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002. report	re: personal (47 pages)	n.d.	Personal Misfile

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Shirley Sagawa
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FOLDER TITLE:
Food Stamps

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Ann O'Leary
04/22/2000 04:40:41 PM

Record Type: Record

To: Shirley S. Sagawa/WHO/EOP@EOP

cc:

Subject: Food Stamp Quality Control Announcement

This is the issue we worked on in the Fall with the Center for Budget --

---------------------- Forwarded by Ann O'Leary/OPD/EOP on 04/22/2000 04:41 PM ---------------------------

Andrea Kane [redacted]

Record Type: Record

To: Bruce N. Reed/OPD/EOP@EOP, Eric P. Liu/OPD/EOP@EOP

cc: See the distribution list at the bottom of this message

Subject: Food Stamp Quality Control Announcement

On April 27, Secretary Glickman will send letters to 24 Governors who face liabilities for Food Stamp Quality Control errors above the national average and to 4 Governors who will receive enhanced funding for their performance. At the same time, USDA will bill the states for their liabilities. They won't do a press release but are prepared to respond to press questions. This timing reflects implementaiton of statutory requirements -- in the past, states were told about their error rates in June and bills were sent in September. The national error rate dropped from last year, but the total amount of liabilities increased. Like last year, **Michigan** faces by far the largest liability (see others below). Also like last year, **Texas** gets the most enhanced funding and is likely to make some kind of public announcement. States facing liabilities have not changed too much from last year; however, Texas is the only state who received enhanced funding in both years. This is the first time in many years that **South Dakota** will probably not win funds (though USDA is still reviewing the state's appeal). **Indiana's** error rate is still under review.

As you'll recall, last September we decided to adjust the FY 98 and FY 99 rates based on high proportions of working recipients and immigrants to remove disincentives for states to provide food stamps to these eligible populations. USDA also adjusted liabililites for errors under $25. The combined effect of these adjustments was to eliminate liabilities entirely for 8 states (NY, PA, GA, NM, CA, Guam, ID, OR) and signficantly reduce liabilities for the remaining 16 states (CT, NH, VT, DE, DC, MD, NJ, VA, AL, IL, MI, WI, OK, NE, UT, AK). In the letter, USDA will signal its intent to continue similar adjustments for workers and immigrants for FY 00 (errors under $25 will be excluded from the error rate so no adjustment is needed). We will explore other adjustment options with OMB and USDA in the near future (but not to be announced in these letters).

Due to quirks in the formula, the bar for winning incentive funds has gotten very high. States must a) have a low error rate and b) have a 'negative action rate' below last year's national average. Unlike error rate data, states' negative action data is not subject to federal verification and may not be as reliable.

It's worth noting that the QC system -- both penalties and enhanced funding - doesn't necessarily measure a state's effectiveness at serving eligible populations. Most people agree that the system needs to be fundamentally overhauled, which may happen has part of Food Stamp reauthorization in 2002.

All of this is CLOSE HOLD til Thursday.

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Barbara Chow
04/20/2000 01:30:50 PM

Record Type: Record

To: Maria Echaveste/WHO/EOP@EOP, Shirley S. Sagawa/WHO/EOP@EOP

cc: See the distribution list at the bottom of this message
Subject: Heads up: Food Stamps issue

You may be hearing from Bob Greenstein, Wade Henderson or others regarding a proposed rule on Food Stamps that we cleared in February. Bob has indicated that he will be requesting a meeting shortly. Below is a description of the issue and their concerns which was prepared by Jennifer Friedman..

Food Stamps Rule

At the end of February, the President announced a proposed Food Stamp regulation implementing parts of the 1996 Personal Responsibility and Work Opportunity Reconciliation Act and making other discretionary changes to current regulations. This note serves to alert you to preliminary feedback we have received from the Center on Budget and Policy Priorities and other organizations, such as La Raza, regarding the Noncitizen Eligibility and Certification Provisions NPRM.

As you may recall, the NPRM contained many positive changes, including:

- Modifying food stamp vehicle policy to exempt cars with less than $1,000 in equity from the food stamp asset test. This change will help an estimated 150,000 individuals keep their car without losing food stamp eligibility.
- Providing States an option on how to count an ineligible legal immigrant's income when determining the benefit level for food stamp eligible household members. This change gives States a tool to provide comparable benefits to eligible children, regardless of whether their parents are food stamp eligible.
- Codifying guidance for the Simplified Food Stamp Program (SFSP), restricting the loss of benefits a mixed TANF/non-TANF household could experience under SFSP.

In addition, the NPRM proposed many discretionary changes to the application and eligibility determination process. The Department attempted to extensively streamline the rule, but the EOP reversed many of their proposals in favor of keeping current regulatory language. The proposed rule, as published, *did* contain some streamlining, albeit not to the extent originally proposed by USDA, and the majority of the changes had no effect on underlying policy. However, the Center on Budget and Policy Priorities and other organizations have raised concerns, expressing a preference for explicitly repeating policy in the regulation, rather than relying on the underlying statute or other parts of the regulations. Overall, the groups admit that the changes are minor, but believe that when taken in aggregate, the streamlining sends the wrong signal and represents a shift away from recent Administration policies designed to ease access problems for food stamp eligibles.

In addition, the Center identified two substantive concerns with the NPRM, as follows:

- A few proposed modifications are at odds with the State reporting options announced in July, 1999. As you may recall, the policies announced last summer simplified food stamp reporting rules to reduce bureaucracy and ease barriers to access.
- The Center's preliminary analysis indicates that the proposed policy regarding deeming of income for food stamp ineligible aliens may lower benefits for eligible children. This effect was not intended and we will work with the Department to analyze the issue.

The comment period for this NPRM has not yet closed. In the meantime, OMB's OIRA and DPC are scheduling meetings with various advocacy groups in order to hear their concerns. We will attend these meetings and work with the Department and DPC to make any necessary changes before final publication.

Please let me know if you have any questions or concerns regarding the rule as we work over the next few months to move it towards final clearance.

Message Copied To:

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Barbara -
This is the issue
I emailed you about
last week -
Too late? What can
we do?
Shirley S
cc: Ann O'Leary

To: Shirley Sagawa

From: Bob Greenstein

Subject: Food Stamps and SSI

Date: June 4, 2000

Thanks for your help on this matter. As I mentioned Friday on the phone, the issue is the need for OMB to put funds in the baseline for significant improvements in food stamps and SSI that the Administration can institute through administrative action before it leaves office. I know Barbara Chow has been looking at this issue with regard to food stamps. I don't know if she has focused on it with regard to SSI.

1. Food Stamps

The need for further action here is great. Food stamp participation has declined by 11 million people — or 40 percent — since 1994. This is much larger than can be explained by the improvement in the economy and the food stamp eligibility changes in the welfare law. Census data show that from 1995 to 1998, the proportion of poor children receiving food stamps dropped from 88% to 72%. During the same period, the effectiveness of food stamps in reducing the "child poverty gap" (the total amount by which children who are poor fall below the poverty line) fell by one-quarter. And since food stamp participation has continued to decline since 1998, these figures would look even worse today.

Several recent studies heighten these concerns. One, by the Urban Institute, shows that large numbers of poor families are losing food stamps when they work their way off welfare or cease receiving welfare for other reasons. In the Urban Institute study, 62% of families with children that left the welfare rolls ceased receiving food stamps, even though only 35% of the families were no longer eligible. The Urban Institute found that *only 42 percent of the welfare-leaver families that remained eligible for food stamps continued to receive them*. Most of the families that ceased receiving food stamps after leaving welfare had incomes below the poverty line — often well below the poverty line.

Another study, issued by USDA, shows large declines in recent years in food stamp participation rates among poor families eligible for sizeable food stamp benefits. Still other research shows the food stamp participation declines are a principal reason that the average income of the poorest fifth of female-headed families with children *declined* between 1995 and 1998, despite the booming economy.

The Administration does not want this as part of its legacy. Last summer and fall, the Administration took actions that constituted important first steps toward turning this around. A package of changes the Administration unveiled in July, in part due to the First Lady's efforts, accorded new options to states both to ease burdens on working poor families seeking food stamps and to reduce the degree to which families moving from welfare to work would lose food stamp eligibility because they owned a modest car. In September, the Administration followed up with several important changes in aspects of the food stamp "quality control" system that were effectively penalizing states for serving working poor families and eligible legal immigrants.

These changes have made a difference in the program. They also have arrested the movement that was occurring among states toward supporting conversion of the food stamp program to a block grant. But considerably more remains to be done. Food stamp participation has continued to tumble, if not at as sharp a rate. Moreover, state desires for some very disturbing and rather radical changes in the food stamp program that would undermine the program's national benefit structure (without block-granting it) remain strong. The time is ripe for another Administration package of measures that would assist families moving from welfare to work, as well as other working poor families, and also give flexibility to states in ways that both promote better service for working families and address some legitimate state concerns. A good package could make a big difference in serving low-income working families more adequately and also in improving the standing of the food stamp program among states as we head toward reauthorization. The effects on the program, and on the Administration's legacy in this area, could be significant.

The Proposed Food Stamp Package

Barbara Chow asked us in April for ideas for a new package of steps the Clinton Administration could take administratively in the food stamp program. We have put together a package that I'm excited about. USDA staff support all items in the package, with one possible exception that involves a minor item. Julie Paradis, USDA deputy undersecretary in this area, has expressed support for the package. States and advocacy groups both would really like this package. Every item in the package is responsible, and there is nothing here that would cause any political problems.

I'm enclosing the short cover memo we sent to Barbara Chow transmitting the package, along with the longer memo that explains the package. This package builds directly on the food stamp initiatives the Administration took last July and September. (A few items in this new package are needed, in fact, to make elements of last year's initiatives work more effectively and have the impact the Administration intended when the original initiatives were released.)

The one issue appears to be cost. The cost of the package appears to be about $1.0 to $1.5 billion over five years. (More than half of this cost is due to further improvements in the food stamp program's complex and highly restrictive vehicle rules. States would enthusiastically welcome these changes in vehicle rules, which would both help the working poor and simplify administration of the program). The cost of the package is a small fraction of the amount by which the overall cost of the food stamp program has fallen below the levels the Administration forecast after the welfare law was enacted; food stamp costs continue to be far below what OMB and CBO have predicted, due to the unanticipated sharp declines in food stamp participation. Program costs are far below the levels that were forecast even after the forecasts are adjusted to reflect the better-than-anticipated economy. Furthermore, the cost of this package is an infinitesimal fraction of the increase that the Administration's revised budget will show in the non-Social Security surplus. I understand the projection of the non-Social Security surplus will rise more than $1 trillion over 10 years in the new forecast.

To be able to move forward on this package or something like it, a decision is needed in the next few days to make room for it in the new budget baseline. Specific decisions on each item in the package aren't needed now, just a decision to provide room in the baseline for such a package. Anything you can do in this regard would be greatly appreciated.

2. SSI

There also is a need for room in the baseline for SSI improvements that can be made administratively. A new report from the Social Security Administration shows that significant parts of the SSI eligibility and benefit structure have not been adjusted for inflation *since the 1970s* and have eroded badly. Some of the program elements that have eroded are set in statute and can be changed only by legislative action; the memo I sent to Administration officials last week included a few legislative recommendations in this area. (I missed one significant legislative recommendation in this area and am sending a follow-up memo on that.) But other parts of the SSI eligibility and benefit structure are determined administratively, and those generally remain at their 1970s levels as well.

It is not surprising the Reagan and Bush Administrations didn't adjust program parameters set administratively to reflect the effects of inflation. But the Clinton Administration should not let eight years go by with out any adjustments here. Here are a few examples of what's involved:

- Amazing as it may seem, household goods and personal effects count against the SSI assets limit to the extent that these items exceed $2,000 in value. Furniture and appliances count; only wedding and engagement rings are exempt. This is extremely harsh and is unlike virtually any other means-tested program; the other programs fully exclude household goods and personal effects.

  The law requires that a dollar limit be set on the amount of household goods and personal effects that are excludable but leaves it up to the executive branch to set the limit. This limit was placed at $2,000 in 1979 and *has never been adjusted* *since*. The Clinton Administration should not let eight years go by without any adjustment here.

- The limit on the value of a vehicle that is excluded is $4,500. This, too, is left to the executive branch to set. The limit was set at $4,500 in 1979 to match the food stamp vehicle limit, which had been placed at $4,500 by the Food Stamp Act of 1977. The Clinton Administration has worked for the past seven years to secure legislation raising the food stamp vehicle limit, which now is $4,650. (The Administration succeeded in securing an increase in the food stamp vehicle limit in 1993, but the 1993 provision was largely repealed in 1996.) Meanwhile, the SSI vehicle limit — which can be changed more easily, through administrative action — remains stuck at $4,500.

These are just two examples. Various other aspects of the SSI eligibility and benefit structure that are set administratively also have eroded badly to inflation and need adjustment, including the substantial gainful activity amount (which affects work among disabled beneficiaries and is particularly important), the trial work period services amount, and the student earned income exclusion. All three of these items relate to encouraging work.

The current OMB baseline already includes the amount needed to adjust the substantial gainful activity amount, the most costly of these items ($700 million over 10 years). The additional items that warrant administrative action are less expensive; for some additional amount, probably not more than $500 million over 10 years, the Administration could make long-overdue adjustments in these areas. This really should be done before the Administration leaves office.

CENTER ON BUDGET AND POLICY PRIORITIES

FAX

From the desk of...
Robert Greenstein
Executive Director
202-408-1080 ext 328
Fax: 202-408-1056
hitchcock@cbpp.org.

Center on Budget and Policy Priorities

To: Shirley Sagawa - 456-6244
Date: 5/31/00
RE: Ideas to consider in mid-session review

8 pages following.

CENTER ON BUDGET AND POLICY PRIORITIES

To: Gene Sperling, Jack Lew, Bruce Reed, Larry Summers, Melanne Verveer

From: Bob Greenstein

Subject: Some ideas for consideration in mid-session review

Date: May 31, 2000

I understand you will be discussing possible initiatives for inclusion in the mid-session review. We are in the midst of a long-term project to identify promising initiatives that could be taken to assist low-income families (particularly working families), and I thought it might be useful to dash off a quick memo to suggest some ideas for your consideration. I'm sure you're already considering some of these. (I've not included here some obvious candidates I presume you're already discussing, such as further expansion of Head Start and child care subsidies.) I've tried to be brief in describing these ideas; I can provide further detail if you'd like.

Proposals Discussed in this Memo

1. Continuing a program that sunsets and an initiative in the Administration's FY 2001 budget.

- The provisions of the 1997 Balanced Budget Act that provide assistance to elderly persons between 120 percent and 175 percent of the poverty line in paying their Medicare premiums expire September 30, 2002. These provisions should be improved; changes that the Republicans insisted on making in 1997 to the Administration's proposal on this matter have not worked out well. Why not improve this provision so it

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works more effectively and extend it? I'm sure you don't want it simply to expire.

- The Administration's FY 2001 budget includes 120,000 new housing vouchers. But it assumes *no* further incremental vouchers in years after that. The budget should assume at least 100,000 new vouchers each year for the next 10 years.

  A recent HUD report, based on Census data, shows the numbers of low-income households with what HUD terms "worst case housing needs" has reached an all-time high. In addition, the research on vouchers used for mobility purposes continues to be very encouraging. As Gene Sperling noted in a speech last fall, "New research on HUD's experimental housing mobility program...[is] showing that increased housing mobility brings not only economic opportunity but also a significant reduction in behavioral problems for children including reduced juvenile arrest rates, injuries, and victimization of crime, while having positive health and mental health impacts for parents and heads of households." Finally, important new research being released today by the Manpower Demonstration Research Corporation shows stunning gains under Minnesota's innovative welfare reform program — some of the best results ever found for a welfare reform program. The gains MDRC found are much greater among families with housing vouchers than among those with no housing assistance.

2. **Reducing elderly poverty, especially for poor seniors with modest Social Security benefits, without touching Social Security solvency.**

This can be done through targeted SSI improvements that should be difficult for Republicans to criticize. An important report the Social Security Administration transmitted to Congress last month (in compliance with a provision in the Ticket to Work legislation) shows that some key provisions of the SSI benefit structure have not been adjusted for inflation *in 28 years*, causing combined SSI/Social Security benefits for low-income elderly and disabled people to fall in real terms.

Probably the most important such feature is the SSI provision that disregards $20 a month of Social Security and other income in determining SSI benefits. Had this $20 kept pace with inflation, it would now be about $80.

This disregard could be raised either to $80 or to a lesser amount. An increase in the disregard could be made with respect to all other income, or just with respect to Social Security income. The result would be significant poverty reduction, especially for poor elderly women who worked (or whose deceased spouses worked) in low-wage jobs. Some of these women also would gain Medicaid eligibility. This initiative could be presented as reducing poverty in old age among people — especially widows — who receive small Social Security checks.

It should be noted that a step such as this is needed anyway as an accompaniment to the improvement in Social Security widows' benefits that the President has spoken of and the Vice President has proposed. If Social Security widows' benefits are raised but this SSI disregard is not increased, then improving Social Security widows' benefits will cause a number of poor widows to lose a full dollar in SSI for each dollar they gain in Social Security. Moreover, those pushed over the SSI income limit by the improvement in Social Security widows' benefits will lose Medicaid eligibility *and be made worse off as a result.*

A second SSI improvement should be considered -- the SSI assets limits should be adjusted. They are now just $2,000 for individuals and $3,000 for couples. The recently issued SSA report notes that if these limits had kept pace with inflation since the SSI program was created in 1972, they would currently be $6,000 and $9,000, respectively. Raising the SSI assets limits to those levels is unlikely to be feasible, but some increase in these levels should be made. There was an increase enacted in 1984 under President Reagan, at a time when there was much less appreciation of the importance of assets for low-income people than there is today. Since then, 16 years have passed with no adjustment. Shouldn't the Clinton Administration propose an increase 16 years later?

3. Unemployment Insurance.

There are serious problems in the UI system. *There also is a real possibility of reform this year.* About 18 months ago, the Labor Department, in conjunction with the Interstate Conference of Employment Security Administrators, instituted a discussion of UI reform that has included representatives of both business and labor, as well as the states. In the past few weeks, these deliberations have led to tentative agreement on a package that consists of: UI benefit reforms that would be of particular value to lower-income workers (and to the long-term unemployed during recessions); increases in state funding for the employment service and for administration of UI; and an end to the 0.2 percent FUTA surtax. (There are three primary worker improvements: lowering the unemployment rate target for extended benefits so these benefits will trigger somewhat sooner in a recession; better coverage for part-time workers; and reforms to ensure the system uses the latest available wage data in determining eligibility for benefits.) There is considerable interest in this package (including the benefit improvements) among key Ways and Means Committee Republicans, among others. I'd strongly urge the Administration to include funding for this or a similar package in the revised budget. If that is done, action in September might be possible.

4. Modernizing assets rules.

Under the asset rules that govern major federal means-tested programs such as SSI, food stamps, and Medicaid, a worker's vested funds under a defined benefits pension plan are exempt from assets tests, but funds that a worker has in a defined contribution plan are counted. Funds in a DC count against the assets limits in these programs regardless of whether there are penalties for early withdrawal of these funds. The asset rules essentially require workers with DCs who fall on hard times to choose between consuming some of their retirement savings and meeting their family's current needs.

I believe there would be considerable bipartisan sympathy for addressing this issue. These assets rules were written in the early 1970s, when DBs were more widespread and few lower-income workers had DCs. Now, a few decades later, this is beginning to emerge as a problem. It is likely to be a big problem when the next economic downturn hits, and formerly middle-income workers sink temporarily into poverty status. This matter ought to be addressed. The principle should be that funds that a worker has in an employer-sponsored pension plan are exempt from the assets tests in these programs regardless of whether the plan is a DB plan or a DC plan. How could Republicans who love DCs oppose that?

5. Initiatives Targeted on Children, Youth, and Families with Children.

A. Boosting college attendance among high school graduates from lower-income families.

Work by Thomas Kane and David Ellwood of Harvard, among others, indicates that the availability of financial aid has a large effect on college attendance by low-income youth. This work shows that the current financial aid structure for lower-income families is sufficiently complex and opaque that many do not understand aid is readily available. This is a problem that needs to be addressed. The main types of steps needed seem to be: to make college aid for lower-income youth more transparent and easier to access; and to make it more ample. Options include.

- Substantially simplify rules for Pell grants and other government-supported grants and loans, for example by eliminating assets tests and scaling back other complex requirements. Also consider creating a category of students who automatically qualify for the maximum Pell grant without having to navigate a complex eligibility process. (Such a category could, for example, consist of youth whose families receive food stamps, or those whose families receive free school lunches or some other means-tested benefit.)
- Increase Pell grant amounts significantly.
- Make the Hope credit refundable. (One presumably would do one or the other of the last two items here. Simplification of the Pell grant process is needed in either case.)

B. Child support reform.

There is significant bipartisan interest in this. Federal rules call for states to send to the federal government a portion of the child support paid for a child who is receiving cash assistance benefits. Most states divide *all* of the child support payments made for such children between the feds and the state, with the child receiving *none* of the payment. This also holds true for arrearage payments that cover months when the family was receiving cash assistance.

This procedure is supposed to result in the reimbursement of federal and state welfare costs incurred on behalf of such children. But this procedure is increasingly recognized as unwise — it effectively results in a 100 percent marginal tax rate on these child support payments; the child has the same income regardless of whether the father pays or not. Little wonder many of these fathers fail to pay (or pay lesser amounts "under the table"). The result is lower child support payments than would otherwise be made — and greater child poverty. Moreover, this system creates disincentives for those fathers to work "on the books;" if they do so, they will have their paychecks garnished for child support payments that will go entirely to the federal and state governments rather than their children.

Reforms are needed in child support financing that result in a greater share of child support payments going to the custodial families. Reps. Nancy Johnson and Ben Cardin have both introduced bills to this effect (Cardin's is better), and there is interest in this among Ways and Means members from both parties.

This could be coupled with another child support initiative — substantial demonstration projects to test some exciting new ideas to boost employment among, and child support collections from, low-income non-custodial fathers. Interest in measures to raise employment among such fathers is mounting on both sides of the aisle.

C. Child abuse/child welfare

There also is some bipartisan interest on the Hill in improvements in the child welfare system, particularly with regard to children whose parents have substance abuse problems. In the Senate, Senators Rockefeller, DeWine, Snowe, and Dodd have introduced legislation to this effect. In the House, the relevant subcommittee chair (Nancy Johnson) and the key staffer (Ron Haskins) want to act this year. The Administration should have a proposal on the table, along with funding for it.

D. Boosting youth employment (especially among minority males)

A new paper by Paul Offner indicates that despite the great economy, labor force participation rates among young minority males (age 20-24) not in school or in prison have actually declined a bit since the early 1990s. (Labor force participation among minority females in the same age groups has risen significantly.)

In 1994, the Administration proposed a Youth Employment and Skills demonstration program (YES). Designed in part by Larry Katz, YES would have established a major demonstration of a saturation employment program for disadvantaged youth. YES was included

CENTER ON BUDGET AND POLICY PRIORITIES

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FAX COVER SHEET

DATE:	6/05
TO:	Shirley Sagawa
FAX NUMBER:	456-6244
FROM:	Bob Greenstein
SUBJECT:	Supplementary material
NUMBER OF PAGES: (including cover)	15

Comments: Thanks

CENTER ON BUDGET AND POLICY PRIORITIES

MEMORANDUM

To: Barbara Chow

From: Bob Greenstein, Stacy Dean, David Super and Dottie Rosenbaum

Date: May 18, 2000

Re: Suggestions for a Food Stamp Administrative Package

Over the past year, the Administration has released two significant food stamp policy packages designed to improve the working poor's access to the food stamp program —- the July Access Package and the 1998 QC Sanction adjustment. In addition, earlier this year, the Administration announced its proposal for improving the food stamp vehicle policy. States and non-profit groups alike received all of these announcements with enthusiasm. These policies address problems that have resulted in barriers to low-income families participating in the food stamp program.

During our last meeting in your office, you suggested there might be an opportunity to consider an additional administrative package this summer. That would be terrific. The Administration's recent policy changes have helped to change the nature of the conversation that USDA, ourselves and others are having with the states from one focused on why the working poor are a problem group for states to a discussion about what options states can adopt to better serve this population. The tide is starting to turn. But, there still is a very substantial way to go at the state level. More changes are needed.

As you know, states' fears of serving the working poor in the food stamp program are related to their concerns about quality control error rates; it is harder for states to calculate food stamp benefits correctly for households with earnings. To avert the risk of increased error rates due to serving the working poor, states place more administrative and paperwork burdens on these households, which in turn results in fewer households participating in the program. There are further administrative changes that can be made to help address these state concerns and reduce access barriers to eligible low-income working families.

In anticipation of the upcoming mid-session review and the possible need for baseline adjustments for some of these proposals, we wanted to get our ideas to you as quickly as

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possible. Several of these items would have costs. We assume you would need to ask USDA for cost estimates. (At the same time, these costs would be a drop in the bucket compared to the massive increase in the surplus and also should increase food stamp costs less than one percent.)

We have focused on items that build upon last year's access package and items that respond to state concerns while also helping eligible families, especially working families. We believe these proposals would both improve the program and significantly improve states' views of the program, as last July's and September's changes did. We have tried to design the proposals so they could either be announced in guidance or, if necessary, added to regulations already moving through clearance. Our ideas follow three themes.

- Making food stamps more responsive to the needs of the working poor;
- Simplifying and reducing administrative burdens on states; and
- Assisting and promoting joint application and participation by low-income working families in health insurance and food stamps.

Attached is a list of the proposed package and a brief write-up of each item. We look forward to discussing these proposals with you. Please contact us with any questions.

cc: Eric Gould
Margy Waller
Jack Smalligan
Jennifer Friedman

Attachment: Possible Food Stamp Initiative

POSSIBLE FOOD STAMP INITIATIVE

Making Food Stamps More Responsive to the Needs of the Working Poor

1. Provide a State Option to Provide Up to 3 Months of Transitional Food Stamp Benefits for Families Leaving Cash Assistance
2. Simplify the Proposed Vehicle Policy
3. Allow a Flexible Approach to the Income of Self-Employed Workers/Farmers

Simplifying and Reducing Administrative Burdens on States

1. Allow States to Extend the Quarterly Reporting Option to All Households
2. Make Permanent and Improve the QC Sanction Adjustment to Account for Immigrants and Working Families
3. Expand State Flexibility in Accounting for Irregular Child Support
4. Build in an Index to the $25 QC Tolerance Level
5. Adjust the 1977 Disregard for Small Amounts of Income
6. Establish Parameters for Acceptable Forms of Verification within the QC System

Assisting and Promoting Low-Income Working Family Joint Participation in Health Insurance and Food Stamps

1. Build Upon HHS's April 7th Medicaid Letter with a Companion Food Stamp Letter
2. Design and Promote a Short Model Joint Food Stamp-Medicaid Application
3. Encourage and Promote State Activities to Take Medicaid and Food Stamp Applications Outside of the Welfare Office

MAKING FOOD STAMPS MORE RESPONSIVE TO THE NEEDS OF THE WORKING POOR

Transitional food stamp benefits for families leaving cash assistance

Food stamp caseload decline among eligible families has been an issue of significant concern for the Administration. Much of the recent caseload decline cannot be explained by eligibility changes in the 1996 welfare law or improvements in the economy. Many researchers believe that the restructuring of cash assistance in conjunction with welfare reform is having unintended adverse consequences for food stamp participation. Many point to the point in time at which a family exits TANF cash assistance as a period when the family's ongoing participation in food stamps is in particular jeopardy, even though the family usually remains eligible.

When a family leaves cash assistance, the state is often unaware of what the family's financial circumstances are or will be. Additional information may be needed to re-calculate the household's food stamp allotment to reflect its new circumstances. Even if the state has the necessary information, households that leave cash assistance are considered unstable and therefore error prone. To insulate themselves from errors, states may be demanding that such households to come into the office and/or provide additional verification almost as soon as they have left cash assistance. Unfortunately, when families leave cash assistance, they often do not know that they remain eligible for food stamps. States report anecdotally that when households that have just left TANF receive food stamp notices asking for more information or to visit the office, families often disregard the notice as irrelevant because they assume they are no longer eligible. In other cases, families simply may not have the time to fulfill these new obligations.

To confuse matters further, in some states food stamp workers are split between those who handle families receiving both cash assistance and food stamps and those who handle food stamp cases for families not receiving such assistance. At the very time that the state may believe it needs more information from the household, the case is transferred to a different worker, who may even be in a different building. All of these factors have created an environment where many eligible low-income families are likely to lose food stamps due to procedural reasons. The loss of food stamps may make the transition from welfare to work more difficult. It certainly lowers a poor family's total income and adversely affects the "make work pay" equation.

To address this problem, states and non-profit organizations have been calling for USDA to allow states to freeze food stamp benefits for families leaving cash assistance for up to six months. Because this proposal is analogous to transitional Medicaid, many refer to it as transitional food stamps. For both the state and a low-income family, the first few months following a family's exit from TANF are crucial. Once the family has received additional months of food stamps following the termination of its cash assistance, it should understand that food stamp eligibility is independent of TANF eligibility and hence be more likely to believe that cooperating with food stamp procedural requirements is worth the time. From the food stamp office's point of view, once the family is beyond the first few months after the termination of its cash assistance, the family's circumstances are likely to have stabilized enough to reduce the risk of a payment error.

While it probably is not possible to freeze food stamp benefits for six months without legislation, states do have the authority to freeze temporarily the family's food stamp benefit at the level it received prior to the termination of its cash assistance. For families that have found work, this often will mean a food stamp benefit somewhat higher than they would have received under the regular formula. For families that have been terminated from cash assistance due to time limits, sanctions, or procedural non-compliance, this often will mean a food stamp reduction since families with no income ordinarily will receive the maximum food stamp benefit.

This approach is permissible, but through a rather obscure regulatory mechanism of which few, if any, states are aware. (This approach is not very different from what some states already do when they convert a household from prospective to retrospective budgeting when a household gets a job.) Because the current authority to adopt such a policy is so obscure, no state has proposed implementing it. *USDA could announce via guidance a state option to freeze a household's benefits for households leaving cash assistance.* (This policy would not apply to families leaving TANF due to a sanction. It should also apply households not receiving cash assistance that move into employment.) Like the quarterly reporting announcement of last year, USDA need not wait for final regulations to make this policy available to states. Instead, it could offer states interested in the option administrative waivers until the policy is published in final regulations. (For more information, see page 31 of CBPP's comment on the February 29, 2000 proposed food stamp regulations.)

Expand the Proposed Vehicle Policy

President Clinton announced his proposal to add cars in which a household's has very little equity to the list of vehicles exempt from consideration as a resource in the Food Stamp Program. This change is an important advance in making food stamps available to low-income working families that own vehicles with fair market values above the food stamp resource limit but that have little or no equity in these cars because of outstanding loan balances. The policy, however, could be simplified and improved. The current policy sets up two separate relatively low equity limits for different types of households. A significant improvement could be made with a single and somewhat higher limit. Again, USDA need not wait for final regulations to announce these changes. They could simply amend the waivers currently available to states on the vehicle asset test.

Currently, under a proposed rule, USDA will allow states to exclude vehicles that, as a practical matter, the household is unlikely to be able to sell for any *significant return* because the household's "interest is relatively slight." This provision was intended to prevent families from being denied food stamps because of resources that could not be sold for a significant amount of money, and therefore could not be used to finance the purchase of significant amounts of food. A significant return is defined as one-half of the applicable resource standard for food stamp households. This would be $1,000 for most food stamp households and $1,500 for households with an elderly member. Cars with an equity value below these limits would have no bearing on the household's eligibility for food stamps.

The policy could be significantly simplified if the definition of what value represents a "significant return" were made uniform for all households rather than having one level for the non-elderly and another for the elderly. The proposal to have separate definitions for households with and without elderly members in unnecessarily complex; it would be simpler for states and households to have one reasonable standard. *The policy could be further improved if the uniform level were set at $2,000.* The Act's general resource standard of $2,000 represents Congress' determination of the level of resources below which a household's resources do represent a "substantial limiting factor" on its ability to buy food. If resources of $2,000 or less are a "substantial" limiting factor, the Department can reasonably determine them not to be "significant" for purposes of the vehicle test. It should be noted that the $2,000 general food stamp asset limit is not liberal; it has not been increased in 15 years. (For more information see page 87 of CBPP's comment on the February 29, 2000 proposed food stamp regulations.)

Eliminating the Equity Test for Households with Multiple Vehicles

USDA has invited comments on whether the so-called "third test," the equity test for vehicles in the current rules, should be eliminated. As the majority of the 400 commenters on the food stamp regulations noted, eliminating the equity test would represent a significant improvement in the food stamp program (no commenters opposed to the idea). The APHSA's recent food stamp policy resolution uses the vehicle rules, including specifically the additional steps required by the equity test, as an illustration of the "complex" and "error-prone" aspects of the Food Stamp Program. This is an opportunity to ease administrative burdens on states (and also reduce state criticism of the program) while helping poor households at the same time.

Although little data exist on which households are denied food stamps under the equity test, they are likely to include households that have needed more than one car so that one or more members can work, but in which a member is currently out of the labor force because of the birth of a new child, a short-term incapacity, or similar problem. Although such households would regain eligibility once that household member returns to work (or if one of its cars is repossessed or sold), it is likely that many such households will not realize they have become eligible and can reapply for benefits. Thus, although the equity test may render a household ineligible for just a few months, the resulting loss of benefits may last much longer. *USDA should immediately announce its intention to eliminate the equity test and grant state's administrative waivers while waiting for final regulations to be published.* (For more information see page 89 of CBPP's comment on the February 29, 2000 proposed food stamp regulations.)

The Income of Self-Employed Workers/Farmers

When calculating food stamp benefits for the self-employed, "the cost of producing self-employed income" is excluded from determinations of households' income. The food stamp regulations, however, do not allow self-employed households to count capital costs toward their self-employment expenses. Self-employed households such as farmers can *neither* exclude their payments on tractors or other equipment *nor* claim depreciation of those assets as they can in calculating their taxes. Thus, money that a self-employed household spends on payments for necessary equipment is counted as if it were available to meet the household's normal living expenses. This makes the food stamp largely unavailable to low-income self-employed workers with significant capital expenses.

For example, consider a low-income single mother providing informal child care out of her home. To become a licensed family day care provider, she needs to borrow money to purchase new children's furniture, new kitchen equipment, and to make necessary safety improvements. Under the current policy, she cannot deduct the payment on these capital costs from her income. The same would apply to a homebound disabled person seeking to purchase new computer equipment for a home business.

The 1996 welfare law required USDA to establish a simplified method for states and households to estimate the expenses of self-employed persons because both households and states were finding that documenting all expenses was tedious and error-prone. USDA has proposed to allow states several options for using standardized amounts to calculate the expenses of self-employed workers. Unfortunately, the proposed regulations would continue to deny households any allowance for capital costs in computing their self-employment income.

Even if there is concern that these costs are too difficult to account for on an individual basis, however, *the food stamp rules should be changed to make clear that states may include in the standardized figure an amount fairly representing the typical capital costs associated with self-employment in that field*. This figure presumably should be based on the amount a business typically spends on time payments for capital goods, such as farm equipment or vehicles used in the business. Although these amounts vary considerably from business to business, an average or estimated figure would represent a closer approximation of the portion of gross income from the business that is unavailable to meet living costs than the current and proposed rules, which effectively assume that this amount is always zero.

This change would go a long way toward opening the food stamp program to low-income self-employed workers with significant capital costs who have been unable to participate in the program without adding further complexity to the program. It would also help to ensure that low income families interested in starting a business could continue to receive food stamps. This is consistent with state efforts to increase self-employment and microenterprise ventures. (For more information see page 95 of CBPP's comment on the February 29, 2000 proposed food stamp regulations.)

SIMPLIFYING AND REDUCING ADMINISTRATIVE BURDENS ON STATES

Allow States to Extend Quarterly Reporting to All Households

In its July 1999 Guidance, USDA offered states a variety of new options regarding how households with earnings could report changes in their circumstances to food stamp office. One of the new approaches was quarterly reporting. Under this option, families with earnings mail a report to the state every three months providing detailed information on their earnings and household circumstances. The state uses this information to calculate the household's benefits for the next three months. If the household experiences changes such as fluctuating income during the three-month period, it is not required to report these changes. This substantially reduces paperwork burdens and confusion for the household and minimizes states' risk of quality control errors. Instead, food stamps are readjusted at the three-month point.

Unfortunately, states have not responded as positively to the quarterly reporting option as anticipated. Since the July announcement, only a handful of states have adopted quarterly reporting. This is likely due to the restriction limiting quarterly reporting to households with earned income. States are prohibited from using quarterly reporting for TANF, SSI and other households without income. This means that states must have at least two systems for reporting, making the system more complex for eligibility workers, requiring more computer changes, and creating confusing for households that leave cash assistance for earnings. As a result, the option is less attractive to states.

Households without earnings still can have fluctuating forms of income, albeit significantly less than households with earnings. For example, child support payments are often an unreliable form of income, making it difficult for the state to estimate what level of support should be assumed for benefits. Because last year's package was focused on working families, little or no attention was paid to whether quarterly reporting should also be extended to all households. At the time, we did not anticipate that quarterly reporting would be unattractive to states if they could adopt it only for part of their caseload.

USDA should extend the quarterly reporting policy option to all households, thereby allowing states to select a single method of reporting for their entire food stamp caseload. There should be little cost to the proposal, since families with unearned income have relatively stable circumstances.

Make Permanent and Improve the Quality Control Sanction Adjustment to Account for Immigrants and Working Families

The food stamp quality control (QC) system imposes fiscal penalties upon states with error rates that exceed the national average. While the amount of the fiscal penalty charged to states is prescribed in law, USDA has broad discretion on how much of the penalty it will collect.

Typically, it uses this authority to negotiate improved payment accuracy efforts from states in exchange for reduced penalties. Often, instead of paying the federal government the penalty, a state will be required to use the sanction monies to invest in some form of management improvement in its food stamp program that is intended to yield reduced error rates. So, while the federal government may not see quality control sanction collections, states in sanction still must appropriate state funds in response to USDA demands.

USDA's authority to adjust sanctions is not limited to state commitment to payment accuracy management improvements. The Department may also adjust sanctions downward to reflect mitigating circumstances that may have caused an increase in a state's error rate. In September 1999, USDA used this discretion to adjust FY 1998 food stamp sanctions downward for those states serving relatively high or increasing shares of working households and households with immigrants. Households with earnings and immigrant households are substantially more error-prone than households receiving only public assistance. Since states' error rates are measured against a national average, states that serve relatively more of these households will have higher error rates. This means that, in the absence of these adjustments, states with strong welfare-to-work programs, and states that maintain effective access for the working poor and immigrant families, will be at greater risk of fiscal sanctions. USDA also made an adjustment to reflect the not yet final increase from $5 to $25 in the QC tolerance level that had the effect of lowering the average state's error rate about two-thirds of a percentage point. USDA announced that it would make the same set of adjustments to states' FY 1999 liabilities when those were assessed (as they were last month).

USDA's adjustment for the 1998 and 1999 error rates was appropriate and very well received by states. It was widely taken as a sign that the Administration is committed to improving federal-state relations by limiting QC sanctions to the states that are the more serious offenders. It also was taken as a sign that the Administration is serious about its access initiative and rewarding states that work to serve the working poor.

Because USDA was operating under a tight statutory deadline to announce the FY 1998 liabilities last fall, however, it did not address whether these adjustments would continue beyond FY 1999. As a result, states cannot know, for the current year or for future years, whether efforts to improve access to the working poor and immigrant households again put them at greater risk of QC sanctions. This uncertainty could undermine other aspects of the Administration's food stamp access initiative.

USDA should issue guidance to states making permanent its sanction adjustment policy for households with earnings and immigrant households. The guidance also should improve the adjustments. The adjustment to reflect the $25 tolerance level that lowered states' error rates by two-thirds of a percentage point will no longer apply after FY 1999 as the policy is now in place. Since the new policy now applies to all states evenly, it is likely to lower the national average somewhat. This will result in an increase in both the number of states in sanction in FY2000 and the amount of their liabilities.

On a related matter, the adjustments for FY 1998 and 1999 protected states if their shares of working poor or immigrant families exceeded the national average *or* if their proportion of such families had increased since 1996. As it turns out, *1996 may not be the appropriate base year for either of these adjustments.* Under waivers the Administration granted early in its term, many states' welfare-to-work programs started in earnest well before 1996. Therefore, states should receive adjustments for increases in their shares of working poor households relative to the year between 1992 and 1995 in which the state had the lowest proportion of such families (presumably the last year before the state's welfare reform program began to bear fruit). The 1996 welfare law acknowledges that states started their welfare programs at differing times by basing each state's TANF block grant on the higher of its FY 1994 spending, its FY 1995 spending, and the average of its spending in FY 1992 through FY 1994.

As for immigrants, virtually no state is likely to have more immigrant households receiving food stamps now than it did in 1996 because PRWORA resulted in many fewer immigrants being eligible. They may, however, have a higher share of immigrant households than they did in FY1998. Some states made a diligent effort to implement the partial restorations in the 1998 Agricultural Research legislation and may have seen an increase in their shares of immigrant households. Those efforts at outreach to immigrant families should not be punished through higher QC sanctions. Sanctions should be adjusted to reflect a higher proportion of immigrants in the QC measurement year compared to 1998 or 1996, whichever reflects the largest difference in the share of immigrant households.

Expand State Flexibility in Accounting for Irregular Child Support.

Child support can be an irregular source of income. Many absent parents pay child support intermittently. Even when support is paid regularly to the state's child support enforcement (IV-D) agency, it may be forwarded to the recipient family irregularly. If one month's check is processed slowly and the next month's payment is forwarded rapidly, both payments may arrive in the same month. Under current rules, states can be held liable for an overissuance if they fail to reduce the family's food stamps to reflect the double payment. By the same token, if the absent parent or IV-D agency is late in making a payment, the household may receive no support at all in a month, and the state may be liable for an underissuance error.

Theoretically, state or county child support agencies should be able to inform the food stamp office of the timing and amount of child support payments. In reality, backlogged cases, inadequate computer systems and inefficient bureaucracies can prevent this from happening. Assuring accurate food stamp benefits to families receiving child support is extremely difficult for food stamp offices, but the effort required to try is large. The makes families with child support unattractive clients for an office where managers and eligibility workers are being held accountable for their QC errors. Yet if food stamp offices make it difficult for poor families to continue receiving food stamps once they begin to receive child support payments, incentives to cooperate with child support enforcement will weakened.

The consequences of fluctuating child support are not limited to quality control. If states and a family are unable accurately to anticipate and account for month-to-month fluctuations in child support payments, the state must calculate back over- and under-payments. This is an added complexity for the state and a significant risk for the family that may not be able to pay the state back for a prior month's over-payment.

One option to help deal with this problem would be, as proposed above, to extend quarterly reporting to all households. For those states that do not choose quarterly reporting, *USDA should let it be known it will approve reasonable waiver requests from states to simplify the treatment of child support payments.* States could, for example, seek a waiver to allow them to project a family's child support income for the next six months from the amounts the family actually received in the past six months, with the state excused from any overissuance or underissuance that result from differences between the projections and the amounts the family actually receives. A variation of this proposal would be to allow states to automatically use the statutorily mandated child support agency monthly or quarterly statement[1] to families as a the basis for a child support estimate during the certification period. Families would no longer be required to provide information about child support under this option because the state could calculate it automatically. States also could seek a waiver to allow them to count child support income in the month it was expected to be received even if it arrived a few days early or late.

The idea would be to provide, for child support income, options parallel to those that USDA has offered states regarding earned income. USDA could issue guidance offering these two proposals as automatic options available to states through waivers. In addition, it could indicate its willingness to consider alternative waiver requests from states to deal with fluctuating child support income.

Build in an Index to the $25 Quality Control Tolerance Level

On July 16, 1999, USDA published a final regulation that increased the tolerance level for food stamp quality control errors from $5 to $25. The $5 level had been put in place during the early 1970's and not adjusted since. In recent years, the level was a constant source of tension between states and USDA because states felt that the tolerance level was artificially low. They correctly believed it was not cost effective to focus on such small errors. Although long overdue, this change was a sensible one. To ensure that it is not another 25 years before the tolerance level is adjusted, *USDA should incorporate some form of index into the current tolerance level.*

An annual adjustment to the $25 level probably does not make sense, because the amount of the adjustment would be less than one dollar and difficult to remember at the individual worker level. Instead we would recommend that USDA make an incremental increase every few years that represents the cumulative index of prior years. For example, the Department could

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[1] 42 U.S.C. Section 654(5).

raise the level by $3 every five years or could index the level by the CPI each year and round to the nearest $5. While USDA does not normally publish interim final regulations, this policy could be implemented in such a manner to insure that it is fixed in regulations before the end of the Administration.

Increase the Disregard for Small Amounts of Irregular Income

Since the early 1970's, the food stamp program has excluded from food stamp calculations irregular, unpredictable income of up to $30 per quarter. Like the tolerance level, the purpose was to free recipients and eligibility workers from having to account for small amounts of money, such as doing an odd job for a neighbor. The statue authorizes USDA to modify this exclusion in coordination with the Department's other income budgeting policies, but USDA has never updated the $30 per quarter figure to reflect inflation. *To serve the same purpose that the $30 per quarter exclusion did in 1977, USDA should adjust this figure to at least $80 to reflect inflation.* ($100 would be more consistent with the income reporting threshold option announced last June). The effect on benefit levels would be minimal — the exclusion does not affect regular income, no matter how small, and any irregular income exceeding the limit counts in its entirety — but it would allow states to concentrate their efforts on properly handling ongoing sources of income that do have a major impact on benefits. USDA initially could allow states to adjust the limit by waiver and follow up with a regulation.

Establish Parameters for Acceptable Forms of Verification within the QC System

The food stamp quality control (QC) system imposes fiscal penalties upon states with error rates that exceed the national average. In well over half of all cases that QC identifies as errors, the food stamp office acted properly given the information it had; the error occurred because of circumstances that were different from what the food stamp office in good faith believed them to be. Thus, to avoid a high error rate, a food stamp office must not only act correctly upon the information it has but must also take steps to ensure that it has as much information as possible from households. States' increasing efforts to impose procedural demands on households, and their concerns about procedural rules designed to promote program access, likely would be tempered if states felt they could operate somewhat less exhaustive verification systems without exposing themselves to QC sanctions.

The pressure QC puts on states to demand exhaustive verification, and to require households to reapply frequently for benefits, is at odds with the goals of reducing the burdens imposed on eligible low-income households seeking to participate. The conflict is worst with regard to the working poor, whose incomes tend to fluctuate from month to month and who, as a result, tend to be targeted in states' "error-prone profiles." Similarly, since households leaving cash assistance may have unstable circumstances, they are often regarded as "error-prone" and required to reapply and to reverify their circumstances. As long as QC holds states strictly accountable for facts states did not know when they acted, states will want to maintain intense pressure on households to provide more information.

The food stamp Quality Control Manual should be amended to provide that a variance between the amount of food stamps a household actually received and the amount it would have received if the food stamp office had had perfect information should not be counted in determining a state's error rate where the food stamp office relied upon certain types of high-quality verification specified by USDA. Under this proposal, USDA would issue a list of types of highly reliable forms of verification (a "gold standard"), such as computer-generated wage stubs or utility bills. If a food stamp office properly verified a household's statements using one of these methods and the information later turned out to be in error, any variance in benefits would not count as an error because the food stamp office had relied on documentation that USDA had determined is ordinarily highly reliable. This proposal would be analogous to employment laws that forbid companies from hiring non-citizens that lack work authorization, but immunize an employer from liability if it has verified an employee's identity and work authorization by examining any of the types of documents on an officially approved list. (For more information see page 56 of CBPP's comment on the February 29, 2000 proposed food stamp regulations.)

ASSISTING STATES IN PROMOTING LOW-INCOME WORKING FAMILY JOINT PARTICIPATION IN HEALTH INSURANCE AND FOOD STAMPS

USDA should build upon HHS's April 7th letter to State Medicaid Directors by Issuing a Companion Letter

On April 7th, HHS instructed all state Medicaid directors that they must determine whether any individuals or families lost Medicaid coverage without a proper Medicaid redetermination when their TANF case was closed. States may undertake this activity by conducting individual case reviews or by identifying categories of households they have improperly terminated (due to reasons such as not implementing a 1931 Medicaid category in a timely manner.) HHS also instructed all states to review their current procedures to ensure that families and children are not losing their Medicaid eligibility inappropriately when they exit the TANF program.

This activity represents an excellent opportunity for states also to review whether households' food stamps were improperly terminated. It is important to raise this issue with states because, in many cases, the Medicaid program is administered by a Department different than the food stamp agency. It is possible that many food stamp directors are unaware the Medicaid reviews are underway. USDA should urge states to take three actions in light of the required steps on Medicaid.

First, state efforts to contact families regarding their Medicaid eligibility or likely Medicaid eligibility represents an important opportunity to conduct food stamp outreach. Many low-income families no longer connected with the welfare system may not know they may be eligible for food stamps. When states send notices to families regarding Medicaid eligibility, they could include information about the food stamp program. Second, if while reviewing a household's Medicaid file, the state realize that it inappropriately terminated the households' food stamp benefits within the last 12 months, it should contact the households about the possibility of back food stamp benefits. Third, if during the course of these reviews the state discovers that it has had a systemic problem with Medicaid case closures, it is possible that a similar problem exists for food stamp closures as well. States should be encouraged to examine food stamp case closure procedures in light of any problems uncovered in the Medicaid program. While USDA should not mandate any of these activities, it should strongly encourage states to undertake them and ask to be notified of the results of such an effort. This proposal should not wait for the Administration to complete a food stamp package. USDA should act immediately to ensure that this opportunity is not lost.

Design and promote a short model joint Medicaid-Food Stamp application

Shorter applications make it easier for families to apply from outside the welfare office and for community groups to help families apply. Unfortunately, many states have joint food stamp/Medicaid and other program applications that are 15 -25 pages long.

Some 46 states have shortened their applications for children's health insurance to improve access to the programs. USDA and HCFA could disprove those who claim a short Medicaid/food stamp process is impossible by developing an optional model short/simplified application. In addition, the agencies could offer to assist any states that are looking to simplify their applications and procedures but are unclear about how best to do so. States that choose to add other programs such as child care or TANF could do so at their option. The agencies could promote existing state applications that defy the norm with respect to simplicity and access.

Virtually all states will need to reconsider their joint program applications in light of the Administration's guidance on the proper use of social security numbers on program application forms for Medicaid and food stamps. In light of this guidance, most states will have to review their application forms anyway to deal with how they are asking for SSN's for non-applicant parents or caretakers in the Medicaid program. This represents an excellent opportunity for USDA and HHS to offer states advice and technical support in shortening and simplifying their common applications.

Encourage and promote state activities to take Medicaid/food stamp applications outside of the welfare office.

Allowing working families to apply for health care outside of the welfare office has been considered essential to expanding enrollment in health care. Working families will often find it easier and preferable to access alternative sites such as health clinics, Head Start programs, child care sites, schools, and Medicaid/CHIP outreach sites. States should be encouraged to expand Medicaid/CHIP outstationing efforts to include Food Stamps. Medicaid-outstationed workers could be trained to take both food stamp and Medicaid applications. In addition to this effort, states should be encouraged to expand welfare office hours and teleservices. USDA and HHS may want to consider convening a joint meeting with state food stamp and Medicaid directors to discuss such strategies.

MEMORANDUM TO THE FIRST LADY

FROM: Shirley Sagawa

RE: Food Stamps

DATE: June 25, 1999

Attached is a note to you from Bob Greenstein regarding the need for more oversight from the White House on Food Stamps. Since your meeting with Jack Lew and Greenstein, there has been a lot of attention to the issue from Cynthia Rice on the DPC and Barbara Chow and her staff at OMB, which has resulting in significant movement. See the attached memo from Nicole.

The only major point of contention over the proposed changes is timing. We had hoped to have the chances made quickly (before June 30) without a lot of fanfare. However, USDA had the idea to put together a package and do a press event in July. We are working on expediting the changes that relate to error rate calculations to keep to the original schedule.

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001. memo	Bob Greenstein to Hillary Clinton [partial] (1 page)	06/22/1999	P6/b(6)

COLLECTION:

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FOLDER TITLE:

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2013-0124-S
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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
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b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

CENTER ON BUDGET AND POLICY PRIORITIES

To: Hillary Clinton

From: Bob Greenstein

Subject: Meeting on Food Stamp Issues

Date: June 22, 1999

I wanted to express my great appreciation for the meeting on food stamp issues. Needed actions that had been stalled for months suddenly seem to be moving forward at a brisk pace.

[redacted] P6/(b)(6) [001]

One final point. I want to urge you to follow up on the suggestion we made to assign a relatively senior White House person some responsibility on food stamps, somewhat akin to that which Chris Jennings exercises on Medicaid. Here's an example of why this is so essential. As you know, in April, HHS issued *final* regulations on the principal welfare parts of the 1996 welfare law and did a terrific job on those rules. But USDA has yet to issue a single significant *proposed* rule on the far-reaching and numerous food stamp changes of the welfare law. *We are on track for virtually every major regulatory decision flowing from the food stamp provisions of the welfare law — the most substantial food stamp policy changes in 20 years — to be made by the next administration.* That is scandalous. (I have met with and talked to Dan Glickman about this. He was startled to learn this was the case, and there has been some progress in moving the regulations within USDA since that meeting, but the progress falls well short of what is needed.) This is just one example of the problems plaguing USDA administration of the program, due in no small part to lack of attention and unwise strategic judgements by USDA political appointees. see attached e-mail

I'm afraid progress in efforts to strengthen and preserve food stamps for poor families will be limited without White House attention on an ongoing basis. I think this is necessary to avoid having a part of the Administration's legacy be developments in this key policy area that I know you and the President would not want to see.

Edwin Lau 06/24/99 06:48:56 PM

Record Type: Record

To: Shirley S. Sagawa/WHO/EOP@EOP

cc: Barbara Chow/OMB/EOP@EOP, Barry White/OMB/EOP@EOP, Jack A. Smalligan/OMB/EOP@EOP, Anil Kakani/OMB/EOP@EOP

Subject: fns regs

A number of people have raised concerns about the delay in the publication of food stamp rules related to welfare reform. We share this concern and have been putting pressure on USDA since the beginning of this year to submit rules for clearance. Unfortunately, while the Executive Office is under a strict 90-day timeline for clearing rules, the Department is under no such constraint. The following is a status update on the major food stamp rules related to welfare reform:

So far we have received two major welfare reform-related rules, "The Non-Discretionary Food Stamp Provisions of PRWORA," which we cleared last week, and the "Food Stamp Provisions of the Balanced Budget Act of 1997" which we are in the process of clearing.

USDA is behind schedule on two other welfare reform-related regulations that they had promised us: the "Personal Responsibility Provisions of PRWORA" and the "Welfare Reform Matching, Fair Hearings and Recipient Service Rule". In addition, there are several other welfare reform-related rules including restoration of benefits for immigrants for which USDA has not even set a tentative date for submission.

June 22, 1999

MEMORANDUM FOR HILLARY RODHAM CLINTON

FROM: NICOLE RABNER AND JOY WARREN

CC: MELANNE VERVEER, SHIRLEY SAGAWA

SUBJECT: STATUS OF ACTIONS ON DECLINING FOOD STAMP CASELOADS

The purpose of this memo is to update you on the status of the Administration's actions to address declining Food Stamp caseloads. The White House has been working closely with Bob Greenstein and the USDA to develop a package of initiatives that we expect to announce by July. This package solely relies on administrative action and incorporates many of the recommendations made by the Center for Budget and Policy Priorities.

We expect states to embrace these proposals, helping an often strained relationship between the feds and the states on Food Stamp policy. The new policy announcement will be coordinated with the mid-year budget review (when OMB advances a new budget baseline).

Problem

Food Stamp caseloads declined by over 9 million people from 1994 to 1997, falling five times as fast as poverty. This decline can be partially explained by economic growth and new restrictions on benefits for legal aliens and childless unemployed adults; however, at least 22% of the decline cannot be attributed to either economic factors or legal restrictions. The Administration is concerned that the unaccounted for drop in caseloads indicates that eligible families are wrongly denied Food Stamps, or that families are unable to overcome unnecessary barriers to obtain Food Stamps. In keeping with the Administration's efforts to ensure that all needy families have access to Food Stamps, the White House has developed the following package of initiatives, which, by preliminary estimates, costs $250 million over 5 years.

Overview of New Policy

1. *Issue guidance to clarify that recipients of any kind of TANF assistance, including non-cash benefits, are eligible for food stamps according to TANF standards for vehicle asset limits.*

In making a determination of eligibility for Food Stamps, states currently apply the Food Stamp vehicle asset limit to recipients of non-cash TANF benefits. This results in denial of Food Stamps to families who own cars that meet the TANF asset limit but not the more restrictive Food Stamp limit. This initiative will increase the number of families eligible for Food Stamps by ending the practice of denying benefits to TANF recipients with vehicle assets above the Food Stamp Program limit.

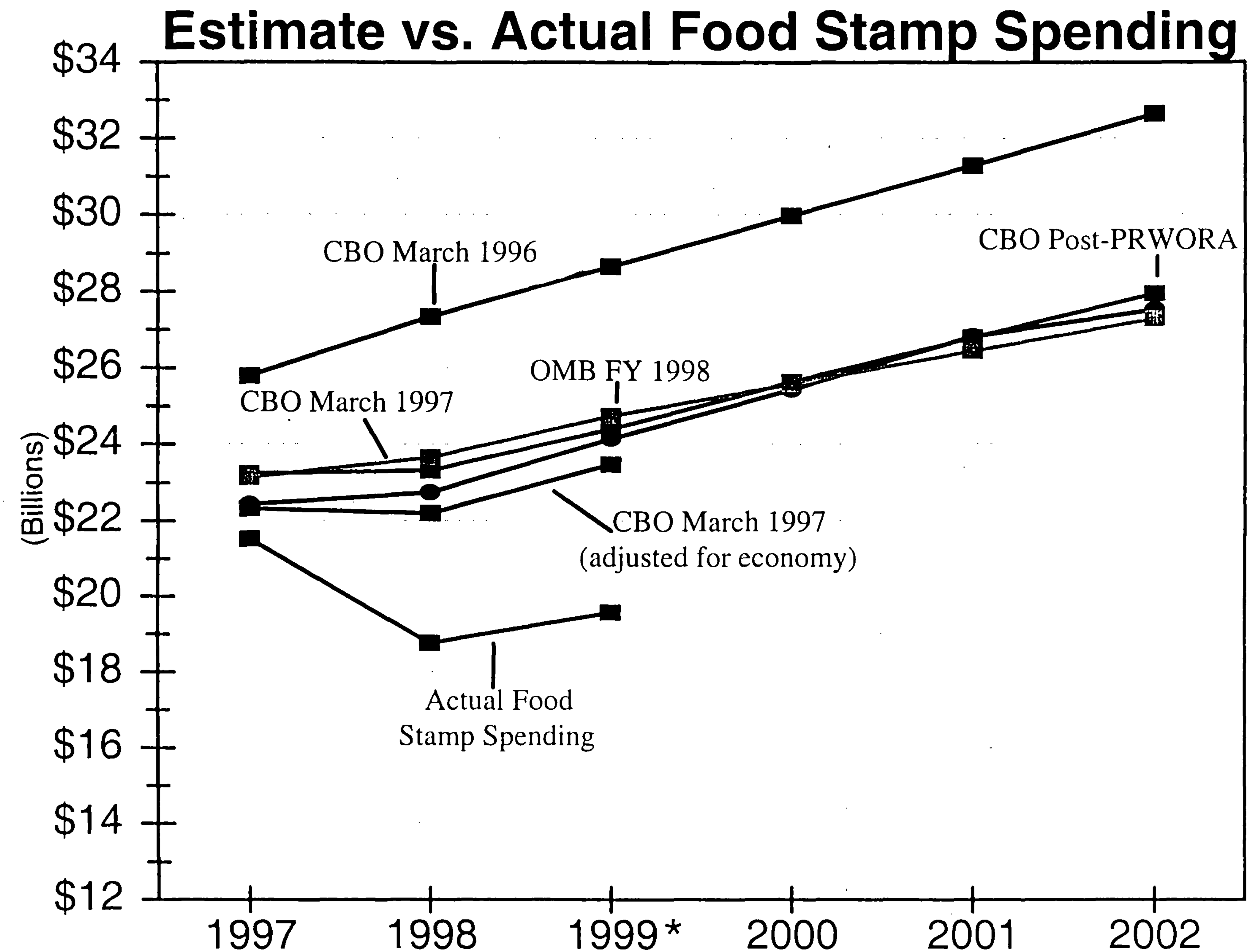
2. Issue guidance that eases unnecessary bureaucratic burdens on families.
Currently states must require recipients to report their income each month or to report income every time it changes no matter how insignificant the change. These requirements can be difficult to meet, particularly for working recipients who must report to a Food Stamp office during business hours. This initiative would 1) give states the option to permit recipients to report income on a quarterly basis, and 2) clarify that recipients only need report significant changes in employment status (i.e., change of job, change in hourly wage, or a change from full-time to part-time or part-time to full-time).

3. Finalize rule to allow states more leniency in projecting recipient income.
Current USDA penalties for inaccurate estimation of recipient income leave states little room for error. These strict penalties provide states with incentives to limit the number of families they serve under the Food Stamp Program. Recognizing that these income projections are often inaccurate because recipients' earnings typically fluctuate from month to month, this initiative creates a more reasonable margin of error for the states in making their projections.

4. Promote best practices among the states.
USDA will gather information about innovative strategies that states use to improve access to Food Stamps for eligible families. USDA will share this information with states through informational materials, technical assistance, conferences, and an improved toll-free number.

Administration Action to Date

4-6-99	Food and Nutrition Service issues letter to State Welfare Commissioners that informs states of their legal obligations under the Food Stamp Program.
2-5-99	USDA issues report on New York City's violations under the Food Stamp Program.
4-6-99	USDA issues final warning to New York City to come into compliance with federal law. The city agrees to change its policies and USDA continues to monitor for compliance.



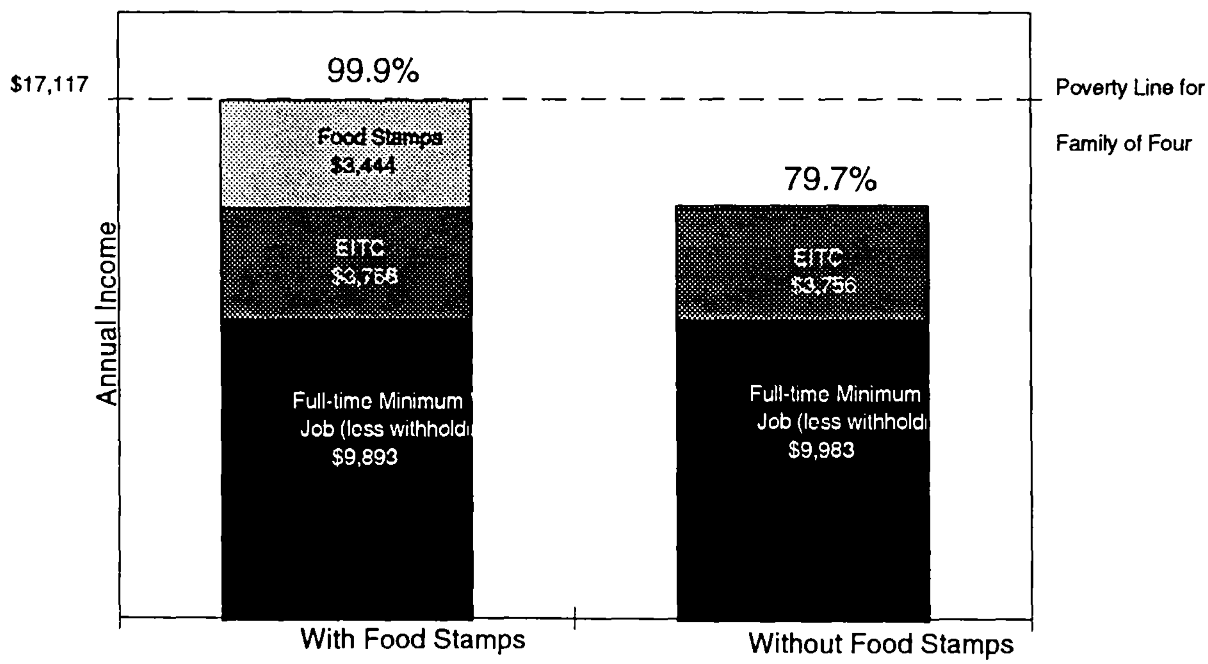
*Projected from data for first five months of fiscal year.

How Much Can Food Stamps Raise the Incomes of Low-Income Working Families

(Table assumes families spend $350 monthly for rent and utilities)

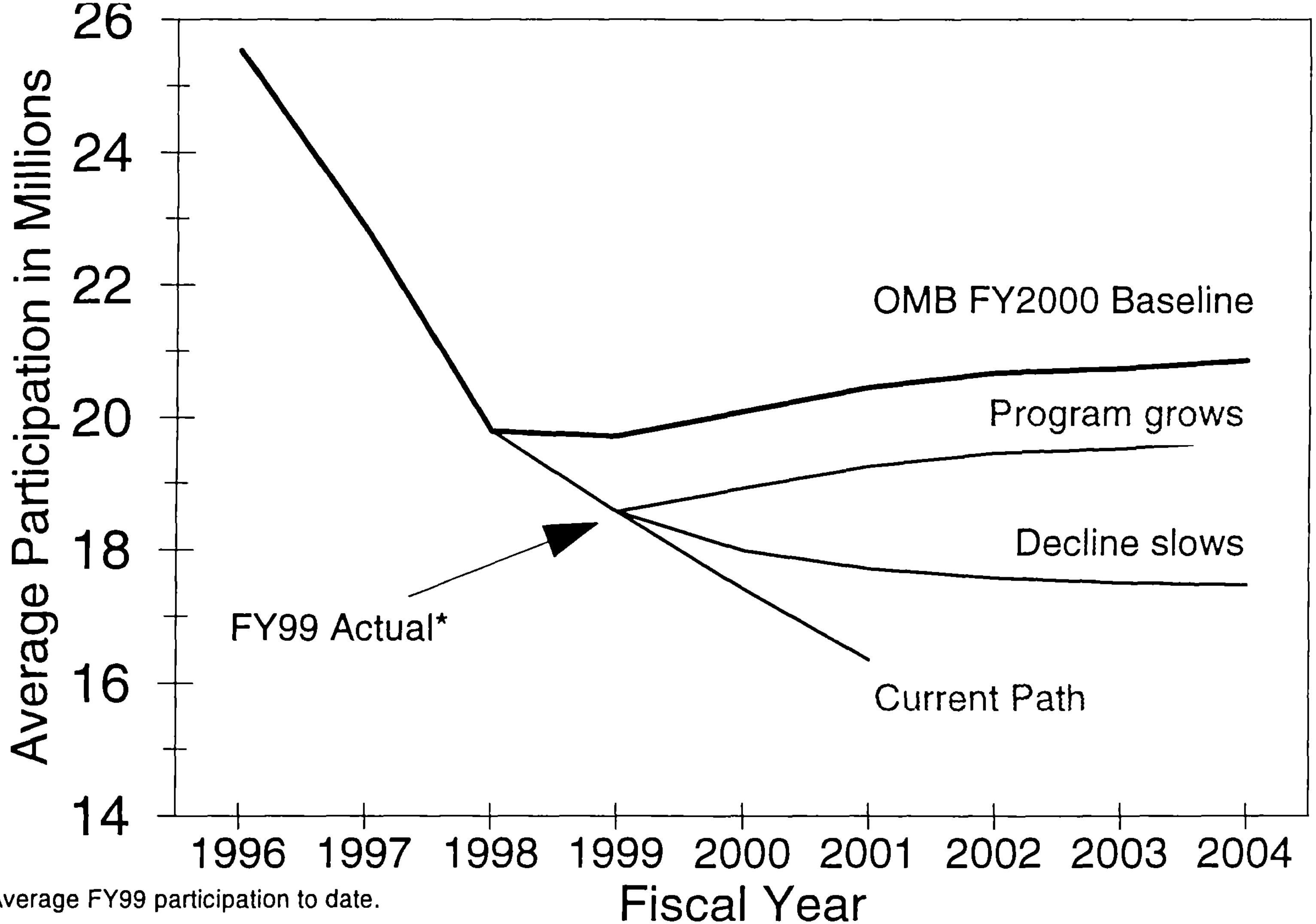
	Earnings		
	30 hours, minimum wage	**34 hours, $6.50 per hour**	**Full-time, $7.50 per hour**
Monthly take-home earnings:	$618	$884	$1,200
Food Stamps for a family of 3:	$253	$149	$57
% Increase in monthly take-home earnings:	41%	17%	5%

HELPING WORKING FAMILIES REACH THE POVERTY LINE, 1998



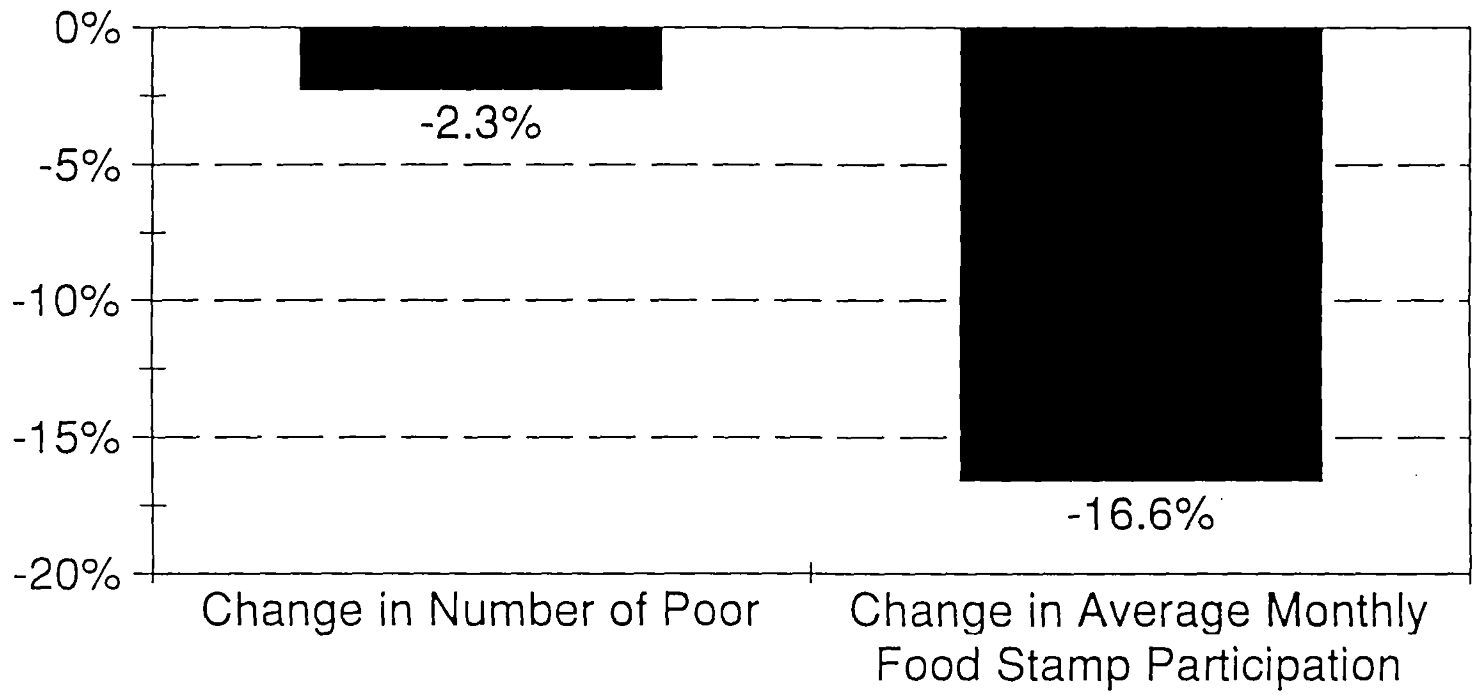
Food Stamp

Comparing Possible Participation Impact of Proposed Changes with OMB Baseline



*Average FY99 participation to date.

Changes in Number of Poor People and Food Stamp Participation, 1995-1997



not due to eligibility changes

Child Program Participants As a Percent of Children Poor After Receiving Social Insurance Benefits

(in thousands)

	Number of Children Poor After Receiving Social Insurance	Number of Child Food Stamp Recipients	Percent of Poor Children Receiving Food Stamps	Number of Child AFDC Recipients	Percent of Poor Children Receiving AFDC
1994	16,324	14,391	88.2%	9,440	57.8%
1997	14,890	11,871	79.7%	7,527	50.6%
1998*	14,454	10,585	72.8%	6,898	47.4%
Change:					
'94 - '97	*-8.8%*	*-17.5%*	*-9.6%*	*-20.3%*	*-12.6%*
'94 - '98	*-11.5%*	*-26.4%*	*-17.5%*	*-26.9%*	*-18.0%*

Source: CBPP calculations based on Census and HHS data

* Based upon decline in total recipients and average decline in poverty

Removing Barriers and Improving Access:
A Plan to Make Food Stamps Work for Working Poor Families

- ☐ Recommended USDA activities allowed under existing authority.
- ▸ Proposals which require new legislation.

Better Understanding the Problem

☐ *Promote state level activities to evaluate whether families leaving the TANF program remain eligible and continue to receive food stamps.* MA and SC recently determined that a large percentage of families leaving TANF are not receiving food stamps even though they are eligible. SC has committed to eliminating state practices that contribute to this problem.

☐ *FNS should continue its special analyses of caseload decline* with an eye towards whether a smaller share of families in poverty are receiving food stamps.

☐ *Provide better statistical analysis to states on the source of food stamp overpayments* to both assist states and to inform decisions about state plans to reduce errors, i.e. if 50% of a state's errors are caused by immigrants and 18-50's then that state need not adopt policies that deter the working poor from participating.

☐ *Conduct a review of food stamp cases that states have "denied"* in an effort to determine if state procedures are contributing to caseload decline. States "self-declare" their performance in this area but GAO and FNS studies of the late 1980's showed that states under report their errors.

▸ *Ensure that FY2000 food stamp research funding is provided to FNS* and focuses on analyzing the problem of caseload decline and serving the working poor.

Streamlining and Simplifying the Application and Enrollment Process

Note: See CBPP December paper to OMB for a detailed discussion of these suggestions.

☐ *Provide flexibility to states to make it easier for families to report fluctuations in their income without jeopardizing state error rates.* Proposals include allowing working families to report changes in their income every three months or to allow families to report "changes in their circumstances" so long as they reapply every six months. Further changes could be adopted that rationalize income reporting, e.g., no longer penalize families/states for receiving 3 paychecks in a month when only two were anticipated.

- ☐ *Change the rules so that a food stamp minor overpayments to eligible households no longer are charged to a state's error rate.* Currently, welfare workers must hound working families to keep track of changes in earnings and child support income that can throw off a monthly benefit by a few dollars. These procedures deter working families from participating in the program.

- ☐ *Design and promote cost-neutral administrative waivers that simplify participation requirements for the working poor.* Eg.: Instead of having to report fluctuations in child support income each month, working poor families should be able to average their last few months payment as an estimate for coming months.

- ☐ *Review and modify food stamp policy that leads to irrational outcomes in quality control.* E.g. A household can receive an underpayment in April if it delays picking up a paycheck until early May. May's food stamp benefit might then been an overpayment. The state could be sanctioned for both months of benefits.

- ☐ *Design and promote a model joint 4-5 page Medicaid-Food Stamp application.* (Many states food stamp applications are complicated and 15-25 pages long. By contrast 41 states have shortened their Medicaid applications to improve access to the program.) States could then add any necessary TANF or child care questions. FNS could also promote existing short easy-to-use joint applications.

- ☐ *Issue joint HHS/USDA guidance on the opportunities for coordinating application and enrollment simplification activities.* Both HHS and USDA should adopt a common message about Medicaid, food stamps and child care being important work support programs.

Helping Families Keep Food Stamps During Their Transition from Welfare to Work

- ☐ *Make client service and proportion of working poor receiving food stamps a factor when negotiating states' quality control sanctions, reinvestment plans and corrective action plans.* USDA could take a more lenient approach towards states that have implemented specific meaningful steps to promote access to food stamps and/or have improved coordination with Medicaid. In addition, USDA could take a more lenient approach towards those states have maintained or increased their proportion of working poor households receiving benefits. This effort should be packaged with a strong nationally consistent public message about how sanctions will be treated in the future.

- ☐ *No longer insist upon state practices that have detrimental effects on program access and that may not be related to the cause of the state's errors.* Across the board requirements that working recipients get their employers to complete verification forms, even when the information they provide is not questionable, increases burden and stigma. These policies are at odds with the Administration's efforts to encourage employers to hire people leaving welfare. In addition, USDA should cease insisting that states require working families come into the welfare office and reapply for food stamps every three months. This policy has had a major chilling effect on clients' desire to participate in the program. This is particularly important when the cause of the state's errors is not related to serving the working poor, e.g., the state has not yet programmed 1996 food stamp eligibility changes into its computer or has too few staff to adequately administer the food stamp program.

- ☐ *Consider encouraging states to take Medicaid and food stamp applications before they interview an applicant for TANF.* Medicaid and food stamps could be considered work support programs.

- ☐ *Promote state policies and procedures that educate recipients about their food stamp eligibility once they leave TANF* and that do not confuse clients about whether or not they remain food stamp eligible. For example, FNS could review state notices to clients leaving the TANF program regarding their food stamp eligibility. Strong clear notices should be promoted.

Changing the Rules to Make More Working Families Eligible

- ☐ *Issue guidance on the new flexibility states have to provide food stamp eligibility to families receiving TANF benefits other than welfare checks.* Promote successful state strategies to utilize this flexibility as a way to cover more families. This should be an active joint ACF/FNS effort. (Technically, this is not "changing the rules".)

- ▸ *Propose and support legislation to increase the value of a car that food stamp households may own.*

- ▸ *Propose and support legislation to restore food stamp eligibility to immigrant parents and immigrants who arrive in the U.S. after August 22, 1996.*

Increasing Access to the Program from Outside the Welfare Office

Note: These activities are important and should be undertaken. They are not, however, a substitute for the fundamental need to remove disincentives to serve the working poor.

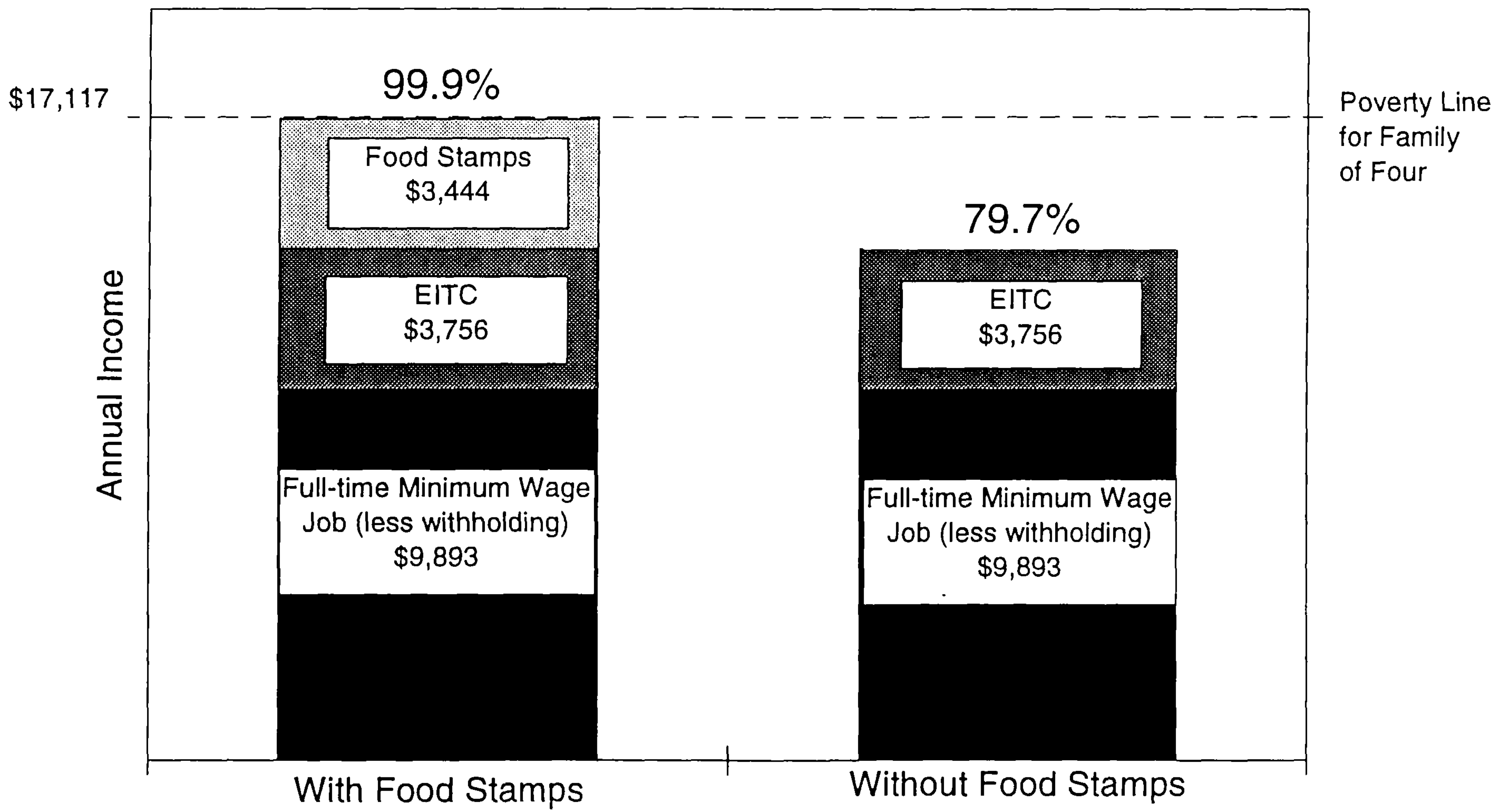
- ☐ *Encourage outstationing of state food stamp workers* (with simplified applications) at sites likely to attract the working poor: health clinics, Head Start programs, child care sites, schools, and Medicaid/CHIP outreach sites. Medicaid outstationed workers could be trained to take both food stamp and Medicaid applications.

- ☐ *Encourage and promote state efforts to provide extended office hours* to allow working poor families to come in the evenings or on Saturdays. Many states claim extended office hours are available but in reality it is rarely true. In addition, working poor families should have the ability to schedule appointments with the food stamp office at times when they do not have to miss work.

- ☐ *Explore and promote strategies to utilize technology to improve access to the food stamp programs.* Ex. taking applications or allowing families to report changes in their circumstances over the phone and allow working families to schedule necessary appointments, etc. This would limit working families need to miss work in order to go into the welfare office.

- ☐ *Promote and encourage states to partner with community groups to assist working families to fill out and file applications.* This has been a successful strategy in the Medicaid program. For example, schools, child care centers and health clinics could help families apply for assistance.

HELPING WORKING FAMILIES REACH THE POVERTY LINE, 1998



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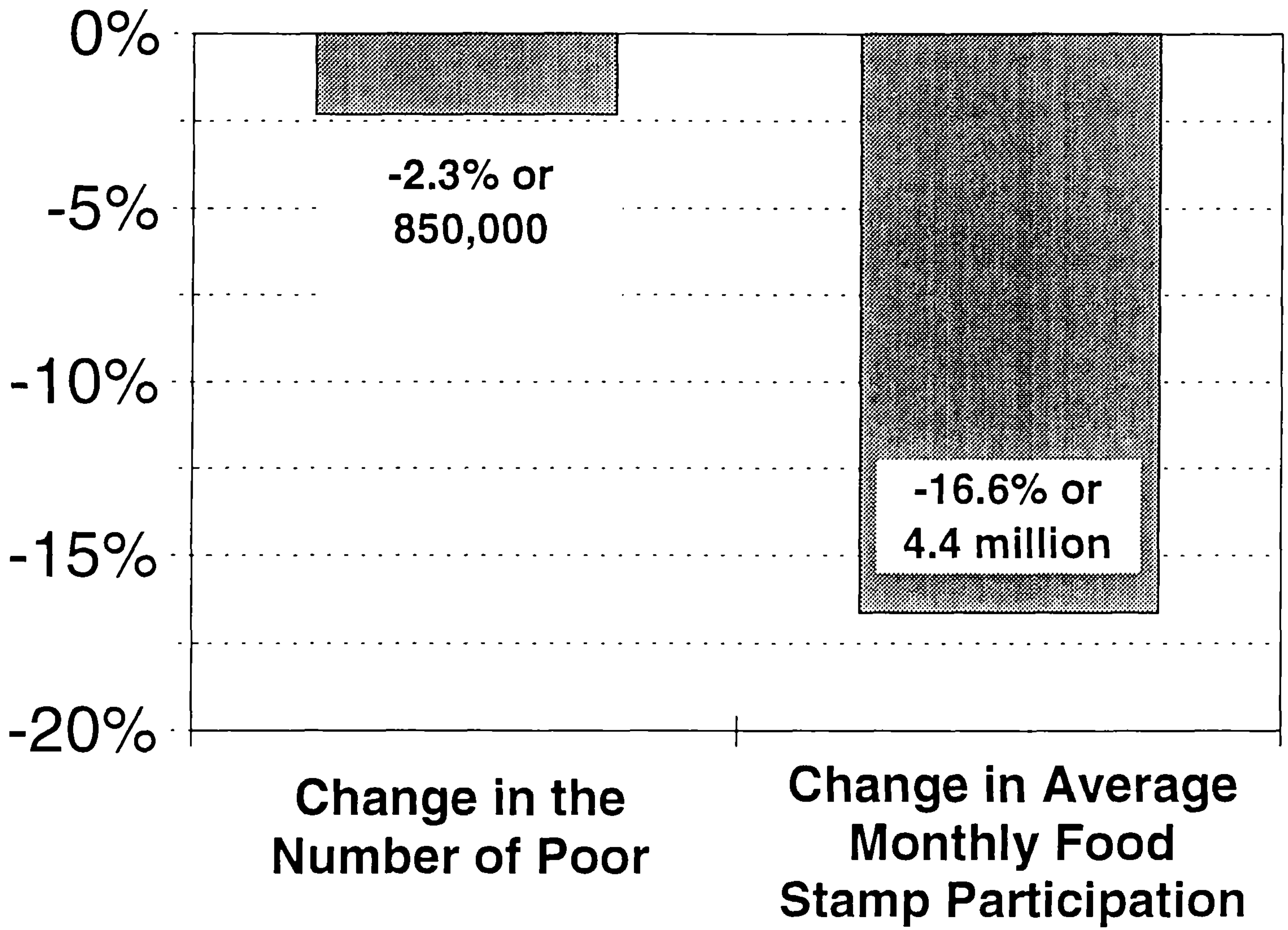
% Increase in monthly take-home earnings:	41%	17%	5%

Note: "Take-home" earnings equals earnings minus federal payroll taxes and does not include the EITC or the effects of state taxes.

Changes in the Number of Poor People and Food Stamp Participation 1995-1997



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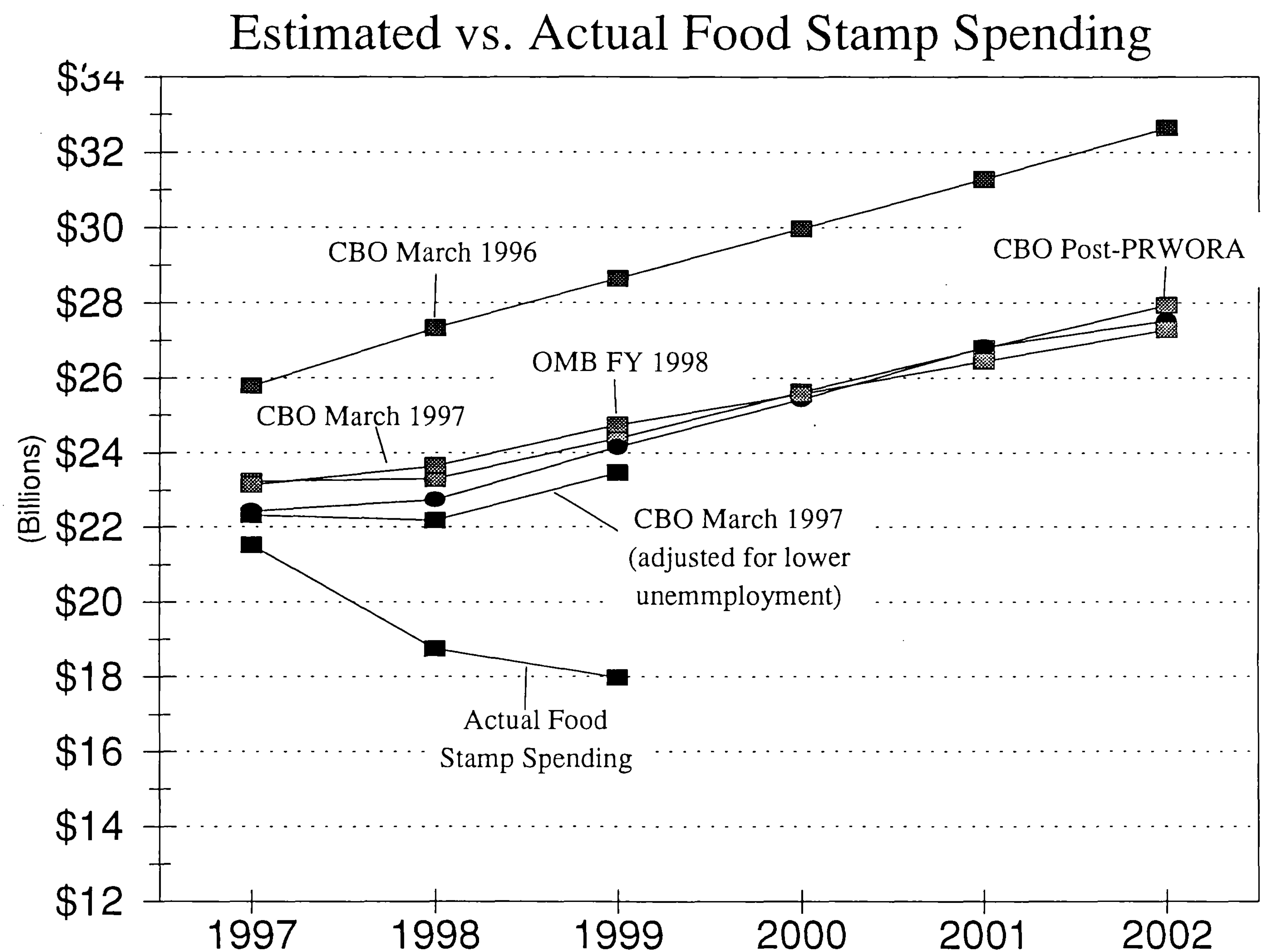
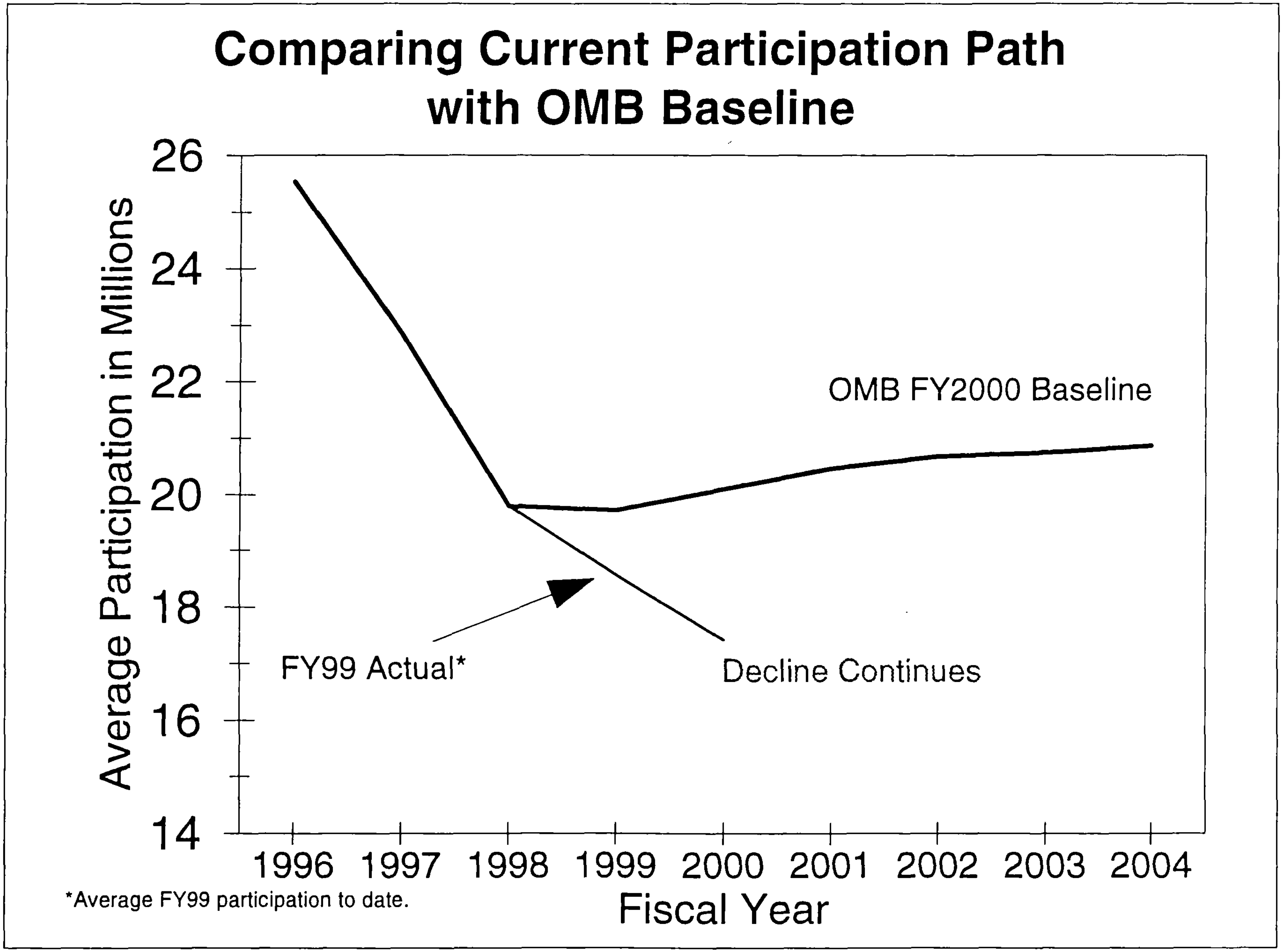


*Projected from data for first five months of fiscal year.


Comparing Current Participation Path
with OMB Baseline
26
24
22
20
18
16
14
Average Participation in Millions
OMB FY2000 Baseline
FY99 Actual*
Decline Continues
1996
1997
1998
1999
2000
2001
2002
2003
2004
Fiscal Year
*Average FY99 participation to date.

Summary of Proposals to Increase Access to Food Stamps for the Working Poor

The Administration is committed to ensuring the food stamp program serves all eligible families, including working families, and to removing barriers that may prevent families from obtaining these important nutritional benefits. This three part proposal is aimed at increasing participation of families eligible for food stamps, making it easier for the program to serve families with earned income, and promoting innovative new efforts to improve food stamp access.

Preventing Working Families from Being Disqualified by the Cars They Drive to Work. (Guidance.) A reliable car can be critical for families moving from welfare to work and for working families trying to stay off the welfare rolls. Under TANF, many states have adopted new vehicle asset rules allowing families to obtain TANF benefits and services even if they own a vehicle worth more than the asset limit allowed under AFDC. Through this guidance the Administration would ensure that families receiving TANF benefits of any kind -- including noncash services such as child care and job retention counseling -- would be able to keep their car without becoming ineligible for the food stamps that help supplement their working income.

Under current law, families that receive "benefits" from a TANF-funded program are "categorically" or automatically, eligible for food stamps. Families who are eligible for food stamps as a result of being on TANF need only meet their state's TANF vehicle asset test, not the lower $4,650 level set by the food stamp program. States have tremendous flexibility in how they can spend their TANF funds, and final TANF rules published in April make clear they can use TANF to fund many types of supports for working families as well as traditional cash assistance. In the Food Stamp Program current USDA guidance only allows "categorical eligibility" for recipients of cash assistance. This has the perverse effect of stripping many families of food stamps just as they leave cash assistance, even if their incomes are low enough to qualify and they are still receiving TANF "benefits" such as case management or child care services which means the TANF vehicle asset limit should apply. This guidance would correct this misunderstanding and ensure states extend the benefits of categorical eligibility as provided under the statute.

Making it Easier for the Food Stamp Program to Serve Working Families. (Guidance/ Regulation.) Low income working families often have fluctuating incomes, because their hours of work per week vary or they change jobs frequently. Current food stamp rules require administering agencies to adhere to complicated rules related to income reporting and projections. To make it easier for the food stamp program to serve working families, the Administration would make two changes to simplify these rules.

<u>New Income Reporting Options</u> (Guidance.) The Administration would issue guidance allowing waivers to allow two new types of income reporting. Unless a state has a waiver, families must report their income every time it changes and sometimes reapply monthly in order to reduce the states QC error rate. These new options would allow families to report their income either quarterly, reducing the number of trips a working family would have to make to the food stamp

office, or only when the family had a change in its employment status (a change of job, a change in hourly wage, or a change from full-time to part-time or vice versa) instead of having to report every change in monthly income (which could result from a few additional hours of overtime or from more days in the month). These new options would free families from having to report and document relatively small changes in earnings, and would make it easier for agencies to serve families with earned income.

New Income Estimating Rules (Final rule.) Most food stamp offices use past income to estimate future earnings and set food stamp benefit levels for the next month. Often, because of the fluctuating income of many low income families, these income projections are too high or too low. While a families' future food stamp amount is adjusted accordingly, the administering state is subject to federal penalties for these estimating errors, whether they were underpayments or overpayments. This final rule would increase the tolerance level -- the amount of estimating error not considered in determining federal penalties -- from its current level of $5 per month to $25 per month, to recognize the greater volatility in income as more food stamp recipients go to work.

Promoting Policies to Improve Access. (Letter from FNS Administrator/Guidance.) To promote policies to improve access to food stamps, the Administrator of FNS would write to state welfare commissioners, highlighting best practices in place in certain food stamp offices as well as models being used in Medicaid and CHIP programs, and encouraging all state agencies to adopt them. These models might include:

- Simplified application forms.
- Allowing income changes to be reported by telephone.
- Alternative office hours.
- Giving working families the option to schedule their own appointments.
- Taking food stamp applications prior to exploring diversion from cash assistance.

See attached for more information.

USDA would commit to certain on-going efforts to promote access and share best practices including providing informational materials, an improved toll-free number, on-going technical assistance, conferences/exchange visits and would highlight the Administration's FY 2000 proposal for an additional $7 million for such efforts. USDA may also commit to considering service to the working poor when negotiating quality control sanctions [needs discussion -- see attached].

The letter would also reiterate, as USDA has done in its January 29, 1999 notice and elsewhere, that the law requires agencies to ensure applicants are fully aware of their right to file an application for food stamps when applying for cash assistance and they should not automatically terminate food stamp benefits as people move to work, and would state the Administration's strong commitment to on-going enforcement in this area.

Attachment A: Additional Information on Possible Best Practices Ideas

- Shortening application forms. Some states have limited their applications to four pages, with additional follow-up questions asked if answers to the basic questions indicates an unusual situation (*e.g.*, the presence of an immigrant in the household). Some eligible low-income people, particularly those with limited literacy skills, may be intimidated by long forms even if large parts of the long forms are to be completed by agency staff or only by applicants with unusual circumstances.

- A simple food stamp/Medicaid application form. Many working families do not want cash assistance and may be deterred from receiving food stamps (and Medicaid) if they feel they must access them through the TANF application process. A short, simple application form that does not include cash assistance may encourage these families to feel that they can apply only for the benefits they need.

- Reporting changes by telephone. Working families may find it difficult to travel to the local food stamp office to report changes. They may have only limited access to telephones during office hours and thus may have trouble reporting changes to their eligibility workers if they cannot get through on the first attempt. At times eligibility workers will be too busy to take changes over the telephone. Recipients leaving messages will have no record that they made the report and may unintentionally omit information that the food stamp office needs to begin processing the change. A statewide toll-free number that leads to a centralized change reporting staff, whose sole function is to receive and forward recipients' reports of changes, have proven an innovative and effective method of supporting working families' efforts to inform the state of changes in their circumstances. Illinois and Texas have established successful systems with extended hours to meet the needs of all working recipients.

- Alternative office hours. As a larger proportion of food stamp households are headed by workers, states may want to reconsider their traditional office hours. Although it is reasonable to ask unemployed able-bodied recipients who are not engaged in employment or training activities to come in for interviews at the times most convenient for the state agency, it is undesirable to require recipients to miss time from work or training unnecessarily. Staying open into the evening a few nights a week or on a Saturday could help avoid these conflicts.

- Giving working households the option to schedule their own appointments. Again, missed hours from work both reduce households' incomes and can undermine their relationships with employers. Allowing households to participate in scheduling their own certification appointments (*e.g.*, by requesting a time on days or at times when they are not scheduled to work) can avoid these unnecessary conflicts.

- Taking food stamp applications prior to exploring diversion from cash assistance. Many states now engage prospective TANF applicants in a detailed exploration of alternatives to welfare prior to taking their applications. Unfortunately, when these efforts succeed, low-income families often leave the agency's office without applying for food stamp (or other) benefits for which they may be eligible. When a very low-income family is endeavoring to stay off of cash assistance, food stamps often can make a crucial difference. This problem can be addressed by taking the family's application for food stamps (and Medicaid as well) before the family meets with staff responsible for diverting unnecessary applications for cash assistance. This effort would be supported by a food stamp/Medicaid application form that is separate from the application for cash assistance.

- State-to-state exchange visits. The food stamp program long has had funds available to allow officials from one state to visit another to teach or learn about salutary administrative practices. At present, this money is primarily being spent to spread the word on error reduction techniques. USDA should fund state-to-state exchange visits to promote effective techniques for serving families that have left welfare. Being invited to teach in another state under the state-to-state exchange program is considered prestigious among state officials; if USDA begins sponsoring visits to promote program access, many administrators are likely to become focused on innovating in this area in the hopes of winning this recognition.

Attachment B: Considering Service to the Working Poor when Negotiating Quality Control Sanctions

Much of the most important communication between USDA and the states takes place one-on-one, particularly as part of its regional offices' negotiations concerning QC sanctions. In recent years, as error rates have converged and caused increasing numbers of states to exceed the national average and thus to have to negotiate QC settlement agreements, states have focused with rapt attention on the policy preferences of USDA's regional offices. Many states have adopted three-month certification periods because the regional offices made clear that they would consider that policy a sign that a state is taking payment accuracy seriously.

USDA may be able to affect states' behavior significantly if its regional offices indicated that they would take into account the proportion of a state's caseload that is not on a fixed income (*i.e.*, the proportion that is receiving neither TANF cash assistance nor SSI) when negotiating QC sanctions. This is entirely appropriate: a state's administrative tasks are more difficult if it is serving a higher proportion of error-prone working poor households (as well as out-of-work migrant farm workers and homeless households that may have no steady source of income at all). If two states have the same nominal error rates but one is serving many families that have left welfare while the other has a much larger fixed-income population, the first state is probably doing a much better job: the state with the easier caseload should have achieved better results.

This point was made in the National Academy of Science's study of the food stamp QC system in the late 1980s. Putting out the message that states that have failed to serve the working poor and other difficult populations can expect less leniency in QC settlement negotiations should dissuade states from adopting policies that drive working poor families off of the program.

SUBJECT: FSP - Modifying the Status Reporting Waiver and Offering the Quarterly Reporting Waiver to all State Agencies

TO: All Regional Administrators

As you know, FNS has been working closely with our many partners and stakeholders to improve service to working families. We are pleased to announce the Administration's approval of an Agency policy initiative which will enhance program access for the working poor, and harmonize reporting requirements for households receiving food stamps and TANF. We are now prepared to approve State agency requests for status reporting waivers with 6-month certification periods, for increasing the reporting threshold in such waivers from $80 to $100, and for quarterly reporting waivers for households with earned income or which are quarterly reporting for TANF.

Current Food Stamp Program regulations at 7 CFR 273.12 require certified households to report changes in the sources of income and in the amount of gross monthly income of more than $25 dollars. As you know, for several years we have been approving waivers of these requirements for earned income that are in accordance with three options discussed in the proposed rule, "Anticipating Income and Reporting Changes," published December 17, 1996. In addition, four States have waivers which permit them to use a quarterly reporting system which requires households to submit a report in the 3rd month of the quarter which is used to determine benefits for the following quarter. Quarterly reporting is not one of the options discussed in the proposed rule. FNS stopped approving requests for quarterly reporting in 1995, primarily because of cost concerns. Several State agencies have indicated a desire to implement quarterly reporting systems even though we had stopped approving them.

As the proportion of the caseload with earnings continues to rise, we are concerned about the difficulties that State agencies and working families face in dealing with fluctuating earned income. We believe that a quarterly reporting system for households with earned income or who are required to quarterly report for TANF offers the following advantages:

- States will be able to process changes in food stamp household circumstances with greater accuracy and timeliness.
- State agencies will be able to harmonize reporting policies for TANF recipients who are expected to join the workforce quickly.
- Households with earned income will have more clearly defined reporting responsibilities.
- Access to nutrition assistance for working families, especially families with children, will be improved as wage earners will not need to visit the food stamp office as often.

Therefore, we are offering State agencies the ability to:

- Apply for a waiver to implement a quarterly reporting system for households with earned income or who have a quarterly reporting requirement in TANF.
- Modify the existing status reporting waiver to allow 6-month certification periods as opposed to 3-month certification periods.
- Modify the existing status reporting waiver to increase the reporting threshold from $80 to $100.

State agencies that already have status reporting waivers with 3-month certification periods can simply notify the Regional Office in writing that they will be instituting 6-month certification periods for some or all households currently covered by the waiver. Likewise, State agencies which have implemented waivers increasing the reporting threshold from $25 to $80, may notify the Regional Office that they will be further increasing the reporting threshold to $100.

State agencies desiring to apply for a quarterly reporting waiver must do so using the regular waiver request process. We have outlined below the essential questions each State agency needs to answer in its waiver request. We believe this minimal information will enable us to respond quickly to each request, to process such requests fairly and consistently, and to provide a uniform data base to share with State agencies seeking technical assistance in implementing a quarterly reporting system.

- Which households with earned income or who are receiving TANF benefits will the waiver cover?
- Will the report cover earnings only or other types of income?
- When will the State agency mail the report form to the household and when should the household return it?
- What will happen if the household does not timely submit the quarterly report form?
- What period of time does the quarterly report cover (e.g., just the current month's situation, or information from the past two months and anticipated circumstances for the third)?
- How does the State agency intend to determine the allotments for the next quarter (e.g., will they be determined prospectively based on information reported on the quarterly report or retrospectively)?
- What verification procedures will the State agency use (e.g., does a recipient send in just the current month's pay stubs as verification, or pay stubs for all the months covered in the quarter)?
- How, if at all, will the State agency adjust quality control procedures?
- How will the State agency determine the effectiveness of the waiver?

We hope that modifying the status reporting waivers and extending the quarterly reporting waiver will simplify reporting requirements for both State agencies and the working poor. In addition, this new policy initiative demonstrates our commitment to providing State agencies greater administrative flexibility and to harmonizing Agency policies with effective State agency error reduction strategies.

Please work closely with your State agencies to develop their waiver requests or modifications. If you have any questions, or need additional information, please call Patrick Waldron of my staff at 703-305-2805.

Susan Carr Gossman
Deputy Administrator

FNS:FSP:PDD:CPB:Mjohnston/Pwaldron:6/2/99
I:CPB:273.12:Memo to RAs on QR4.2

Summary of Proposals to Increase Access to Food Stamps for the Working Poor

The Administration is committed to ensuring the food stamp program serves all eligible families, including working families, and to removing barriers that may prevent families from obtaining these important nutritional benefits. This three part proposal is aimed at increasing participation of families eligible for food stamps, making it easier for the program to serve families with earned income, and promoting innovative new efforts to improve food stamp access.

Preventing Working Families from Being Disqualified by the Cars They Drive to Work. (Guidance.) A reliable car can be critical for families moving from welfare to work and for working families trying to stay off the welfare rolls. Under TANF, many states have adopted new vehicle asset rules allowing families to obtain TANF benefits and services even if they own a vehicle worth more than the asset limit allowed under AFDC. Through this guidance the Administration would ensure that families receiving TANF benefits of any kind -- including noncash services such as child care and job retention counseling -- would be able to keep their car without becoming ineligible for the food stamps that help supplement their working income.

Under current law, families that receive "benefits" from a TANF-funded program are " categorically" or automatically, eligible for food stamps. Families who are eligible for food stamps as a result of being on TANF need only meet their state's TANF vehicle asset test, not the lower $4,650 level set by the food stamp program. States have tremendous flexibility in how they can spend their TANF funds, and final TANF rules published in April make clear they can use TANF to fund many types of supports for working families as well as traditional cash assistance. In the Food Stamp Program current USDA guidance only allows "categorical eligibility" for recipients of cash assistance. This has the perverse effect of stripping many families of food stamps just as they leave cash assistance, even if their incomes are low enough to qualify and they are still receiving TANF "benefits" such as case management or child care services which means the TANF vehicle asset limit should apply. This guidance would correct this misunderstanding and ensure states extend the benefits of categorical eligibility as provided under the statute.

Making it Easier for the Food Stamp Program to Serve Working Families. (Guidance/ Regulation.) Low income working families often have fluctuating incomes, because their hours of work per week vary or they change jobs frequently. Current food stamp rules require administering agencies to adhere to complicated rules related to income reporting and projections. To make it easier for the food stamp program to serve working families, the Administration would make two changes to simplify these rules.

<u>New Income Reporting Options</u> (Guidance.) The Administration would issue guidance allowing waivers to allow two new types of income reporting. Unless a state has a

waiver, families must report their income every time it changes and sometimes reapply monthly in order to reduce the states QC error rate. These new options would allow families to report their income either quarterly, reducing the number of trips a working family would have to make to the food stamp office, or only when the family had a change in its employment status (a change of job, a change in hourly wage, or a change from full-time to part-time or vice versa) instead of having to report every change in monthly income (which could result from a few additional hours of overtime or from more days in the month). These new options would free families from having to report and document relatively small changes in earnings, and would make it easier for agencies to serve families with earned income.

New Income Estimating Rules (Final rule.) Most food stamp offices use past income to estimate future earnings and set food stamp benefit levels for the next month. Often, because of the fluctuating income of many low income families, these income projections are too high or too low. While a families' future food stamp amount is adjusted accordingly, the administering state is subject to federal penalties for these estimating errors, whether they were underpayments or overpayments. This final rule would increase the tolerance level -- the amount of estimating error not considered in determining federal penalties -- from its current level of $5 per month to $25 per month, to recognize the greater volatility in income as more food stamp recipients go to work.

Promoting Policies to Improve Access. (Letter from FNS Administrator/Guidance.) To promote policies to improve access to food stamps, the Administrator of FNS would write to state welfare commissioners, highlighting best practices in place in certain food stamp offices as well as models being used in Medicaid and CHIP programs, and encouraging all state agencies to adopt them. These models might include:

* Simplified application forms.
* Allowing income changes to be reported by telephone.
* Alternative office hours.
* Giving working families the option to schedule their own appointments.
* Taking food stamp applications prior to exploring diversion from cash assistance.

d for more information.

ld commit to certain on-going efforts to promote access and share best practices including providing informational materials, an improved toll-free number, on-going technical assistance, conferences/exchange visits and would highlight the Administration's FY 2000 proposal for an additional $7 million for such efforts. USDA may also commit to considering service to the working poor when negotiating quality control sanctions [needs discussion -- see attached].

would also reiterate, as USDA has done in its January 29, 1999 notice and elsewhere, that the law requires agencies to ensure applicants are fully aware of their right to file an application for food stamps when applying for cash assistance and they should not automatically terminate food stamp benefits as people move to work, and would state the Administration's strong commitment to on-going enforcement in this area.

Attachment A: Additional Information on Possible Best Practices Ideas

- Shortening application forms. Some states have limited their applications to four pages, with additional follow-up questions asked if answers to the basic questions indicates an unusual situation (*e.g.*, the presence of an immigrant in the household). Some eligible low-income people, particularly those with limited literacy skills, may be intimidated by long forms even if large parts of the long forms are to be completed by agency staff or only by applicants with unusual circumstances.

- A simple food stamp/Medicaid application form. Many working families do not want cash assistance and may be deterred from receiving food stamps (and Medicaid) if they feel they must access them through the TANF application process. A short, simple application form that does not include cash assistance may encourage these families to feel that they can apply only for the benefits they need.

- Reporting changes by telephone. Working families may find it difficult to travel to the local food stamp office to report changes. They may have only limited access to telephones during office hours and thus may have trouble reporting changes to their eligibility workers if they cannot get through on the first attempt. At times eligibility workers will be too busy to take changes over the telephone. Recipients leaving messages will have no record that they made the report and may unintentionally omit information that the food stamp office needs to begin processing the change. A statewide toll-free number that leads to a centralized change reporting staff, whose sole function is to receive and forward recipients' reports of changes, have proven an innovative and effective method of supporting working families' efforts to inform the state of changes in their circumstances. Illinois and Texas have established successful systems with extended hours to meet the needs of all working recipients.

- Alternative office hours. As a larger proportion of food stamp households are headed by workers, states may want to reconsider their traditional office hours. Although it is reasonable to ask unemployed able-bodied recipients who are not engaged in employment or training activities to come in for interviews at the times most convenient for the state agency, it is undesirable to require recipients to miss time from work or training unnecessarily. Staying open into the evening a few nights a week or on a Saturday could help avoid these conflicts.

- Giving working households the option to schedule their own appointments. Again, missed hours from work both reduce households' incomes and can undermine their relationships with employers. Allowing households to participate in scheduling their own certification appointments (*e.g.*, by requesting a time on days or at times when they are not scheduled to work) can avoid these unnecessary conflicts.

- Taking food stamp applications prior to exploring diversion from cash assistance. Many states now engage prospective TANF applicants in a detailed exploration of alternatives to welfare prior to taking their applications. Unfortunately, when these efforts succeed, low-income families often leave the agency's office without applying for food stamp (or other) benefits for which they may be eligible. When a very low-income family is endeavoring to stay off of cash assistance, food stamps often can make a crucial difference. This problem can be addressed by taking the family's application for food stamps (and Medicaid as well) before the family meets with staff responsible for diverting unnecessary applications for cash assistance. This effort would be supported by a food stamp/Medicaid application form that is separate from the application for cash assistance.

- State-to-state exchange visits. The food stamp program long has had funds available to allow officials from one state to visit another to teach or learn about salutary administrative practices. At present, this money is primarily being spent to spread the word on error reduction techniques. USDA should fund state-to-state exchange visits to promote effective techniques for serving families that have left welfare. Being invited to teach in another state under the state-to-state exchange program is considered prestigious among state officials; if USDA begins sponsoring visits to promote program access, many administrators are likely to become focused on innovating in this area in the hopes of winning this recognition.

Cynthia A. Rice 07/01/99 02:32:30 PM

Record Type: Record

To: Shirley S. Sagawa/WHO/EOP@EOP

cc:

Subject: Sorry we keep missing each other -- thought I'd try email

Sorry we've had such a hard time reaching each other! We've scheduled a meeting for next Wednesday (2-3:30pm in 211 OEOB) to discuss next steps, but we've made a lot of progress since the last meeting and are now wrapping up most of the policy. Bruce would like to propose these announcements for the July 10th or July 17th radio address, highlighting how this series of executive actions will help support working families and ensure child nutrition by improving working families' access to the Food Stamp program. Here's how I would describe what we have [brackets indicate things that might not be ready in time or that we may want to have the Secretary announce at a later date -- we'll need to spend some time talking about these next Wednesday].

- **Issue guidance making easier for families to own a reliable car and get food stamps.** New policy guidance will allow states to use the more generous TANF asset test, rather than the Food Stamp Program asset limit, for cars owned by any recipient of TANF benefits. This will enable working families obtaining in-kind benefits such as child care through TANF to have a reliable car and still get food stamps. Because lack of reliable transportation is a major barrier to families finding and keeping a job, a car can be an important factor in determining the success of a families effort to make the transition from welfare to work.

- **Unveil new regulations making it easier for states to serve working families [and direct the Secretary of Agriculture to develop new performance measures].** Low income working families often have fluctuating incomes, because their hours of work per week vary or they change jobs frequently. Current food stamp rules require administering agencies to adhere to complicated rules related to income reporting and projections. To make it easier for the food stamp program to serve working families, the Administration will allow new options to simplify these rules, so families won't have to travel to the food stamp office so often and states won't be penalized for small errors in estimating families' future earnings. [In addition, the President will direct USDA to develop new performance measures to reward states based on how well they serve families as well as payment accuracy.]

- **Release new Food Stamp Program Toolkit [and direct the Secretary of Agriculture to launch a nationwide outreach campaign].** The President will release a new USDA Toolkit that will assist state, local, and community leaders in understanding food stamp program access requirements and include best practices already implemented in some communities. [At the same time, the President will direct the Secretary of Agriculture to develop a comprehensive, nationwide food stamp outreach campaign, including new informational materials and an enhanced toll-free information line. The President will also direct other Cabinet Secretaries to develop plans on how they can distribute information about Food Stamps to participants in their programs.]

Cynthia A. Rice 07/13/99 05:35:57 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP
cc: See the distribution list at the bottom of this message
bcc:
Subject: Re: FINAL Food Stamps paper

OMB, which had approved the earlier version, would now like the fourth Q&A (bottom of page 2) to read as follows (this is a bit more general).

Q: How much do these new initiatives cost and how is the Administration paying for them?

A: These new initiatives are estimated to result in roughly $250 million in expenditures over five years. This is more than offset by significant food stamp caseload declines that go beyond changes in law or in economic assumptions.

Food stamp annual spending in FY 1999 is now projected to be more than $3.5 billion below the Administration's baseline estimate in the FY 2000 Budget. The number of people receiving food stamps has fallen by 8.7 million since January 1993 and recent food stamp caseload declines have led to significant reductions in food stamp spending.
Cynthia A. Rice

Cynthia A. Rice 07/13/99 05:11:32 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:
Subject: FINAL Food Stamps paper

FoodStamps0714.d 2 pager -- will be given to reporters tomorrow am

FoodStampsQ&A0713. Q&A (internal only)

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President Clinton Takes Executive Actions to Help Working Families
July 14, 1999

Today President Clinton will take a series of executive actions to help ensure working families access to food stamps. In a speech to the Democratic Leadership Council, the President will announce three actions to promote work over welfare, by: (1) allowing states to make it easier for working families to own a car and still be eligible for food stamps; (2) simplifying food stamp reporting rules to reduce bureaucracy and encourage work; and (3) launching a nationwide public education campaign and a toll-free hotline to help working families know whether they're eligible for food stamps.

For the past 6 ½ years, the President has carried out a new approach to help lift people out of poverty, by forging a new social contract that rewards work, family, and responsibility. Along with the Earned Income Tax Credit, Medicaid coverage, and childcare, food stamps are an important support for working families. Families with earnings up to 130 percent of poverty ($8.50 an hour for a family of three) can be eligible for food stamps to supplement their income and help buy food for their families, but only two of five working families eligible for food stamps actually apply for and receive them. Today the President will take three new executive actions to help working families:

- Issue Guidance Making it Easier for Families to Own a Reliable Car and Receive Food Stamps: If we want people to leave welfare and go to work, we need to make sure they can get to work. Because lack of reliable transportation is a major barrier to families finding and keeping a job, the welfare reform law of 1996 allowed states to make it easier for families to own a car and still be eligible for the Temporary Assistance for Needy Families (TANF) program. But until now, states have only been able to use that flexibility to help those receiving cash welfare benefits – while working families receiving in-kind benefits through TANF, such as child care, continued to lose eligibility for food stamps if the value of their car exceeded the food stamp program asset limit of $4,650. This policy forced many working families to choose between nutritional assistance or a reliable car. Today, the Administration will release new policy guidance to allow states to use their more generous TANF asset test, rather than the Food Stamp Program asset limit, in determining food stamp eligibility for all families eligible for TANF. This will enable working families eligible for in-kind TANF benefits (e.g., childcare, job retention services, on-the-job training) to have a reliable car and still get food stamps. More and more states are using TANF funds to provide non-cash supports for working families to help people who have left welfare stay off the rolls and help families from going on welfare in the first place. The President encouraged states to provide non-cash supports in the final TANF regulation he announced on April 10.

- Unveil New Rules Making it Easier for States to Serve Working Families: Current food stamp procedure requires administering agencies to adhere to complex rules on reporting and projecting income, and penalizes states for small errors in projected earnings. But low-income working families often have fluctuating incomes, because their hours of work per week vary or they change jobs frequently. The old rules discourage recipients from going to work and give agencies an enormous burden of paperwork. Now, the Administration will allow states new options to simplify these rules, making it easier for working families to report income and easier for the food stamp program to serve working families. For example, families will now be able to report earnings every quarter instead of every month.

- Announce Public Education Campaign and Hotline, and New USDA Food Stamp Toolkit: The President will announce that U.S. Department of Agriculture Secretary Dan Glickman will lead a nationwide food stamp public education campaign to educate working families about food stamps through new informational materials and an enhanced toll-free information line. The Administration will also release a new USDA Food Stamp Toolkit that will provide state, local, and community leaders information about best practices to assist working families and will clearly explain the food stamp law's access requirements.

Status of Announcements
7/6/99 DRAFT – CLOSE HOLD

ANNOUNCEMENTS	Draft from USDA?	Edits to USDA?	Final Copy to EOP?
Guidance making easier for families to own a reliable car and get food stamps (Categorical eligibility guidance)	Yes	Yes	No
New regulations making it easier for states to serve working families			
New Income Reporting Options (Quarterly reporting/status reporting guidance) (Does this include child support income?)	Yes	Yes	No
New Income Estimating Rules (QC rule)	Yes	Yes	No
New state performance measures (QC)	No	No	No
New efforts to reach eligible working families			
Toolkit/Access Guide	Awaiting revised copy	No	No
Other Outreach Activities (expanded toll-free number, informational materials, public-private partnerships)	No	No	No
OTHER DOCUMENTS			
Governors' Letter	Yes	No	No
Commissioners' Letter	Yes	Yes	No
Press Q&A	No	No	No
Food Security Report/One Page Summary/Q&A	Yes	No	No
Examples of FS can support working families (FS amounts for min wage, $7/hr, $9/hr)	No	No	No

Summary of Announcements
7/6/99 DRAFT – CLOSE HOLD
Brackets indicate things that we may want to announce at a later date

- **Issue guidance making easier for families to own a reliable car and get food stamps.** New policy guidance will allow states to use the more generous TANF asset test, rather than the Food Stamp Program asset limit, for cars owned by any recipient of TANF benefits. This will enable working families obtaining in-kind benefits such as child care through TANF to have a reliable car and still get food stamps. Because lack of reliable transportation is a major barrier to families finding and keeping a job, a car can be an important factor in determining the success of a families effort to make the transition from welfare to work.

- **Unveil new regulations making it easier for states to serve working families [and direct the Secretary of Agriculture to develop new performance measures].** Low income working families often have fluctuating incomes, because their hours of work per week vary or they change jobs frequently. Current food stamp rules require administering agencies to adhere to complicated rules related to income reporting and projections. To make it easier for the food stamp program to serve working families, the Administration will allow new options to simplify these rules, so families won't have to travel to the food stamp office so often and states won't be penalized for small errors in estimating families' future earnings [or child support receipt]. [In addition, the President will direct USDA to develop new performance measures to reward states based on how well they serve families as well as payment accuracy.]

- **Release new Food Stamp Program Toolkit [and direct the Secretary of Agriculture to launch a nationwide outreach campaign].** The President will release a new USDA Toolkit that will assist state, local, and community leaders in understanding food stamp program access requirements and include best practices already implemented in some communities. [At the same time, the President will direct the Secretary of Agriculture to develop a comprehensive, nationwide food stamp outreach campaign, including new informational materials and an enhanced toll-free information line. The President will also direct other Cabinet Secretaries to develop plans on how they can distribute information about Food Stamps to participants in their programs.]

Add food insecurity numbers and background on food stamp caseloads

07/07/99

STATUS OF FOOD STAMP PROGRAM INITIATIVES

1. **Food Security Report.** Report was cleared by USDA and is under review by DPC.

2. **Cover letter from FNS Administrator to State Commissioners.** The DPC and OMB have both approved the letter. It is currently being reviewed by the Secretary's Chief of Staff.

3. **Cover letter from Secretary Glickman to Governors.** A redraft of the letter was sent from the Secretary's office to the DPC on 7/06.

4. **Announcement**. Public Affairs completed a redraft of the announcement on 7/06.

5. **Press Release.** FSP forwarded comments to the Public Affairs office on 7/01. Public Affairs returned a redraft on 7/06.

6. **Categorical Eligibility Memorandum.** OMB has approved the memorandum. Comments were received from the DPC on 7/02. FSP redrafted the memorandum and returned it the DPC on 7/06. FSP included additional edits in the redraft and is awaiting comments on them from the DPC.

7. **Quarterly Reporting Memorandum.** Comments from OMB and the DPC received on 7/01. The memorandum has been revised to incorporate the comments.

8. **Regulation announcing change in QC error threshold.** The regulation has been cleared by OMB and signed by the Under Secretary. We are awaiting a release date.

9. **Program Access Guide.** FRAC and the Center on Budget Policy and Priorities have both commented on the guide. Copies of the guide have been shared with the DPC and OMB. Comments from the Secretary's office were received on 7/02. The guide was revised and returned to the Secretary's office on 7/06.

10. **QC Reinvention.** The Under Secretary's Office is reviewing a concept paper prepared by FNS.

11. **Program Access Reviews.** FSP discussed the reviews with FNS regional administrators at the Senior Managers' Meeting on 7/01 and 7/02. Regional offices are currently scheduling reviews with their States.

12. **Program Outreach Initiatives.** FNS has been meeting with contractors to enhance its toll-free numbers. The contract for developing informational materials was awarded to ZGS on 7/02. The Secretary is currently reviewing draft materials prepared by ZGS. In connection with the Secretary's national food stamp outreach campaign, FNS is developing proposed messages that would appear on employees earnings and leave statements for pay period 15. Some of the proposed messages were given to the Under Secretary on 6/29.

Peter thinks being reopened w/in Admin
David Wilcox at Treas wants it to go to 62

Concern that might have a D position at 62

Food Stamps
- not coincidental that things have begun to move -
June 30 next week -
Being held b/c Glickman wants a media event
Can move the policy before the event
Should do before error rates come out
Change def of error rate - don't want press

---

1 page memo to HRC -

Kaki, Maggie, Phillipa

Preservation

Cynthia Rice - Food Stamps

Attachment B

QC system - mean performance based on accurate payments - rewards + penalties

Broaden scope of what we measure performance on - FDA reworking specific new performance indicators to add + think how

June 30 deadline - wld normally announce QC errors - trying to find a reason to delay

A way to explore how to use QC to improve service + not just payments

Hillary Rodham Clinton

President Clinton Will Take New Action to Help Working Families
July 14, 1998
DRAFT 7/12 – 9:00 am

In the latest of his actions to reward work over welfare and support working families, today President Clinton will take a series of actions to ensure working families who need them have access to food stamps. Like child care, the Earned Income Tax Credit, and Medicaid, food stamps are an important support for working families. Families with earnings up to $8.50 an hour for a family of three can be eligible for food stamps to supplement their income and help buy food for their families, but less than 2 out of 5 eligible working families actually get food stamps. Today, in a speech to the Democratic Leadership Council which has long fought with the President to require work while making work pay, the President will take three executive actions to help working families:

- <u>Issue Guidance Making it Easier for Families to Own a Reliable Car and Receive Food Stamps.</u> New policy guidance will allow states to use the more generous TANF asset test, rather than the Food Stamp Program asset limit, for cars owned by any recipient of TANF benefits. This will enable working families obtaining in-kind benefits such as child care through TANF to have a reliable car and still get food stamps. Because lack of reliable transportation is a major barrier to families finding and keeping a job, a car can be an important factor in determining the success of a family's effort to make the transition from welfare to work. More and more states are using TANF funds to provide non-cash supports for working families to help people who have left welfare stay off the rolls and help families from going on welfare to begin with, an effort encouraged by the final welfare regulations announced by the President April 10th.

- <u>Unveil New Regulations Making it Easier for States to Serve Working Families.</u> Low income working families often have fluctuating incomes, because their hours of work per week vary or they change jobs frequently. Current food stamp rules require administering agencies to adhere to complicated rules related to income reporting and projections. To make it easier for the food stamp program to serve working families, the Administration will allow states new options to simplify these rules, making it easier for families to report income and ensure that states serving low-income working families won't be penalized for small errors in estimating families' future earnings.

- <u>Release New Food Stamp Program Toolkit</u>. The President will release a new USDA food Stamp Toolkit that will provide state, local, and community leaders information about efforts to assist working families already under way in some communities and will clearly explain the food stamp law's access requirements. He will also announce a nationwide food stamp outreach campaign to be led by USDA Secretary Glickman that will develop new informational materials and an enhanced toll-free information line.

Families up to 130 percent of the poverty line (about $8.50 an hour or $17,748 for a family of three) are eligible for food stamps, and family of three with a full-time worker earning the minimum wage can get $220 a month in food stamps. Ensuring eligible families get food stamps is an important step in guaranteeing nutrition and health. Surveys show that hunger among American families has stayed the same in recent years. In 1998 nearly 10 million people, more than a third of them children, lived in households that experienced hunger.

Food Stamps Q&A
July 14, 1998
DRAFT 7/12/99 – 12:30 am

Today's Announcement

Q: What did the President announce today?

A: In the latest of his actions to reward work over welfare and support working families, today President Clinton took a series of actions to ensure working families who need them have access to food stamps. Like child care, the Earned Income Tax Credit, and Medicaid, food stamps are an important support for working families. Families with earnings up to $8.50 an hour for a family of three can be eligible for food stamps to supplement their income and help buy food for their families, but less than 2 out of 5 eligible working families actually get food stamps. Today, in a speech to the Democratic Leadership Council which has long fought with the President to require work while making work pay, the President took three executive actions to help working families:

- New policy guidance making it easier for working families to own a car and still receive food stamps;
- New regulations making it easier for states to serve working families by simplifying rules so that families don't have to report income as often and states won't be penalized for small errors in estimating families' future earnings; and
- A new outreach campaign to increase coverage for low-income families, including a toolkit that will assist local, state, and community leaders in understanding food stamp program requirements as well as model strategies to improve participation.

Q: Why is the President taking these actions?

A: Promoting work over welfare has always been a high priority for the President. These actions are the latest in the President's on-going efforts to make work pay, which include: expanding the Earned Income Tax credit to lower taxes for 15 million working families; raising the minimum wage to $5.15 an hour and fighting for an additional $1 per hour increase; adding $4 billion more in child care and fighting to provide even more; and enacting the $24 billion Children's Health Insurance Program to extend health care coverage to millions of uninsured children.

Like child care, EITC, and Medicaid, food stamps are an important support for working families. Families with incomes up to 130 percent of the poverty line or $17,748 for a family of three can be eligible for food stamps and a typical family of three with a full-time worker earning the minimum wage can get $220 a month in food stamps. However, food stamp participation among working families has been low -- only 39 percent of individuals with earnings who are eligible for food stamp benefits receive them, compared to a participation rate of 71 percent overall and 98 percent among those on cash assistance. Increasing access to food stamps for working families will promote work, good nutrition, and health and will help families stay in the work force and off welfare.

Q: How do you explain the dramatic decline in the food stamp rolls in recent years and will these actions help reverse these trends?

A: The number of people receiving food stamps over the past five years has fallen by 6.8 million between August 1996 and April 1999. In April 1999, the Food Stamp Program served 18 million people, the fewest in nearly 20 years. We know that there are a number of factors contributing to the decline in food stamp participation, such as:

- The strength of the nation's economy allowed some participants to find work, reducing their need for food stamps.
- The success of the Temporary Assistance for Needy Families (TANF) has moved participants from welfare to work, with an increase in income sufficient to eliminate the need for food stamps.
- Working families don't realize they are eligible for food stamps and have difficulty obtaining them leading some participants to leave the program unnecessarily and discouraged others from applying for benefits.
- Changes in program rules under welfare reform restricted the participation of immigrants and unemployed childless adults (these changes explain less than 10 percent of the decline).

Today's actions will go a long way to ensuring working families have access to the food stamp program. In addition, two of the President's budget initiatives -- doubling USDA's food stamp outreach/nutrition education effort to $7 million, and restoring food stamp eligibility legal immigrants in the United States on August 22, 1996 who later become elderly -- are also important.

Q: How much do these new initiatives cost and how is the Administration paying for them?

A: [Draft to come from OMB]

Q: Aren't the new income reporting policies just a way to allow more fraud and payment errors?

A: Absolutely not. Current rules that focus on reporting small and frequent fluctuations in earned income are burdensome to working families as well as to caseworkers. The actions being taken by the President today simply put in place common sense rules providing states a way to regularly track changes in household circumstances without requiring low income workers to miss time on the job to come into the office for interviews. States will be able to certify working families for longer periods of time while still keeping tabs on major changes in household circumstances. These changes will allow states to better manage the program and improve payment accuracy.

Welfare Reform Update

Q: How is welfare reform going?

A: As a recent General Accounting Office report confirmed, the President's strategy of requiring work and responsibility and rewarding families who have gone to work is paying off. A variety of state research studies summarized by the GAO show that between 61 and 87 percent of adults leaving the welfare rolls are working. At the same time, Census Bureau and HHS data show the percentage of welfare recipients working has tripled since 1992, an estimated 1.5 million people who were on welfare in 1997 were working in 1998, and all states met the first overall work participation rates required under the welfare reform law. Since the President took office in 1993, welfare caseloads have fallen by nearly half, to their lowest level in thirty years, and there has been a dramatic increase in the number of people working. The welfare rolls have fallen by 46 percent since January 1993 (from 14.1 million to 7.6 million) and have fallen by 38 percent since the President signed the welfare reform law in August 1996.

The President started reforming welfare early in his first term, granting waivers to 43 states to require work and encourage personal responsibility, expanding the Earned Income Tax Credit and the minimum wage to make work pay, and pushing the Congress for nationwide welfare reform legislation which he signed into law in August 1996. Since 1996, he has launched the Welfare-to-Work Partnership which now includes over 10,000 businesses that have hired over 410,000 welfare recipients; issued an executive order to ensure the federal government hired its share of welfare recipients -- over 12,000 hired to date; encouraged the launching of the Vice President's Coalition to Sustain Success, a coalition of national civic, service, and faith-based groups are working to help these new workers with the transition to self sufficiency; fighting for and winning additional funds for welfare to work efforts for long term recipients in high poverty areas ($3 billion in Department of Labor Welfare-to-Work funds enacted in the Balanced Budget Act), a new tax credit to encourage the hiring of long term recipients, and funding for welfare to work housing transportation ($75 million in FY 1999) and welfare to work housing vouchers (50,000 enacted to date); and putting in place new welfare rules (announced April 10th) that make it easier for states to use TANF funds to provide supports for working families such as child care, transportation, and job retention services.

Q: What more does the Administration think should be done to reform welfare?

A: The President's FY 2000 budget includes key initiatives that build on the Administration's continuing efforts to help families move from welfare to work and succeed in the workforce.

First, the FY 2000 budget requests $1 billion to extend the Welfare-to-Work program to help 200,000 long-term welfare recipients and low-income fathers move into lasting unsubsidized employment. Welfare-to-Work funds are targeted to those individuals who need the most help -- they are focused on hard-to-employ individuals (including long-term welfare recipients with low basic skills, substance abuse or poor work history) and are distributed to states and communities based on concentrations of poverty, welfare dependency, and unemployment.

Second, the budget requests $430 million for 75,000 welfare-to-work housing vouchers, including $144 million in new funds for 25,000 additional vouchers, and doubles Access to Jobs transportation funding from $75 million to $150 million. The welfare-to-work housing vouchers will help families move closer to a job, reduce a long commute, or secure more stable housing that will help them get or keep a job. The Jobs Access grants will provide funds for communities to provide innovative transportation solutions so welfare recipients and other low income workers can get to work.

Third, the President is proposing to extend both the Welfare-to-Work Tax Credit and the Work Opportunity Tax Credit to encourage the hiring and retention of long-term welfare recipients and other groups of job seekers. The budget also proposes to double last year's commitment to Individual Development Accounts, requesting $20 million to empower low-income families to save for a first home, post-secondary education, or to start a new business.

In addition, the President is proposing significant new funding for child care to help working families meet the cost of child care. Central to his child care initiative is an expansion of the Child Care Block Grant by $7.5 billion over five years. The President's child care initiative also includes: (1) $5 billion over five years in greater child care tax relief, (2) $3 billion over five years in child care quality improvements, (3) a new tax credit for businesses that provide child care services for their workers, and (4) new tax relief for parents who chose to stay at home with their young children. The President hopes that this is the year that Congress addresses the pressing child care needs of America's working families.

Food Stamp Background

Q: Weren't families in New York City being turned away when they applied for food stamps? What has USDA done in New York and elsewhere to ensure families get the food stamps to which they are entitled?

A: The law requires state and local welfare offices to allow families to apply for food stamps during their first visit to the office. USDA has repeatedly notified states of their legal obligations and vigorously investigated complaints about these matters and will pursue administrative and legal action as required. For example, USDA's investigation of Food Stamp Program access problems in New York City resulted in a final report dated February 5, 1999, citing practices and procedures that violated federal law. This report became part of the official record in a related district court case and was the basis for the Department's notice to the State of New York of potential fiscal sanctions that USDA would apply if the State did not correct the deficiencies. After the State failed to implement the necessary changes, USDA issued a formal warning, on April 6, 1999, that Food Stamp administrative costs ($5,000,000 per quarter) were to be suspended and, if appropriate, disallowed if corrective action was not ensured within thirty days. As a result, New York City has changed its policy to be in compliance. USDA will continue to be vigilant in reviewing practices in New York and other states to ensure that they are in full compliance with the law.

Q: What do data show about hunger in America?

A: Data gathered by USDA show that despite a strong economy, hunger still exists in the United States and the level of "food security" among American households has changed little since 1995. The report released today showed the following:

- There was virtually no change in the prevalence of food insecurity between 1995 and 1998. Food insecure households were 10.3 percent of all households in 1995 and 10.2 percent in 1998.
- Some improvement in more severe food insecurity. Food insecure households with evidence of hunger were 3.9 percent of all households in 1995 and 3.6 percent in 1998.
- Some households are at much greater risk than other. The prevalence of hunger was higher than average among households with children, especially those headed by single women and minorities, and among households with income below the poverty line.

These numbers show that we still have work to do. While most households report that they have enough food, there are still those who do not. Today's announcement is an important step in addressing this problem and ensuring eligible families obtain food stamps.

Q: What is the Administration doing to fight Food Stamp Program fraud and maintain program integrity?

A: USDA is taking a number of steps to improve program integrity and ensuring only those individuals that should receive benefits are receiving benefits.

USDA funds on-going investigations to locate fraud and misuse of funds. Recipients who commit fraud are disqualified from the Food Stamp Program. Disqualifications periods range from one year to permanent depending on the number and severity of the offense. Disqualified individuals are tracked through a central registry known as the Disqualified Recipient Subsystem (DRS). As of December 31, 1998, DRS contained data on 720,077 disqualified individuals. In addition, USDA facilitates a variety of computer matches states can use to verify household income.

USDA's aggressive implementation of the Electronic Benefit Transfer (EBT) will also improve program integrity. Currently, over 60 percent of Food Stamp Program benefits in 39 states are being delivered each month by EBT systems. The Personal Responsibility and Work Opportunity Act of 1996 mandates that all States must convert from paper coupon systems to an EBT system before October 1, 2002.

Moreover, USDA has taken strong efforts to ensure retailers allow food stamps to be used only as intended, eliminating violators from the program. As a result of these efforts, the number of stores participating in the Food Stamp Program in FY 1998 has declined by more than 9,000 or 5 percent since 1997 to the current 177,000 stores.

Q: How many people receive food stamps and how much does it cost?

A: In fiscal year (FY) 1998, State agencies issued over $16.9 billion in food stamp benefits to a monthly average 8.2 million households or 19.8 million people. By April 1999, participation had declined to just over 18 million. Half of all food stamp recipients are children and 86 percent of households contain either a child, an elderly person, or a person with a disability. About 35 percent of food stamp households with children have earned income. The average monthly benefit is $71.81 per person or $170.81 per household.

Q: The press has reported that welfare reform has resulted in a certain "chilling effect" among certain parts of our population, especially immigrants who are eligible for benefits, as a reason for the decline in program utilization. Is that the case with the Food Stamp Program?

A: Some non-citizens and their families may have denied themselves food stamps for fear of facing adverse immigration consequences, such as deportation, for becoming a "public charge". The Administration has taken new steps to addressthis problem, issuing a regulation on May 25th making clear that food stamps and certain other benefits will not be considered by the Immigration and Naturalization Service or the State Department in determining whether an immigrant is a public charge for purposes of immigration status or entry into the U.S.

U. S. Department of Agriculture

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EBT

Electronic Benefit Transfer (EBT) is an electronic system that allows a recipient to authorize transfer of their government benefits from a Federal account to a retailer account to pay for products received. EBT is currently being used in many States to issue food stamp and other benefits. About 47 percent of food stamp benefits are currently being issued by EBT.

- Frequently Asked Questions
- EBT Rollout Map
- EBT Project Highlights
- EBT Project Status

Last Updated: 04/29/99

Frequently Asked Questions

1. What is Electronic Benefit Transfer?

Electronic Benefit Transfer (EBT) is an electronic system that allows a recipient to authorize transfer of their government benefits from a Federal account to a retailer account to pay for products received. EBT is currently being used in many States to issue food stamp and other benefits. About 47 percent of food stamp benefits are currently being issued by EBT.

State food stamp agencies work with contractors to procure their own EBT systems for delivery of Food Stamp and other state-administered benefit programs.

2. How does EBT work?

In EBT systems, food stamp recipients apply for their benefits in the usual way, by filling out a form at their local food stamp office. Once eligibility and level of benefits have been determined, an account is established in the participant's name, and food stamp benefits are deposited electronically in the account each month. A plastic card, similar to a bank card, is issued and a personal identification number (PIN) is assigned or chosen by the recipient to give access to the account. Recipients are offered the opportunity to change the PIN number at any time, and are offered ongoing training if they have any problems accessing the system.

All but two States have systems that use magnetic stripe cards and "on-line" authorization of transactions. When paying for groceries, the food stamp customer's card is run through an electronic reader or a point of sale terminal (POS), and the recipient enters the secret PIN number to access the food stamp account. Then, electronically, the processor verifies the PIN and the account balance, and sends an authorization or denial back to the retailer. The recipient's account is then debited for the amount of the purchase, and the retailer's account is credited. No money and no food stamps change hands. Payment is made to the retailer through a settlement process at the end of the business day.

States may also use "smart card" microprocessor chip cards in systems that are "off-line." In these systems, the transaction is authorized between the chip in the card and the POS device. The PIN is verified by the chip and the chip is debited for the purchase amount. There is no on-line communication with a host computer during the transaction. At the end of the business day, the POS electronically contacts the host to perform settlement and update the database information.

3. Is this new technology?

EBT systems using magnetic stripe technology for on-line authorizations use the same electronic funds transfer technology that many grocery stores use for their "debit card" payment systems. EBT is a special application of electronic funds transfer (EFT) technology, which takes money directly from one account and transfers it to another. (Credit cards, by comparison, simply record a sale for payment later.) EFT became familiar to most people in the early 1980's when banks began using automatic teller machines. Since then, EFT has found increasing use in the private sector.

Smart card technology for off-line authorizations is used for many applications in Europe, but is not common in the United States. Legislative changes to the Food Stamp Act in August 1996 allowed States to choose any technology for their EBT systems as long as the system remains cost neutral and meets other standards.

4. What are the benefits of EBT?

EBT eliminates the cumbersome processes required by the paper food stamp system. In Fiscal Year 1997, the Food Stamp Program issued almost $20 billion worth of benefits. Some 186,000 retailers are authorized to accept food stamps. In a single month, retailers made 1.7 million deposits of food stamp coupons in more than 26,000 banks. Banks in turn made almost 27,000 deposits in Federal Reserve District Banks. Coupons are counted at each step, making the accounting enormously complex and labor intensive. EBT eliminates much of the paper handling involved in the food stamp system, and automates the accounting process.

By eliminating paper coupons that may be lost, sold or stolen, EBT may help cut back on food stamp fraud. EBT creates an electronic record of each food stamp transaction, making it easier to identify and document instances where food stamps are "trafficked," or exchanged for cash, drugs, or other illegal goods.

Recipients have reported that they like the convenience and security of EBT. They no longer have to go to the food stamp issuance office to pick up their food stamps. They can draw their benefits as needed instead of receiving a month's allotment at one time. If the card is lost or stolen, it can't be used by anyone who doesn't know the PIN, and it can be easily canceled and replaced. Surveys have shown that most participants prefer an EBT system to the paper coupon system it replaced. Many recipients have said that EBT reduces the stigma associated with food stamp coupon use.

Retailers and bankers like EBT because it offers simplicity of accounting and reduces labor costs because there are no coupons to sort, count, and bundle. All the accounting is done automatically.

The Federal government saves time and money by moving to EBT. The process of printing, transporting, safeguarding, distributing, accounting, and destroying the food stamp coupons is eliminated.

5. What's the cost?

Initially, EBT systems were more expensive to operate than conventional food stamp issuance systems. EBT reached a milestone in June of 1993, when evaluations of EBT projects in New Mexico and Minnesota showed that both cost less than the estimated cost of paper coupons in the same time period. Costs were also reduced for retailers, recipients and financial institutions. EBT/EFT costs are expected to continue to diminish as the technology becomes more widely used, and States implementing new systems are required to operate on a "cost neutral" basis, meaning that EBT systems should cost no more to operate than the paper coupon system.

The Federal government shares Food Stamp Program operating costs with the States, including the costs of EBT up to the cost of conventional coupon issuance systems.

6. What has been done so far?

All States are now moving in the direction of using EBT as an alternative for food stamp issuance, and in some cases for other programs such as USDA's Special Supplemental Nutrition Program for Women, Infants and Children (WIC); and the Temporary Assistance to Needy Families (TANF) program, the Federal block-grant program operated by the Department of Health and Human Services.

States are steadily bringing new EBT projects on line, but as of August 1998, thirty-six States were using EBT in some form to issue food stamp and other benefits:

- Pennsylvania began operating the first EBT demonstration project in 1984 in Reading. The State acquired a new system in 1997 and will be statewide in October 1998.
- Maryland was the first State to become statewide in April 1993. Since then, Alabama, Alaska, Arkansas, Colorado, Connecticut, Hawaii, Idaho, Illinois, Kansas, Louisiana, Massachusetts, Missouri, New Mexico, North Dakota and South Dakota, Oklahoma, Oregon, South Carolina, Texas, and Utah have statewide operations.
- In addition to Pennsylvania, EBT systems are being operated in parts of the State by Arizona, California, District of Columbia, Florida, Georgia, Iowa, Minnesota, New Hampshire, New Jersey, North Carolina, Rhode Island, and Vermont.
- All other States are in various stages of planning for EBT. Several States have formed consortiums for joint EBT projects.

7. What is the future for EBT?

The welfare reform act of 1996 mandates that all States must switch to EBT issuance for the Food Stamp Program by October 2002, and that goal will be met. USDA continues to work with States to improve EBT in the following ways:

- Assuring that stores are entered into, or taken out of, EBT systems timely and correctly.
- Using EBT data efficiently to detect and pursue abuse.
- Maintaining vigilance on security measures and privacy protections.
- Working with States to make their cards usable in other systems, but without risking duplicate participation by recipients and without exceeding cost neutrality.

For the WIC program, the challenge is to use EBT to provide food prescriptions and health information in addition to a payment system. Wyoming has demonstrated that it is feasible to use a smartcard, off-line approach. Other States are now proceeding with similar pilot projects which will provide more information on the costs and benefits of EBT for WIC.

Outside of USDA, the Treasury Department is moving towards EFT payments to Federal benefit recipients who have bank accounts, and there is great interest in using EBT for recipients without bank accounts.

For more information:

For more information, contact the USDA Food and Nutrition Service Public Information Staff at 703-305-2286, or by mail at 3101 Park Center Drive, Room 819, Alexandria, Virginia 22302. The Food and Nutrition Service was formerly known as the Food and Consumer Service. Information on FNS programs is also available on the World Wide Web at www.usda.gov/fns , and will soon be offered on a new web site: www.usda.gov/fns

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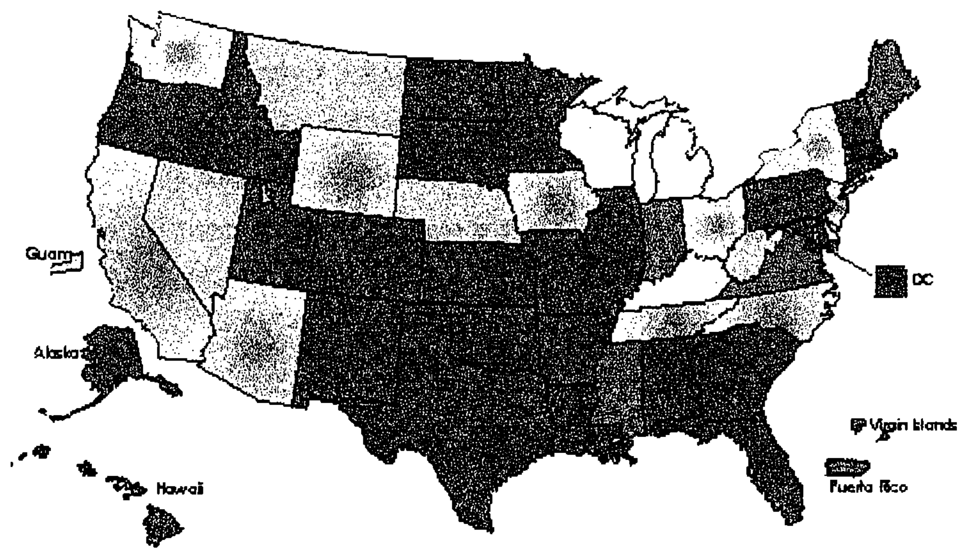
Status Map of EBT Operational States



For More Information Click on a State Above

- Planning
- Request for Proposal/Inivitation for Expression of Interest Approved
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- Operational
- Operational Statewide

Last Updated: 05/03/99

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FOOD STAMP PROGRAM

ELECTRONIC BENEFITS TRANSFER (EBT)

HIGHLIGHTS

April 1999

- ***Currently thirty-six states and the District of Columbia have operational on-line food stamp EBT systems (twenty-nine statewide):***

For more information click on a State below, or view the interactive National EBT Map

Alabama	Statewide
Alaska	Statewide
Arizona	Expanding Statewide
Arkansas	Statewide
California	San Bernardino and San Diego Counties
Colorado	Statewide
Connecticut	Statewide
District of Columbia	District-wide
Florida	Statewide
Georgia	Statewide
Hawaii	Statewide
Idaho	Statewide
Illinois	Statewide
Iowa	Linn County [Cedar Rapids]
Kansas	Statewide
Louisiana	Statewide
Maryland	Statewide
Massachusetts	Statewide
Minnesota	Statewide
Missouri	Statewide
New Hampshire	Statewide
New Jersey	Expanding Statewide
New Mexico	Statewide
New York	Pilot in Staten Island
North Carolina	Expanding Statewide
North Dakota/	

South Dakota	Statewide
Oklahoma	Statewide
Oregon	Statewide
Pennsylvania	Statewide
Rhode Island	Statewide
South Carolina	Statewide
Tennessee	Pilot in Hamilton County (Chattanooga)
Texas	Statewide
Utah	Statewide
Vermont	Statewide
Washington	Pilot in Southeastern Area of State

- *Two states have operational off-line food stamp EBT systems:*

Ohio	(FSP Only) Expanding Statewide
Wyoming	(FSP & WIC) Natrona County for FSP/WIC; 6 Other Counties for WIC

- *Six states have approved contracts for the statewide implementation of EBT systems*

Michigan	Expanding Statewide
Wyoming	Expanding Statewide
Kentucky	System Renewal
Maryland	System Renewal
Wisconsin	Initial Contract
Puerto Rico	Initial Contract

- *Four states have selected EBT vendors prior to obtaining approved contracts:*

Maine	As Part of Northeast Coalition of States
Mississippi	As Part of the Southern Alliance of States
West Virginia	As Part of the Southern Alliance of States
Indiana	

FOOD STAMP PROGRAM

ELECTRONIC BENEFITS TRANSFER (EBT)

PROJECT STATUS

March 1999

Alabama (also see *Georgia*) Back to the map

FSP Households: 162,360

FSP Authorized Food Retailers: 3,449

- The State's Planning Advance Planning Document (APD) for food stamp, AFDC, and child support enforcement system was approved by FNS and the Administration for Children and Families (ACF).

- The State signed the Southern Alliance of States (SAS) Memorandum of Understanding (MOU) to jointly research, investigate, design, and develop an EBT system.

- Alabama signed a contract with Citibank, the successful bidder for the SAS project. The contract was approved by FNS on June 10, 1996.

- The State implemented its pilot in April 1997 in Montgomery, Jefferson, and Russell counties. Statewide expansion was completed in November 1997.

- The State and Citibank are currently negotiating a contract extension.

Alaska (also see *Colorado*) Back to the map

FSP Households: 13,956

FSP Authorized Food Retailers: 524

- Alaska joined with five other western states to form the Western States EBT Alliance (WSEA). They secured EBT services through Colorado's procurement.

- In May 1996, Colorado selected Citibank. Alaska negotiated their own contract with Citibank as each of the WSEA states must. Their contract was approved in March 1997.

- The State's Planning APD was approved December 1996 and their Implementation APD in April 1997. The cap was separately approved in July 1997.

- Alaska conducted testing in December 1997.

- The pilot began in February 1998 and the system was statewide in June 1998.

Arizona (also see *Colorado*)

Back to the map

FSP Households: 78,478

FSP Authorized Food Retailers: 2,195

• Arizona joined with five other western states to form the Western States EBT Alliance (WSEA). They secured EBT services through Colorado's procurement.

• In May 1996, Colorado selected Citibank.

• Arizona's contract was approved August 1997.

• The State's Implementation APD was approved November 1997.

• The State implemented their pilot in July 1998 in Pima with approximately 18,000 food stamp households.

• The State began expansion in October and are expanding into the Phoenix area in March 1999. The State plans to be statewide in August 1999.

Arkansas (also see *Georgia*)

Back to the map

FSP Households: 100,486

FSP Authorized Food Retailers: 1,881

• The State legislature mandated that an EBT system be developed and implemented.

• The State's Planning APD was approved by FNS in October 1994.

• The State signed the SAS MOU to jointly research, investigate, design, and develop an EBT system.

• Arkansas signed a contract with Citibank, the successful bidder for the SAS project, and the contract was approved by FNS on July 29, 1996.

• State implemented its pilot in October 1997 in Jefferson, Searcy, and St. Francis counties.

• Statewide expansion began in February 1998 and was completed in April 1998.

California Back to the map

FSP Households: 780,926

FSP Authorized Food Retailers: 17,333

- The State's Planning APD for a food stamp only system was contingently approved in December 1993. The Planning APD called for a pilot in San Bernardino County and San Diego County, comprising approximately 140,000 food stamp households.

- After pilot operations, the state will decide how and when to expand.

- FNS approved the State agency's RFP October 1995. The RFP sought a contractor to design, develop, and operate an EBT pilot project for the Food Stamp Program in San Bernardino and San Diego counties.

- With passage of the Welfare Reform legislation which exempts State-administered EBT programs from Regulation E liability, the State issued their RFP on August 27, 1996.

- The State selected Deluxe Data and San Bernardino signed its FNS-approved contract on April 22, 1997. San Diego signed its FNS-approved contract in August 1997.

- San Bernardino began implementation in November 1997 with approximately 11,000 households. Countywide expansion was completed in March 1998.

- San Diego successfully completed acceptance testing in February 1998 and began implementation in April 1998. Countywide expansion will be completed in July.

- A revised Planning APD was approved in October 1997 which addresses how the State will plan statewide expansion beyond San Bernardino and San Diego.

- The State released its Invitation to Partner (ITP), phase I, which provided general requirements to bidders and allowed the State to certify a list of qualified vendors. During the second phase of the procurement process, the functional requirements were to be defined and released in the ITP, phase II. The county consortia were to be allowed to negotiate contracts with those vendors certified during phase I.

- The State and counties changed their procurement methodology in July 1998 and decided to procure one vendor using a statewide ITP. The State had planned to release the ITP in January 1999.

- The new State administration has stopped the procurement process pending a re-write of the model contract. In California, the model contract is generally part of the ITP.

Colorado Back to the map

FSP Households: 78,478

FSP Authorized Food Retailers: 1,717

• EBT funding was provided by the Colorado legislature early in 1995.

• Colorado has included the following programs in EBT: Food Stamps, AFDC, Old Age Pension, State Aid to the Needy and Disabled, Colorado Supplement, Child Care, Child Welfare, Low Income Energy Assistance and Burials.

• The State issued their RFP to procure an EBT system in January 1996. A letter of intent went out to prospective bidders in February 1996 adding other states to the procurement. The states officially included in this group known as the Western States EBT Alliance are Idaho, Washington, Hawaii, Alaska and Arizona.

• In May 1996, Colorado selected Citibank as the winning bidder.

• The State's Implementation APD and contract were approved by FNS in August 1996.

• The pilot began February 1997 in Fremont, Pueblo, and Custer counties, serving over 10,000 Food Stamp households and approximately 165 authorized retailers.

• Statewide expansion began May 1997 and was completed in February 1998.

Connecticut (also see *New York*) Back to the map

FSP Households: 90,026

FSP Authorized Food Retailers: 1,471

• The State's Planning APD was approved by FNS in April 1994.

• Connecticut signed an MOU with six other States in the northeast region to form the Northeast Coalition of States (NCS): New York, Connecticut, Rhode Island, Massachusetts, Vermont, New Hampshire, and Maine.

• The seven states agreed to jointly research, investigate, design, and develop an EBT system. Citibank was selected by the States to be the coalition's EBT contractor in January 1996.

• Connecticut's contract with Citibank was approved by FNS in August 1996.

• The pilot was implemented in the Waterbury area in February 1997.

• Statewide expansion was completed in October 1997.

• *WIC EBT*: Connecticut has joined other New England states in the Partners project (se

Maine)

Delaware Back to the map

FSP Households: 15,755

FSP Authorized Food Retailers: 451

• In August 1994, FNS approved the State's RFP to select a contractor to conduct a feasibility study of a hybrid on-line/off-line EBT system utilizing a laser optical card with a magnetic stripe, focusing on the use of on-line capability for issuing food stamp benefits and an off-line capability for issuing WIC benefits.

• The State submitted Maximus' *Feasibility Study* and a Planning APD for FNS approval in December 1995.

• The State planned to implement an off-line FSP/WIC system utilizing the laser optical memory card with on-line cash benefits added later to the magnetic stripe.

• FNS approved Delaware's planning APD in August 1996.

• The State released their Planning RFP in February 1997 and received three responses.

• Because bid costs were too high, the state canceled the RFP, clarified planning specifications and scope to reduce EBT planning phase costs, released a new Planning RFP in August 1997, and selected Phoenix Technologies Ltd. as their planning contractor.

• The State released a Request for Information (RFI) which closed on June 8, 1998. Based on the response to their RFI, Delaware has decided to forego the laser optical card in favor of a hybrid card with food stamps and cash benefits delivered on the card's mag stripe and WIC benefits delivered by the card's "chip".

• The State has submitted for approval to FNS an APD update which describes the State's change in direction.

• The State is participating in the Mid-Atlantic Regional Coalition (see *Pennsylvania* for description of Coalition).

District of Columbia Back to the map

FSP Households: 37,869

FSP Authorized Food Retailers: 450

• The District issued an RFP for food stamps and cash benefits EBT services in August 1994. Following an extended internal delay, in January 1997, the District announced the selection of Lockheed IMS as their prime contractor with Citibank as the processor.

• The District's contract with Lockheed IMS was approved in September 1997.

• The District is participating in the Mid-Atlantic Regional Coalition (see *Pennsylvania* for description of Coalition).

• The District began pilot operations in the Congress heights area June 1998 with approximately 7,000 households.

• District-wide expansion began August 1998 and was completed in October 1998.

Florida (also see *Georgia*) Back to the map

FSP Households: 428,372

FSP Authorized Food Retailers: 10,380

• The State's Planning APD for food stamps AFDC, and WIC was approved by FNS in March 1994.

• The State signed the SAS MOU to jointly research, investigate, design, and develop an EBT system.

• FNS approved the State's contract with Citibank in February 1997.

• Florida began its pilot in Escambia County in October 1997. The State expanded to Duval County in February 1998 and to part of Dade County in March 1998. Florida completed statewide expansion in October 1998.

Georgia Back to the map

FSP Households: 288,044

FSP Authorized Food Retailers: 5,344

• State law directs Georgia to initiate an EBT pilot program.

• The State's Planning APD for food stamps and AFDC was approved in early 1993; other benefit programs, including refugee relief, will be considered in the future.

• The State signed the SAS MOU to jointly research, investigate, design, and develop an EBT system.

• In March 1995, the U.S. Department of the Treasury released an Invitation for Expressions of Interest (IEI) to acquire EBT Services for the SAS.

• The U.S. District ruled in favor of Treasury in a lawsuit challenging the SAS IEI. While the appellate court initially reversed that decision, Congress later passed legislation that supported the use of the IEI in the SAS.

• Georgia negotiated contract terms with Citibank, the winning vendor selected in October 1995, and the contract was approved by FNS in December 1996.

• The State implemented its pilot in Bibb County (14,000 households) in July 1997 and in Muscogee County (10,000 households) in December 1997.

• Statewide expansion began in February 1998 and was completed in November 1998.

Hawaii (also see *Colorado*) Back to the map

FSP Households: 55,425

FSP Authorized Food Retailers: 1,026

• A bill was been passed by the Legislature funding a study of the feasibility of EBT for Hawaii.

• The State's Planning APD was approved in June 1995 by FNS.

• The State awarded a contract to Phoenix Technologies for a feasibility study, alternatives analysis, and cost benefit analysis for the Food Stamp Program.

• FNS Headquarters, Western Regional Office, and Honolulu Field Office staff met with State systems staff in late September 1995 to provide EBT technical assistance, assess progress toward EBT, and answer questions concerning State alternatives for successful EBT development.

• Hawaii joined with five other western states, known as the Western States EBT Alliance, to secure EBT services through Colorado's RFP.

• In May 1996, Colorado selected Citibank as its processor.

• Hawaii's cost cap was approved in December 1996. Their Implementation APD was approved January 1997.

• FNS approved the State's contract with Citibank in June 1997.

• Hawaii implemented its pilot in March 1998 in Kauai and completed statewide expansion in August 1998.

• FNS approved a six-month farmers' market demonstration project in Hilo, Hawaii in which food stamp recipients use their EBT cards to purchase scrip for use at the farmers' market. The project began September 5, 1998.

Idaho (also see *Colorado*) Back to the map

FSP Households: 22,057

FSP Authorized Food Retailers: 624

• Idaho is part of the Western States EBT Alliance (WSEA) which procured EBT services through Colorado's RFP.

• The State's Planning APD was approved in August 1996.

• In May 1996, Colorado selected Citibank. Idaho's contract with Citibank was approved in December 1996.

• Idaho's Implementation APD was approved in April 1997 and their cost cap was adjusted and approved in January 1998 after an on-site review by FNS.

• The State implemented its pilot September 1997 in Boise, began to expand in December 1997, and became statewide in February 1998.

Illinois Back to the map

FSP Households: 359,731

FSP Authorized Food Retailers: 6,319

• The State's Implementation APD for food stamps, AFDC, and several State benefit programs was approved by FNS in January 1994.

• The State issued an RFP for EBT services in 1994.

• Illinois' contract with Transactive Corporation was approved by FNS in May 1996.

• The State implemented its EBT pilot in Sangamon County in October 1996, began expansion in March 1997, and reached statewide November 1997.

• On February 27, 1998, Transactive announced that it has elected to transition out of EBT and that it has entered into an asset purchase agreement with Citicorp Services, Inc. Illinois is included in the agreement.

• The Department of Justice filed an antitrust action to stop the deal on July 27, 1998 in the Federal District Court in Delaware.

Indiana Back to the map

FSP Households: 125,403

FSP Authorized Food Retailers: 2,793

- Indiana's Planning APD for food stamps and cash was approved by FNS in June 1996.

- The State released an RFP in September 1996 and Transactive was selected in December 1996.

- The Implementation APD was approved by FNS in April 1997. The State's cost cap was approved August 1997 and the contract was approved by FNS in September 1997.

- Some delay in implementation occurred because of a bid protest. More delay has been caused by the pending sale of Transactive to Citicorp Services, Inc. and the Department of Justice antitrust action (see *Texas*). Transactive has since indicated to Indiana its intent to withdraw from the EBT business.

- Indiana is now negotiating with Citibank, the second bidder on the original RFP.

Iowa

Back to the map

FSP Households: 55,518

FSP Authorized Food Retailers: 1,753

- The State began operating a voluntary EBT system in Linn County (Cedar Rapids) for food stamp benefits in April 1993. The system utilizes the Iowa Transfer System (ITS) network and provides cash benefits as well.

- Approximately 20 food retailers have been participating and about 900 food stamp households in the county have chosen to receive their food stamp benefits via EBT.

- FNS extended the Linn County food stamp EBT pilot through the time when a statewide system is procured.

- The State released an RFP to obtain statewide EBT services on December 15, 1997.

The bid process was canceled in May 1998, in part due to State legislation that affected the specifications identified in the RFP.

- That RFP had the State expanding the voluntary system for one year before moving to a mandatory food stamp system. Cash EBT benefits were to remain voluntary.

- The State is now considering collaboration with States in the region that have not yet procured EBT systems (e.g., Nebraska, Montana).

Kansas Back to the map

FSP Households: 51,776

FSP Authorized Food Retailers: 1,208

- The State implemented a multi-benefit EBT system to deliver food stamps, AFDC and General Assistance benefits.

- The State withdrew from the Southwest Consortium once that consortium's bids were received. The State agency decided to issue their own RFP.

- The State issued its RFP in July 1995 and selected Deluxe Data as the EBT contractor in December 1995 and signed their contract in March 1996.

- The pilot was implemented August 1, 1996 in Wichita.

- The State completed statewide implementation in March 1997.

Kentucky (also see *Georgia*) Back to the map

FSP Households: 157,659

FSP Authorized Food Retailers: 4,423

- The State signed the SAS MOU to jointly research, investigate, design, and develop an EBT system.

- The State has awarded a contract for technical services to Phoenix Planning and Evaluation, Ltd. to assist them in EBT planning and implementation.

- FNS approved Kentucky's contract with Citibank in December 1997. Their Implementation APD was approved by FNS.

- The State is planning a pilot in May 1999 with statewide expansion to be completed by November 1999.

Louisiana Back to the map

FSP Households: 206,911

FSP Authorized Food Retailers: 4,294

- Louisiana is implementing an EBT system to deliver food stamps and AFDC benefits.

- Louisiana, as a (former) member of the Southwest Consortium, participated in the development of a joint RFP with Oklahoma, New Mexico, and Kansas. The State later withdrew, however, from the Consortium after bids were received, deciding to issue its own RFP.

• Louisiana issued its own RFP in October 1995 and, in January 1996, selected Premier Bank/First Security Processing as their EBT vendor. Following a bid protest, the State decided to withdraw that RFP and reissue a new RFP.

• Louisiana issued a new RFP in June 1996 which closed in August 1996.

• The State selected Deluxe Data Systems and its contract was approved by FNS in December 1996.

• Louisiana began its pilot in Natchitoches Parish in January 1997.

• Statewide expansion began July 1997 and was completed December 1997.

• The Louisiana legislature passed a law, effective August 15, 1997, that requires the State to pay up to $.05 per EBT transaction for any retailer which uses its own or third-party equipment. Deluxe Data Systems has filed suit against the State in response to the legislation. The Louisiana Retailer Association has sued Deluxe Data Systems over their failure to pay retailer transaction fees as required by the 1997 legislation.

Maine (also see *New Hampshire* & *New York*) Back to the map

FSP Households: 53,541

FSP Authorized Food Retailers: 1,786

• Maine signed an MOU with six other States in the northeast region to form the Northeast Coalition of States (NCS): New York, Connecticut, Rhode Island, Massachusetts, Vermont, New Hampshire, and Maine.

• All seven states announced the selection of Citibank in February 1996 and are each to negotiate their own contract with Citibank

• FNS approved Maine's contract with Citibank in July 1998; however, the State is working through some remaining issues with Citibank.

• *WIC EBT*: The three WIC State agencies in New Hampshire, Vermont, and Maine were approved for an FNS grant to define requirements and design an on-line or hybrid FSP/WIC EBT system. The project evolved into a multi-program, benefit and service delivery system known as "Partners."

• As part of the Partners Project with New Hampshire and Vermont, hired Burger, Carroll and Associates to complete the Partners planning activities. These activities include evaluating responses to a Request for Information (RFI), and drafting an Implementation RFP and an Implementation APD

• The Partners states hope to release the Implementation RFP in the near future.

• The Partners project has expanded to include the WIC projects in Massachusetts, Connecticut, and Rhode Island.

Maryland Back to the map

FSP Households: 128,808

FSP Authorized Food Retailers: 2,941

• In November 1989, the State began operating a multi-benefit demonstration EBT system in one district of Baltimore City. This initial demonstration included food stamps and AFDC benefits, State funded general assistance benefits and child support payments.

• The State, after a change to Deluxe as their contractor, completed statewide EBT expansion in April 1993 to become the first statewide EBT system.

• An evaluation of the statewide expansion was conducted by Abt Associates with the final report released in May 1994.

• In cooperation with FNS, the State has implemented an Administrative Disqualification Hearing/Waiver process for recipient fraud cases.

• Maryland released the results of its "Evaluation of the Mobile Merchant Demonstration" in September 1995, which show that, although technically feasible, the cost and size of equipment must be reduced and end user convenience improved

• The State is participating in the Mid-Atlantic Regional Coalition (see *Pennsylvania* for description of Coalition).

• Maryland's current contract expires in August 1999. A new RFP was released in July 1998 and closed in September 1998. The State has selected Citibank to be its new contractor.

• Testing of the new system is planned for July 1999 with conversion in August 1999.

Massachusetts (also see *New York*) Back to the map

FSP Households: 123,752

FSP Authorized Food Retailers: 3,386

• The State Treasurer's Office entered into a contract with Shawmut Bank to perform a series of EBT/EFT (electronic funds transfer) related pilot tests for various State level departments. Under this contract, the State Department of Public Welfare implemented a

State general assistance pilot in Brockton, first issuing cash benefits in October 1994.

• Massachusetts signed an MOU with six other States in the northeast region to form the Northeast Coalition of States (NCS): New York, Connecticut, Rhode Island, Massachusetts, Vermont, New Hampshire, and Maine. The seven states agreed to jointly research, investigate, design, and develop an EBT system.

• All seven states announced the selection of Citibank in February 1996.

• FNS approved Massachusetts' contract with Citibank in August 1996.

• Pilot operations began April 1997, in the midst of a snowstorm, in the Brockton area.

• Statewide expansion was completed October 1997.

• The State is issuing supplemental food benefits to legal immigrants through their EBT system.

• *WIC EBT*: Massachusetts has joined the Partners group (Maine, New Hampshire, Vermont, and Rhode Island). See *Maine*.

Michigan

Back to the map

FSP Households: 311,405

FSP Authorized Food Retailers: 5,991

• Michigan's Planning APD for a multi-benefit EBT system for food stamps, AFDC, medicaid, State disability assistance, State family assistance, refugee assistance, WIC, and day care payments was approved by FNS in August 1992.

• The proposed pilot site is Jackson County, near Lansing.

• Michigan selected Price Waterhouse to complete an EBT feasibility study, cost analyses, and Implementation APD.

• Michigan's RFP, approved January 1996, was released February 3, 1997. The State selected Citibank as its contractor.

• FNS approved the contract on February 22. However, the State still has some outstanding concerns and has not yet signed the contract.

• *WIC EBT*: Michigan's RFP includes an 18 month WIC EBT pilot to test voucher-level processing using a hybrid card in Jackson County.

Minnesota

Back to the map

FSP Households: 94,663

FSP Authorized Food Retailers: 2,899

- Ramsey County (St. Paul), Minnesota, began a voluntary cash assistance EBT system in 1987, providing AFDC, general assistance, refugee assistance and State supplemental security income via an on-line transfer system.

- The mandatory issuance of food stamp benefits by the EBT system began in September 1991 with the full caseload in Ramsey County implemented by May 1992. Minnesota then expanded the Ramsey County system into neighboring Hennepin County (Minneapolis).

- The State released an RFP for Statewide expansion to potential bidders in January 1996. In February 1996, an addendum to its RFP was released to add Wisconsin to the procurement for EBT services.

- The State selected Deluxe Data as the EBT vendor in July 1996 and signed a contract in October 1996.

- Conversion to the Deluxe Data system took place in Hennepin and Ramsey counties June 22, 1997. Statewide expansion began October 1997 and was completed in October 1998.

Mississippi

Back to the map

FSP Households: 123,238

FSP Authorized Food Retailers: 3,221

- State legislation mandated an on-line EBT system in five counties.

- The State entered into a sole source procurement with Diebold, using only State funds, for card production and system integration services.

- The State's Planning APD for a food stamp-only system was contingently approved by FNS in June 1993 pending revisions which are now under review.

- Mississippi submitted a revised Planning APD in July 1995, outlining a plan to issue an RFP wrapped around the Diebold system software.

- In Fall 1995, Mississippi conducted a two month pilot in Rankin County using only State funds and the system developed by Diebold.

- Following their pilot and several rounds of discussions with FNS regarding their future plans, the State decided to drop its original approach and issue an RFP to obtain food stamp and AFDC EBT services. As a result, the State issued an RFP for food stamps and AFDC on September 6, 1996.

• In November 1996, they selected Transactive Corporation for a food stamp only EBT system. A protest followed, was withdrawn in January 1998. However, in February 1998 Transactive announced it was selling its contracts to Citibank.

• Mississippi negotiated with Lockheed IMS, which had also bid on the original RFP, but those talks ended without a contract. The State has since rejoined the Southern Alliance of States and is now negotiating with Citibank.

Missouri (also see *Georgia*) Back to the map

FSP Households: 169,097

FSP Authorized Food Retailers: 3,187

• The State's EBT Planning APD was approved in December 1992.

• State proposed a multi-benefit system to provide food stamps, AFDC, Medicaid, and WIC benefits electronically in Jackson and St. Louis Counties.

• The State signed the SAS MOU to jointly research, investigate, design, and develop an EBT system.

• Missouri's contract with Citibank, the successful bidder for the SAS project, was approved by FNS on May 24, 1996.

• The State completed acceptance testing in May 1997 and, in June 1997, implemented its pilot of 10,000 households in several counties in the south-central part of the State and six zip codes of Kansas City and St. Louis. Additional counties were added in September and October.

• Statewide expansion was completed in June 1998.

Montana Back to the map

FSP Households: 24,605

FSP Authorized Food Retailers: 828

• The State is using BDM to conduct an EBT feasibility study for multiple benefit programs.

• FNS met with the State in January 1996, to discuss the possibility of adding food stamps and WIC to the Medicaid smartcard (off-line) pilot which began operating in Helena early February 1996.

• A Planning APD for food stamps was approved by FNS in April 1996.

• The State is considering working with other States that have not yet procured an EBT system(e.g., Iowa, Nebraska).

Nebraska Back to the map

FSP Households: 40,108

FSP Authorized Food Retailers: 962

• FNS met with State staff in February 1996 to discuss various issues raised by the State's EBT task force which was formed by the Governor in response to a legislative mandate to evaluate EBT.

• The Governor-appointed task force has recommended that the State proceed with EBT.

• FNS approved the State's Planning APD March 12, 1999.

• The State is considering working with other States that have not yet procured an EBT system(e.g., Iowa, Montana).

Nevada (also see *Colorado*) Back to the map

FSP Households: 29,931

FSP Authorized Food Retailers: 667

• Nevada joined with several other western states to secure EBT services through Colorado's RFP.

• In May 1996, Colorado selected Citibank as its processor.

• The State has not decided whether they will contract for EBT using this vehicle.

• FNS met with State staff in March 1997 to discuss general EBT implementation issues.

• The State submitted a Planning APD to FNS in May 1998 for a food stamp-only system. FNS provided the State with comments in June.

New Hampshire (also see *New York*) Back to the map

FSP Households: 17,898

FSP Authorized Food Retailers: 718

• FNS approved a Planning APD submitted by New Hampshire for a tri-state EBT system with New Hampshire, Vermont and Maine in 1992 for delivery of food stamps, AFDC and Medicaid benefits, and child support payments across state borders.

• A feasibility study for a multi-State system was released in May 1993.

• New Hampshire signed a MOU with six other States in the northeast region to form the Northeast Coalition of States (NCS): New York, Connecticut, Rhode Island, Massachusetts, Vermont, New Hampshire, and Maine.

• All seven states announced the selection of Citibank in February 1996. If the State chooses to proceed with the NCS, they will negotiate a contract with Citibank.

• FNS approved New Hampshire's contract in August 1997.

• New Hampshire began their EBT pilot August 3, 1998, in the Concord area with over 2,000 food stamp households. The State began issuing cash via their EBT system August 15.

• Statewide expansion was completed in January 1999.

• *WIC EBT*: see *Maine*

New Jersey Back to the map

FSP Households: 175,469

FSP Authorized Food Retailers: 4,648

• New Jersey was approved to implement a pilot EBT operation in Camden, Essex, and Hudson Counties, encompassing nearly half the State's assistance households.

• The State awarded an EBT contract to Deluxe Data Systems with an evaluation contract awarded to Market Facts.

• The State's EBT Pilot operations began in Camden County in February 1994 with countywide expansion completed by April 1994. Camden County encompasses approximately 24,500 households and 500 retailers.

• Essex County, the second county to implement EBT in the State's three county EBT pilot, began its four-month phased EBT implementation in October 1994 with nearly 60,000 assistance households and 900 retailers.

• Hudson County, the final county in the State's three county EBT pilot, began its three-month phased implementation in March 1995 with approximately 30,000 households and 800 retailers involved.

• With all three counties now operational, approximately 114,000 households and approximately 2,200 retailers are participating in the State's EBT system.

• The State has implemented an Administrative Disqualification Hearing/Waiver process to handle recipient fraud cases.

• The State is participating in the Mid-Atlantic Regional Coalition (see *Pennsylvania* for description of Coalition).

• In response to their RFP released in January 1997, the State selected Deluxe Data Systems in July1997 for the statewide expansion of EBT. The contract was approved in October 1997.

• After converting the original three counties to Deluxe's newer Edge 3 system, expansion has begun and is expected to be completed by late Spring 1999.

• *WIC EBT*: Phoenix Planning and Evaluation completed a WIC EBT Feasibility Study for New Jersey. The final draft is in the Governor's office for approval.

• Phoenix is preparing the System Requirements and the Proposed System Approach.

New Mexico

Back to the map

FSP Households: 64,392

FSP Authorized Food Retailers: 1,153

• EBT operations began in Bernalillo County (Albuquerque) in September 1990.

• Over 23,000 food stamp households, 8,000 AFDC households, and over 160 food retailers participate in the Bernalillo County project.

• The State awarded a statewide expansion contract to First Security Bank and began the final phase (of six phases) of expansion in August 1995.

• New Mexico participated in the evaluation of the Oklahoma Multi-State EBT RFP but decided to withdraw when the award protest was upheld. The State decided to issue its own RFP and has extended its current contract with First Security Bank until September 1998.

• New Mexico has met with Texas and Oklahoma to arrange for interstate transactions among the three states. After final acceptance testing for interstate transactions in February 1997, New Mexico and Texas became interoperable in March 1997.

• In May 1997, The State submitted to FNS for approval a draft RFP to re-bid their EBT system.

• *WIC EBT*: The New Mexico Department of Health (NMDH) and Department of Human Services (NMHS) met to plan for the implementation of a hybrid EBT pilot serving the Food Stamps and WIC Programs. FNS approved the NMDH Implementation APD update for the NM WIC hybrid system in December 1996.

• NMDH and NMHS issued a joint RFP on July 25, 1997 for a hybrid EBT system to include a WIC pilot along with a statewide food stamp and cash EBT system.

• NMDH determined that the bids for the WIC portion of the RFP were non-responsive and withdrew from the procurement.

• The State (NMHS) selected Citibank as the EBT processor for food stamps and cash programs. System acceptance testing was conducted in December 1998 and the State converted all cases from First Security to Citibank on January 13, 1999.

• *WIC EBT*: New Mexico and Texas are planning to issue a joint RFP to procure a WIC EBT system using a hybrid card.

New York

Back to the map

FSP Households: 722,884

FSP Authorized Food Retailers: 14,709

• *Northeast Coalition of States*: New York signed a MOU with six other States in the northeast region to form the Northeast Coalition of States (NCS): New York, Connecticut, Rhode Island, Massachusetts, Vermont, New Hampshire, and Maine.

• The seven states have agreed to jointly research, investigate, design, and develop an EBT system.

• The NCS represents over 1.5 million food stamp and 1.0 million AFDC households.

• With New York as the lead State, the NCS released an RFP in June 1995 seeking a processor to provide EBT services to the members of the coalition.

• All seven states participated in the evaluation of the RFP bids and Citibank was selected in January 1996.

• All seven states announced the selection of Citibank in February 1996 and are each to negotiate their own contract with Citibank.

• The terms of the bid state that once a contract has been signed with one state, the other NCS states have eighteen months to sign a contract to take advantage of the benefits of the contract, in particular anticipated cost savings from an economy of scale in processing such a large volume of benefits transactions.

• New York's contract with Citibank was approved by FNS on March 29, 1996. The State Comptroller approved the contract in October 1996.

• New York plans to implement its pilot in Staten Island.

• New York is also a member of the Mid-Atlantic Consortium addressing EBT and other regional issues (see *Pennsylvania* for description of Consortium).

• The State Superior Court ruled in favor of the State on a pending court suit regarding the contract award to Citibank on December 3, 1998.

• The State began implementing its pilot in March 1999 in Staten Island and will expand in April 1999 to three zip-codes of Manhattan. The five boroughs of New York City are to be implemented by December 1999. The remainder of the State is to be completed by 2001.

• *WIC EBT*: The WIC State agency is asking for separate EBT system proposals in the release of its modified RFP for a program Management Information System. The NCS RFP enables the NY Department of Health to develop a WIC EBT system design also.

North Carolina (also see *Georgia*) Back to the map

FSP Households: 213,529

FSP Authorized Food Retailers: 5,198

• The State's Planning APD was approved by FNS and ACF in August 1994.

• The State signed the SAS MOU to jointly research, investigate, design, and develop an EBT system.

• North Carolina's contract with Citibank was approved by FNS in June 1997.

• The State implemented its pilot in April 1998 in Davie, Lincoln, and Cumberland counties. Statewide expansion began in September 1998 and the State plans to be statewide in June 1999.

North Dakota/South Dakota Back to the map

FSP Households - North Dakota: 13,502

FSP Households - South Dakota: 16,653

FSP Authorized Food Retailers - ND: 551

FSP Authorized Food Retailers - SD: 593

• The States awarded a contract for a two-State, joint EBT project to Citibank EBT Services as their EBT vendor in May 1995.

• The system is issuing food stamp benefits with the option of adding AFDC benefits at a later date.

• The States began pilot operations in February 1996; statewide expansion was completed in March 1997.

Ohio

Back to the map

FSP Households: 304,744

FSP Authorized Food Retailers: 6,206

• An off-line food stamp EBT demonstration project operated in six zip codes in Dayton from March 1992 until January 1997 when the new primary contractor, Citibank, took over.

• An evaluation of the Dayton pilot was completed in May 1994.

• Unlike on-line systems which store benefit accounts and encrypted PINs in a host computer, off-line systems store accounts and encrypted PINs on a micro-chip EBT card. The off-line transactions are authorized from the micro-chip card rather than telephonically from the host computer.

• Ohio issued their statewide RFP in February 1994, selected Citibank in June 1995, and signed a contract in October 1995. The system will initially issue food stamp benefits only but there are options for adding AFDC and WIC.

• Citibank's subcontractor for transaction processing is Stored Value Systems (SVS), formerly the National City Processing Company, of Louisville, KY, and the contractor for the Dayton pilot.

• Client conversion to EBT was originally planned for client certification and re-certification, not by mass conversions in counties or regions. Dayton converted to the new card and system in January 1997. Further expansion started in June 1997. They are speeding up conversion and hope to finish in August 1999.

• The State is participating in the Midwestern Alliance of EBT States and the Mid-Atlantic Regional Coalition (see *Pennsylvania* for description of Coalition).

• *WIC EBT*: A WIC functional requirements document was approved August 1997. OH WIC also was awarded an FNS grant for EBT design and development in April 1998. Negotiations with the contractor continue.

Oklahoma

Back to the map

FSP Households: 117,434

FSP Authorized Food Retailers: 2,538

- Oklahoma released a multi-state EBT RFP in December 1994 as the lead State of the Southwest Consortium that included New Mexico, Louisiana, and Kansas.

- Oklahoma selected First Security Bank as its EBT contractor. Louisiana and Kansas left the consortium to pursue single-state RFPs.

- Four vendors, not selected by ODHS, filed protests with the State in May 1995.

- In November 1995 an administrative judge began hearing testimony in a lawsuit filed by Lockheed protesting the selection of First Security Bank.

- On February 8, 1996, the judge ruled in favor of Lockheed, thus requiring Oklahoma DHS to re-evaluate the bids from First Security and Lockheed.

- In August 1996, Oklahoma selected Lockheed as their EBT contractor and FNS approved Oklahoma's contract with Lockheed in September 1996.

- The State implemented its pilot in Oklahoma County in June 1997. The State continued statewide expansion in July and was statewide in January 1998.

Oregon

Back to the map

FSP Households: 104,236

FSP Authorized Food Retailers: 2,206

- Oregon's Planning APD was approved in April 1993.

- While Oregon considered joining with several other western states in adding its requirements to Colorado's RFP, they issued their own RFP on April 15, 1996.

- Oregon selected Deluxe from the responses to their own RFP and their contract was approved in January 1997 for deliver of FS and cash benefits.

- The Implementation APD and FS cost cap were approved in March 1997.

- A pilot was implemented September 1997 in Lane County (Eugene). The State began expansion in December 1997 and became statewide in May 1998.

Pennsylvania

Back to the map

FSP Households: 387,721

FSP Authorized Food Retailers: 8,957

• Reading, (Berks County), the first EBT demonstration project in the nation, was implemented for food stamp benefits in October 1984.

• In April 1997, the State signed an FNS-approved contract with Citibank (with Lockheed as a subcontractor) to develop and implement a statewide EBT system to deliver food stamps, AFDC, general assistance and other programs.

• Implementation began October 1997 with conversion in Berks County of nearly 10,000 [illegible] food stamp households. Philadelphia followed in February with Delaware and Chester

CardTech/SecurTech '99 to Highlight New Practical Applications of Smart Cards and Biometric Technology in the U.S.

(BW)(MD-CARDTECH-SECURTECH) CardTech/SecurTech `99 to Highlight New Practical Applications of **Smart Cards** and Biometric Technology in the U.S.

Business Editors
CardTech SecurTech, May 11-14

BETHESDA, Md.--(BUSINESS WIRE)--April 27, 1999--**Smart cards** and biometric technology have taken large parts the world by storm, from Europe, to Latin America to Asia.
And although **smart cards** and biometrics have only just begun to establish a beach head in the United States, they are now found in a wide range of practical, innovative and surprising applications that make life easier, safer and more enjoyable.
CardTech/SecurTech `99, the world's largest conference and exhibition covering **card** and security technology, will focus on these practical applications of **smart cards,** biometrics and data encryption both in the U.S and overseas. The event is being held at Chicago's McCormick South Convention Center from May 11 to 14. The show will feature a 1000-booth exhibition and over 200 presentations.
The practical applications to be presented are now being used for the first time in the United States across a wide range of diverse fields that include transportation, finance and business, higher education, government.

Transportation

- Chicago O'Hare Airport's Cargo Handler Fingerprint System: Jim Sachay, Assistant Commissioner, Department of Aviation, will describe how the airport is tracking baggage handlers with fingerprint biometrics and **smart cards** to protect passenger safety and property.

- Chicago Transit Authority's Contactless **Smart Card** Fare System: Joe Simonetti , General Manager, Revenue Equipment Technology, will discuss the recently completed equipping of all CTA buses and rail stations to handle contactless **smart cards** for convenient and secure fare collection.

Finance and Business

- Merrill Lynch's **Smart Card** Based Network Authentication System: Dean Mazboudi, Vice President, Distributed Systems, will discuss Merrill Lynch's pilot application of **smart cards** using Microsoft's **Smart Card** for Windows (TM) operating system in securing their private client systems.

- Compaq Computer Fingerprint PC's: Michael F. Angelo, Principal Member Technical Staff, will discuss the integration of fingerprint biometrics into the Compaq line of PC's and workstations for enterprise security.

- Lee Auto Parts **Smart** Loyalty **Card:** Phill Porpora, President, will describe how small retailers can increase their sales and raise customer loyalty using a **smart card** loyalty program.

- SuperWash Laundry **Cards:** Michael Cutter, President, will describe how a **smart card** implementation has enabled his company to grow nationwide by streamlining cash flow and providing convenience to customers.

Higher Education

- Cleveland State University's Urban Campus **Cards:** Joanne Truitt, Director of Contract Administration, will describe how Cleveland State University is integrating its **smart** campus **card** program with local, off-campus, retail and transit organizations.
- Ohio's Statewide Rollout of **Smart Cards** for **Food Stamps:** Dave Schwartz, EBT Program Manager for the Ohio Department of Human Services, will discuss the final steps in issuing 400,000 **smart cards** to recipients and installing 12,000 terminals in 7,000 **food** retail stores.
- Iowa State University's Integration of Campus ID **cards** with Student Loans: Joan Thompson, Treasurer, will describe this innovative partnership which makes federal student aid money available to students through their campus ID/debit **card.**

Government

- U.S. Navy's Multi-application **Smart Card** Program: Tony Cieri, Director of the Navy **Smart Card** Program, will discuss the Navy's pilot program and implementation of a multi-application electronic cash **card** for all sailors at sea.
- GSA's Government wide **Smart** Access Common ID **Card:** Larry Carnes, Electronic Commerce Project Manager, will discuss the implementation of **smart** ID **cards** at GSA and plans to take the system governmentwide.

Illinois' Biometric Verification of Welfare Recipients: Barry Beckwith, Chief, Bureau of Operations Support at the Illinois Department of Human Services, will describe the roll-out fingerprint ID and matching capabilities to ensure that people do not enroll for benefits under different names.
These, plus dozens of other presentations of current and planned implementations throughout the world form the heart of the CTST 99 seminar program " Gateway to Practical Innovation".
CardTech/SecurTech (CTST), founded in 1991, is the world's most comprehensive conference and exhibition covering advanced **smart card** and security technology.
Purchased by Faulkner & Gray, Inc., publisher of **Card** Technology, ID World and **Smart Card** Alert, CTST focuses on applications of **card** and related technology solutions for banking, the Internet, telecommunications, mass transit, security, retail, loyalty, government and health care. Information about the organization, sponsors, program topics and exhibition can be found at www.ctst.com.

--30--SF/ph*

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Electronic Food Stamps Leave Women Hungry

(Contemporary Women's Issues Database)

Electronic *Food* **Stamps** Leave Women Hungry

Sojourner, 10-01-1997

FRAMINGHAM, MA--"Violated, angered, sick to my stomach," is how Debbie Hoyte-Fraser describes her reaction to the new electronic **food stamp** system in Massachusetts. Since April 1, a private corporation has been replacing traditional **food stamps** made out of paper with the Electronic Benefit Transfer System (EBT). Lockheed Martin Information Management Systems, the corporation that won a state contract to computerize **food stamps,** will finish phasing in EBT on October 1.

Reputedly similar to ATM **cards,** the EBT **cards** should fit into a machine at a grocery store. Any purchase by a foodstamp recipient would result in an auto, matic debit. Less fuss, less muss. Right?

Wrong, say many **food-stamp** recipients. Hoyte-Fraser says she went 22 days without funds for groceries "because the computer went down." And she is not alone.

On July 3, 130,000 shoppers were left without funds for their groceries after the EBT system failed, according to state estimates. "One out of nine families in Massachusetts are being assisted with this **food** program," says Hoyte-Fraser, pointing out the magnitude of potential problems from system crashes.

The Women's Alliance, a welfare-rights organization based in Framingham, charges that many women have gone without **food** because of complications with the new EBT system. "Since its implementation, advocates are being swamped with stories," says Grace Ross, who coordinates the Women's Alliance. Magnetic strips on the **card** can become scratched, disabling the **card,** she says. Recipients have also told Ross that grocery staff are often untrained and unhelpful when recipients use EBT. After waiting in line, **food-**

stamp users are often notified that they must stand in a different, unmarked line to access their benefits. Other workers have refused to employ a backup manual process when the system fails. Individuals have been forced, Ross says, "to pay cash or leave without their groceries."

Other users say that EBT's instructions are difficult to understand. Users who do not know English are particularly at risk under the new system, advocates say, but other recipients suffer as well. One older woman could not purchase her **food** because she misplaced her PIN number, says Brian Flynn, a lawyer with Greater Boston Legal Services. "She sat at the welfare office waiting for help while her portable oxygen ran out."

Hoyte-Fraser, who is a member of the Women's Alliance, says that there is "a lack of helpful, trained individuals to correct the problem" at EBT. But activists say that the problem has more to do with Lockheed Martin's bottom line: profit, not public welfare.

Massachusetts is not alone in its new relationship with Lockheed Martin. Other state governments are rushing to entice private companies like Lockheed Martin into running publicly funded programs. But according to a well-documented report by the Service Employees International Union (SEIU), some states have found that Lockheed Martin has only increased their administrative troubles.

California contracted its child-support enforcement computer system to Lockheed Martin in 1992 for $99 million. The company was supposed to link California counties to a central database to monitor parents who refused to pay child support. By 1997, the California assembly released a report saying that the system was projected to have a 163 percent overrun-costing a whopping $260 million. Los Angeles County is not even included in those cost projections. Last February, California stopped making payments to the corporation, saying that the system had so many flaws that they needed proof it could actually work.

Connecticut also faced problems when Lockheed Martin installed a computer system for the state's foster-care program in June 1996. The system generated incorrect payments of up to $8 million to foster parents and other child care providers. Although the incorrect payments were discovered before they were sent out, other providers who were actually owed money did not get it on time. State workers have also complained about the computer system, saying they have trouble using it.

Lockheed Martin's track record leaves **food-stamp** users in Massachusetts wary of future system crashes. Though recipients would like a simpler system and a staff that is better trained, mainly they want a guarantee that they will be able to meet their basic needs. "Give me back my paper **stamps!**" says Grace Caldor, a Women's Alliance member. "I have had so many problems just trying to get a simple gallon of milk."

Lavine, Rebecca, *Electronic Food Stamps Leave Women Hungry*. Vol. 23, Contemporary Women's Issues Database, 10-01-1997, pp 34.

CHILD NUTRITION REAUTHORIZATION:JOSEPH TERRANCE WILLIAM

March 17, 1998

Senate Agriculture Committee SR-328A

US Congress

RE: WIC Reauthorization Hearing - Electronic Benefit Transfer for WIC

I am Joseph Terrance Williams, of Cheyenne, Wyoming. I serve the citizens of Wyoming as the State Electronic Benefit Transfer Program Manager. Wyoming is now operating the first combined Electronic Benefit Transfer (EBT) field demonstration that includes both WIC and **Food Stamps.** This is also the first combined **smart card** application of both WIC and **Food Stamps.** Wyoming is currently reviewing processor bids to determine how to take our pilot experience and expand it statewide for WIC, **Food Stamps** and Temporary Assistance for Needy Families (TANF).

In addition our Governor, Jim Geringer, has afforded me the privilege of appointment as the Program Manager for the Western Governor's Association Health Passport Project. Health Passport is a three state, three city field demonstration that uses the same **smart card** technology as an electronic service platform to put important health information at the fingertips of mothers and their children, including WIC participants. In my testimony, I will reference the potential value of looking at this technology to not only manage EBT benefits, but to link WIC with other Maternal and Child Health Programs and Medicaid. Prior to focusing on electronic service delivery, I was the Wyoming WIC Director for 15 years.

Congress had a far sighted vision for the WIC Program when they enacted legislation through Public Law 94-105 in 1975. That vision established the mission of WIC as a supplemental nutrition program; by providing a specific **food** prescription for low income pregnant women, infants and children during critical periods of growth, who were medically determined to be at nutrition risk or health risk or both. WIC was established as a health program, and as such to be operated by the health agency in each state. Within the health agency, WIC is to function as an adjunct to maternal and child health programs. WIC is to provide nutrition education to parents of eligible preschool children to solve existing nutrition problems and to establish good eating habits that would last a lifetime. Further, WIC's primary **food** delivery system was to be through **food** retailers who are contracted through state contracts.

I submit for WIC to gain the full spectrum of benefits from EBT; it is essential that we establish an EBT solution that is built upon the strength of the original goals that were set for this exceptional program.

Since embarking on the first Wyoming proof of principle demonstration in the early 90's, a WIC EBT vision is taking shape. Key points include:

- WIC as an integral part of a national strategy towards modernizing and streamlining business practices through electronic solutions.

- Deliver WIC benefits and reconcile payments through a paperless EBT system.

- Improve client services through simplified point-of-sale transactions and greater shopping convenience.

- Increase accountability and streamline program monitoring for states.

- Make WIC benefit redemption and payments more efficient for retailers.

- Maximize the technological advantages for WIC in line with evolving commercial sector innovations.

- Promote federal-state Partnerships in development and implementation of EBT systems for benefit delivery and health related services such as immunization and maternal and child health.

- Improve program fiscal management through electronic tracking of daily EBT obligations and settlement of those obligations

With this as our vision, the Wyoming EBT experience presented three challanges:

1. The WIC Program benefit, rather than a dollar amount, is a prescription for specific quantities of specific types of **foods.** Authorizing WIC purchases is therefore much more complicated than authorizing a purchase using **food stamp** or welfare benefit because each item in the WIC purchase must be determined to be in accord with the individual's perscription.

2. Most EBT systems use an on-line approach, which requires a telephone link to a central computer to authorize each purchase or cash withdrawal using EBT benefits. On-line systems typically use a magnetic stripe **card,** which stores only enough information to identify the cardholder and relevant account. In contrast, the **smart card** system in Wyoming places the benefit account balance on the **card** itself. This permits off-line transactions, which occur without concurrent communication with a central datebase.

3. Finally, the Wyoming system represents the first time that a single **card** has been used to simultaneously perform EBT functions and to support the sharing of health data to improve health related services. The use of multifunction, multiprogram **cards** is being considered widely as a means for integrating government services to low income populations.

What Have We Learned ?

Beginning in the early 90's Wyoming worked with our **food** retailer partners, to test the feasibility of **smart cards** as the electronic medium for use to deliver the WIC **food** prescription. (1) It was determined that magnetic stripe technology was insufficient to manage what is identified as the most complex and expensive **food** transaction retailers are requested to conduct for any **food** benefit program. By using a **smart card** for the WIC transaction additional memory capacity to manage the complexity of the WIC **food** prescription is provided. (**Smart cards** have the "on board" memory capacity to store and debit approved and authorized WIC **food,** by **food** category, as the **foods** are scanned across the point-of-sale retailer equipment).

1. Participants Prefer WIC EBT

System testing demonstrated that WIC participants would successfully use this new technology and over 90% prefer-red **smart cards** over the store specific, paper warrants.

2. Shopping by **Food** Category and UPC Codes Improve WIC Transaction Integrity
By tying the **smart card** to an approved, state authorized, electronic WIC Universal Product Code (UPC) listing of authorized **foods** we are assured that the prescribed WIC **food** package is purchased by the participant and

no **foods** are forfeited or improperly substituted.

This approached also removed the judgement of the retailer checkout clerks, who may be unaware of exactly what items meet the prescription. EBT applied to WIC at a UPC level, also provides an electronic fingerprint of every transaction. With this level of documentation, unless there is colusion between the cashier and participant, fraud/abuse within the retail store is eliminated

3. EBT Provides Emergency Flexability.

WIC participants who are normally required to visit the clinic every second month to have their EBT benefits authorized, in emergencies such as childbirth, or severe weather can have benefits "remotely replenished" by the benefits being downloaded to the retail store. Further, EBT **cards** that are lost or stolen can be replaced, with the remaining benefit balance, once the central EBT computer issues a message preventing the use of a lost **card.**

4. EBT Documents Program Rebates.

The EBT system limits the participants' purchase of infant formula to exactly the type of formula prescribed. The system also provides program management with exact purchase data for submiting claims to infant formula manufacturers. (Consequently WIC EBT transactions managed at the UPC level potentially afford the opportunity to pursue additional WIC **food** prescription savings).

Further, when product manufacturers produce new WIC approved **foods,** change packaging or UPC, or when a store changes suppliers of proprietary brands of WIC products, (for example, changing dairy suppliers), the State WIC office can review and approve the product one day and make it available in the approved **food** category, the following day.

5. EBT Improves Convenience and Comparision Shopping. **Smart cards** provided increased shopping flexibility, and access to more stores. If a store was short on infant formula, the participant could make a partial purchase of what was available and return tomorrow. Alternately, the **card,** with the remaining balance, affords the participant the opportunity to shop at another store. If the participant is homeless or has limited refrigeration, and needed to shop everyday or every other day, they could do so. If one retailer provided a weekly promotion on WIC products, the participant could shop for the advertised specials at that particular store, and the state WIC program would receive the benefit of lower costs. In this way, WIC participants are able to apply WIC nutrition education skills as **smart** shoppers.

6. Retailers Prefer WIC EBT to Paper System. Retailers have publicly stated that they prefer this open delivery system, because, the retailer has to treat the WIC participant like everyone else. The participant can now shop wherever they want, and consequently, the store with the best price and service gets the WIC participant business.

In the initial "proof of principle" demonstration we learned a great deal. With our retail partners we came up with a list of lessons learned and issues to be overcome, before we could head into a full fledged pilot demonstration from which we could launch a statewide roll-out. Issues included: using more robust in-lane equipment, using a balance inquiry terminal at customer service to download the monthly **food** prescription, learning how to interface with the stores existing POS equipment to pick up the UPC code and shelf price in real time, and making the payment settlement system fully electronic.

In 1995, Wyoming having rigorously completed functional design and acceptance tests with our retailer partners and program participants, began the current pilot demonstration of **smart card** EBT for both WIC and ***Food Stamps.*** This demonstration included 75 **food** retailers, 5,500 WIC participants and 2,200 **Food Stamp** housholds. (It is estimated that 40 to 60 percent of WIC participants also receive **food stamps.** By using one **card,** featuring a smartcard or a hybrid **card** (with both a microchip and magnetic stripe features), efficiencies are provided because of the program overlap. The common **card** also provides the opportunity to improve referral of information, cost sharing, and nutrition education to participants in both WIC and the FSP) The pilot has been evaluated through a contract from the **Food** and Nutrition Sercice. (2)

The current application is working as designed. (See exhibit) Participants, retailers, and the state are pleased with the system, but as our learning curve has continued through the demonstration, we do expect to modify the design prior to statewide roll-out.

1. Immediate Issuance of Benefits.

WIC participants need to receive the authorized supplemental **food** prescription as soon as they are certified. We are making provision in the design to provide benefits on the day they are certified. This will require enhancements to maintain the system security.

2. The Initial Cost of the EBT System Cost More Than The Relatively Inexpensive Paper System that is Being Replaced.

This was to be expected because of the small size of the demonstration, and the upfront costs of design and development. Several factors, such as expending the system to a much larger scale, could reduce off-line **smart card** EBT operating costs and substantially narrow the gap between EBT and the paper systems. Other price reducing factors include falling prices of **smart cards,** and sharing more of the system costs with **food** retailers as they develop the business case for this new technology. 3. State WIC Programs Need to Partner or Form EBT Coalitions. Project size will drive down prices. Through Health Passport, the Wyoming Model, is being transferred to Nevada WIC as a pilot in Reno. This is important because the transfer will begin to demonstrate the first components of system interoperability. The transfer will also demonstrate how these states can use a multistate UPC Code data base. The Wyoming EBT Request for Proposal, also affords New Mexico WIC and Washington WIC to work off the same price schedule, if these states choose to take their option. As the major **food** retailers are regional or national in scope, they need to see the WIC community address the WIC EBT transaction with a common protocol.

4. Health Passport Links WIC to Maternal and Child Health Programs. There is a significant program overlap between WIC and Immunization, Maternal and Child Health, Head Start, and Medicaid Child Health Services. A common electronic service platform can be used by parents to share timely and relevant administrative, demographic and health data between both public and private providers. (In the Western Governor's Association Health Passport, we have identified a data map of over 500 elements that the parent could share between service provider's). This would enhance health care coordination, access, and efficiency. Further, within the concept of welfare reform, true access should be the engagement of parents so they are a partner in the delivery of health care for their children. (See exhibit).

5. National WIC EBT Specifications. Through a Partnership, the **Food** and Nutrition Service, General Services Administration, the National Association of WIC Directors, states, **food** retailers (and their processors, software companies and equipment manufacturers) must work together to develop the WIC EBT Messaging Format so there is one National Standard. This work has begun through a plan and meetings sponored by the Texas WIC Program and the Western Governors' Association Health Passport Project earlier this

month.

6. Congressional Support. I respectfully recommend that Congress make the investment in WIC EBT and MIS System program integrity and move WIC into the twenty-first century. As Congress directed States to apply EBT to Programs such as **Food Stamps** by 2002, a similiar investment will protect the WIC Program and enable it to acheive the bright promise for our Nations Children it was commissioned to do, some 25 years ago. Thank you for the privilage of working with you today.

1. Final Evaluation Report. "The Electronic Benefits Transfer Smartcard Pilot Demonstration in Casper, Wyoming, December 1991.

2. Costs and Impacts of the Wyoming Smartcard EBT System - Evaluation of the Wyoming EBT System for WIC and the **Food Stamp** Program. May 1997.

Author not available, *CHILD NUTRITION REAUTHORIZATION:JOSEPH TERRANCE WILLIAM.* , Congressional Testimony, 03-17-1998.

F2000 AGRICULTURE APPROPRIATIONS:SAMUEL CHAMBERS, JR

United States Department Of Agriculture **Food** and Nutrition Service

Statement of Samuel Chambers, Jr., Administrator **Food** and Nutrition Service Before the Subcommittee on Agriculture, Rural Development, **Food** and Drug Administration and Related Agencies

Thank you, Mr. Chairman and members of this subcommittee; I am Samuel Chambers. I was appointed Administrator of the **Food** and Nutrition Service (FNS) on August 31, 1998. Prior to my appointment as Administrator of FNS, I was the Director of the Michigan Family Independence Agency for Wayne County, Michigan. I began working for this State Agency in 1968 and became Director in 1991. From that experience I have gained a substantial familiarity with the U.S. Department of Agriculture's Nutrition Assistance Programs and I am looking forward to the challenge of effectively administering these vital programs from a very different perspective than in my previous experiences. I thank you for the opportunity to appear before this Subcommittee to discuss the fiscal year 2000 budget request proposed for the USDA's FNS.

2000 Budget Request

The FNS requests $36.5 billion in new budget authority for fiscal year 2000. This includes funds to implement the provisions of the Agricultural Research, Extension and Education Reform Act of 1998 (1998 Act) and the provisions of the William F. Goodling Child Nutrition Reauthorization Act of 1998 (Goodling Act). We are requesting sufficient resources to allow 7.5 million women, infants and children to receive WIC benefits every month. We also request an increase in resources to ensure that States receive the level of FNS assistance necessary to administer these programs efficiently and that program integrity enforcement is elevated. This budget request supports the commitment of this administration to provide low-income families and individuals with continued access to healthful, nutritious diets and to maintain effective and efficient program operations.

***Food* Stamp** Program

The **Food Stamp** Program continues to serve as the primary source of nutrition assistance for low-income Americans. The program's mission is to ensure that low-income Americans have access to a nutritious, healthful diet through nutrition assistance and education. The resulting improvements in the nutritional status of low-income Americans protects their health and strengthens the **food** and agricultural economy. We are requesting $22.5 billion for the **Food Stamp** and associated Programs in the context of continuing strong economic conditions. This estimate includes a benefit reserve of $1 billion, a $900 million increase over fiscal year 1999, which will ensure timely funding availability in the event of some unforeseen economic adversity, thereby protecting the program's ability to get **food** quickly to people who need it. Based on current economic forecasts for fiscal year 2000:

- The average unemployment rate is projected to be 5 percent; - **Food Stamp** Program participation is projected to average 20.1 million persons monthly; and - The average monthly benefit is projected to be $75.28 per person.

The cost of the Thrifty **Food** Plan for a family of four is projected to rise only 1.5 percent from fiscal year 1999 to fiscal year 2000. Participation and costs will rise slightly, reflecting the increased population eligible for benefits and the slight increase in the **food** cost. FNS estimates reflect (1) the changes in the **Food Stamp** Program emanating from The 1998 Act and (2) our legislative proposal to restore benefits to certain elderly aliens made ineligible for benefits under Welfare Reform. Also included under the **Food Stamp** Account is $1 00 million authorized for the purchase of commodities for The Emergency **Food** Assistance Program and $1.268 billion to fund the Nutrition Assistance Program for Puerto Rico. We request $75 million for the **Food** Distribution Program on Indian Reservations (FDPIR), the same level as fiscal year 1999. The FDPIR provides benefits to eligible needy persons living on or near Indian reservations and was authorized by the **Food Stamp** Act in response to the need for an alternate program for those who do not have access to the regular **Food Stamp** Program. The estimates for participation in the program average 128,500 persons monthly.

Food Program Administration

We are requesting an increase in the administrative resources available to FNS for program integrity activities and technical assistance to States. While the budget does not show any specific savings associated with the deployment of these resources, our experience indicates that this investment will save the American taxpayers significantly more than the funds we are requesting. Our request of $119.8 million represents an increase of $9.3 million. This significant investment in program integrity and technical assistance is small compared to the more than $36 billion which is spent annually for program benefits, State administration and other related supporting activities. By reducing the **food stamp** error rate by just one quarter of one percent, we could reduce costs by $50 million. We are planning to allocate $6 million of the requested increase to substantially upgrade our **Food Stamp** Program integrity efforts. My previous experience convinces me that, with additional Federal help, State and local program operators will be able to substantially reduce their **food stamp** error rates. Principally, the increase in resources will greatly facilitate FNS efforts to maintain the accuracy of the quality control system and reduce error rates and/or avoid error rate increases. In addition to technical assistance and monitoring, FNS will implement new data matching programs which will also detect and reduce certification errors.

We also recognize the importance of continuing and expanding our integrity efforts in the Child Nutrition Programs. Specifically, in addition to our Coordinated Review and audit efforts, we are requesting $2 million to identify and reduce errors in the National School Lunch Program.

Finally, we request an increase of $1.3 million for additional program and financial integrity initiatives. A portion of this increase would be used to support additional staff for the oversight of State Automated System Development activities. FNS estimates that at least half of all State systems have exceeded their life cycles and need to be replaced. The request will also provide for an expansion of oversight of **Food Stamp** Program State Administrative Expense, an annual expenditure of about $1.6 billion. The Office of the Inspector General found reviews of State Administrative Expense (SAE) expenditures previously conducted by FNS to be inadequate due to limited staff resources. With sufficient oversight FNS could reduce SAE costs by increasing the accountability of SAE claims. In the area of retailer integrity, resources from the proposed increase would be used to enhance the ability of FNS to oversee retail store operations and sanction those that violate program rules. Lastly, this request supports the use of the newly implemented system, Anti-Fraud Locator Using EBT Retailer Transactions, better known as ALERT to pinpoint stores that are trafficking **food stamp** benefits. By analyzing **food stamp** EBT transactions, ALERT is able to detect possible fraudulent activity in stores. Currently more than fifty percent of all benefits are issued via EBT with continued rapid expansion planned until EBT is operational in all States in 2002.

Child Nutrition Programs

The purpose of the Child Nutrition Programs is to assist State and local governments in providing healthful, nutritious meals to children in public and nonprofit private schools, child care institutions, certain adult day care centers and summer recreation programs. FNS is requesting $9.5 billion, a $331 million increase. The requested $331 million dollar increase reflects our expectation that participation will increase in all the Child Nutrition Programs in fiscal year 2000.

We estimate that in fiscal year 2000, the requested funds will support:

- 4.6 billion meals in the School Lunch Program, - 1.3 billion meals in the School Breakfast Program, - 1.8 billion meals in Child Care Centers and Day Care Homes, - 155 million meals in the Summer **Food** Program, and - 131 million half pints of milk in the Special Milk Program.

The increase also reflects enactment of the Goodling Act. The Goodling Act authorizes FNS to reimburse snacks for children up to age 18 served in after school care programs by schools that participate in the School Lunch Program and child care centers that are located in low-income areas and participate in the Child and Adult Care **Food** Program. The Goodling Act completely offsets these new costs, and others in the Act, by rounding down certain Child Nutrition cash reimbursement rates. FNS expects that in fiscal year 2000 about 38 million snacks will be served through these provisions, at a cost of about $19 million.

The Goodling Act also authorizes us to pilot test a school breakfast project in selected elementary schools in 6 districts. These pilot test schools will provide breakfasts at no cost to all participating students. During the three year pilot test, we will carefully evaluate the effect of eating school breakfast on children's behavior and educational performance. We are requesting $13 million to perform this pilot test.

School Meals Initiative and Team Nutrition

The School Meals Initiative for Healthy Children involves a comprehensive, structured plan for improving the nutritional standards of school meals as well as the quality and availability of USDA commodities provided to local school districts. On May 29, 1996, President Clinton signed the Healthy Meals for Children Act . The Act both reaffirms the nutrition standards established in prior law and regulations and increases flexibility for local school meal planners. The new law authorizes States to approve schools to use "any reasonable approach," within guidelines established by the Secretary. In fiscal year 2000, we are requesting a total of $1 0 million for Team Nutrition, the same level appropriated for fiscal year 1999.

Special Supplemental Nutrition Program For Women, Infants, and Children (WIC)

The purpose of the WIC Program is to improve the health of nutritionally at-risk lowincome pregnant, breastfeeding; and postpartum women, infants and children up to their fifth birthday. WIC participants receive a number of benefits which include nutritious **food** packages designed to supplement their diets. They also receive information aimed at improving their nutrition knowledge, and referrals to health services.

The fiscal year 2000 request of $4.1 billion meets the President's commitment to fully fund the WIC program. We are requesting sufficient funds to provide nutrition education and **food** benefits to a monthly average of 7.5 million needy women, infants and children. Our request would allow an increase of 1 00,000 persons per month in fiscal year 2000 over the level we estimate will participate in fiscal year 1999.

WIC EBT

FNS is engaging in activities complementary to the **Food Stamp** Program to advance EBT systems to improve program benefit delivery and client services for the WIC Program. In April 1995, Wyoming implemented an EBT system which uses **smart card** technology and offline authorization to deliver **Food Stamp** and WIC benefits and to facilitate the exchange of client data. Current operations include WIC/FSP in Natrona County, Wyoming and WIC in six other counties. These operations service an estimated 2,100 FSP households, 3,000 WIC families, 39 WIC-authorized retailers and 45 FSP-authorized retailers. Statewide expansion is being actively considered. Our goal is to implement EBT in all States as soon as feasible, but at least have pilots in 7 States during 2000.

WIC Farmers' Market

This program should not have to compete with the WIC program for needed funding. Accordingly, we are requesting funding for the Farmers' Market Nutrition Program separately from the WIC Program, that is, as part of the Commodity Assistance Program. The requested level of $20 million is an increase of $5 million above the fiscal year 1999 level. This level of funding would allow the program to continue to expand in the 35 State agencies, where it currently operates and to be implemented in 7 additional States which have demonstrated an interest in having this program which provides important links between producers and consumers of **food.**

Studies and Evaluation

We are requesting funds for practical, focused studies in support of the Agency's Nutrition Assistance Programs. In the **Food Stamp** Account, our request is for $10.7 million, in the Child Nutrition Account our request is $3 million and in the WIC account we are requesting $3.5 million. The absence of study, demonstration and evaluation funds over the past two fiscal years has limited the depth of FNS support to Congressional staff, decreased our ability to respond to States, and restricted us from providing practical research-based guidance to the managers of our programs. The study funds should be appropriately located in FNS because of the need to target them for action-oriented and program specific studies and evaluations, rather than general research purposes. FNS has designed its studies and evaluations to be useful informulating its nutrition policy, measuring program impacts and integrity and advising Administration officials and Congress of the potential costs and effects of legislative proposals that are under consideration.

Commodity Assistance Programs

The Commodity Assistance Programs combines funding for the Commodity Supplemental **Food** Program (CSFP), administrative funding for The Emergency **Food** Assistance Program (TEFAP), and for the Farmers' Market Nutrition Program, which was formerly included in the WIC appropriation. The budget request includes:

- $90.2 million in support of women, infants, and children and elderly caseload in CSFP;

- $45 million for TEFAP administrative expenses in addition to the 100 million for commodity purchases available in the **Food Stamp** Account, allowing for a total program of $145 million; and - $20 million for the Farmers' Market Nutrition Program.

Nutrition Program For The Elderly

We are requesting $150 million for this program, an increase of $ 10 million. This increase will allow funding in the Nutrition Program for the Elderly to keep pace with the proposed increase in the home-delivered meals program administered by the Department of Health and Human Services. Alternatively, the increase would allow a slight increase in the rate of assistance per meal, which was eroded over the years as a result of inflation, to better support the meal service providers.

Government Performance and Results Act

The FNS Annual Performance Plan (APP) has been submitted as part of the fiscal year 2000 budget request. The goals outlined in the APP are directly related to the achievement of the Agency's strategic goals and objectives.

Conclusion

FNS is committed to providing **food** and nutrition assistance for the Nation's children and low-income families. Our fiscal year 2000 request reflects this commitment. Further, we believe that our request of $36.5 billion is crucial to continued efficient program operations. Mr. Chairman, this summarizes the fiscal year 2000 FNS budget request. I will be happy to answer any questions that you may have.

Author not available, *F2000 AGRICULTURE APPROPRIATIONS:SAMUEL CHAMBERS, JR.* , Congressional Testimony, 03-16-1999.

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P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
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b(1) National security classified information [(b)(1) of the FOIA]
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b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]