers be terminated. Its remaining waiver must be terminated because it increases food stamp costs by excluding income for purposes of calculating the food stamp benefit.

Oregon - " The Oregon Option" - Three of Oregon's waivers must be terminated because they increase food stamp costs: two by increasing the resource limit, the other because it would waive collection of all claims against households. Two of its waivers are no longer necessary because of changes made by the welfare reform legislation. Its remaining waivers relate to wage supplementation programs, which are now allowed without demonstration waivers, but which must follow the guidelines established by FCS.

South Carolina - "Family Independence Program" - Both of South Carolina's waivers must be terminated because they increase food stamp costs by excluding income or resources from the calculation of food stamp benefits.

Texas - "Achieving Change for Texans" (ACT) - All of Texas's waivers must be terminated because they increase food stamp costs by excluding income or resources from the calculation of food stamp benefits.

Utah - "Family Employment Program" (formerly the "Single Parent Employment Demonstration Program") - Five of Utah's waivers must be terminated because they increase food stamp costs by excluding income or resources from the calculation of food stamp benefits. One must be terminated because it increases food stamp costs by changing client reporting requirements (and, as explained above, FCS no longer believes this waiver has research value), but the policy, if modified, can be allowed without a demonstration waiver. The remaining waivers are no longer necessary because of changes made by the welfare reform legislation.

Vermont - "Welfare Restructuring Project" - One of Vermont's waivers can continue. Two must be terminated because they increase food stamp costs by excluding income from the calculation of food stamp benefits. The other two waivers are no longer necessary.

Virginia - "Virginia Independence Program" - Virginia has only asked that two of its waivers be continued. One can be continued; the other must be terminated because it increases food stamp costs by increasing the resource limit.

Note: Maryland's project was not listed as one that needed explanation. We have included an explanation because although the state has requested that its project be terminated when its Simplified Food Stamp Program is in place, FCS cannot continue all of its waivers in the interim.

Maryland - "Family Investment Program" - Maryland is working to convert its demonstration project into a Simplified Food Stamp Program (SFSP) and has indicated that it does not wish to continue its demonstration project permanently. However, Maryland has asked that FCS continue its demonstration project temporarily until its SFSP is in place. FCS can continue three of Maryland's waivers. The remaining waivers either are no longer necessary because of changes made by the welfare reform legislation, would violate participants' due process rights, or increase food stamp costs (by excluding income or resources, increasing income by increasing deductions, and by waiving collection of claims against households).