

Food Stamp Program

Current Program

The Food Stamp Program (FSP) is a food assistance program that serves low-income individuals and families. It is supervised by the U.S. Department of Agriculture (USDA) and administered by state human service agencies. In late 2004, the program served more than 25 million persons, and the caseload is projected to reach more than 29 million in fiscal year 2006. In FY 2006, the program is estimated to cost nearly \$36 billion. Benefits are funded by the federal government, although states must contribute more than half of the FSP's administrative costs. In May 2002, P.L. 107-171, commonly known as the farm bill, reauthorized the FSP through FY 2007 and provided \$6.4 billion in new 10-year nutrition funding. The law's nutrition title included many important changes designed to improve FSP administration and enhance access for applicants and recipients. The farm bill's changes reflected many of the reforms advocated by APHSA, particularly simpler procedures and additional administrative options. The new law also made several positive changes in the quality control (QC) system, which states have long criticized as a significant barrier to participation and effective administration. The farm bill also restored eligibility to most legal immigrants, a group that had lost eligibility under the 1996 welfare reform legislation.

APHSA's February 2001 publication, *Crossroads: New Directions in Social Policy*, outlined the states' reform agenda to address the serious FSP concerns that had accumulated over the years. The last previous major legislative overhaul of the FSP had been the Food Stamp Act of 1977, and although modified many times, the basic elements of FSP law changed little. States said the *Crossroads* recommendations would help eliminate the burdensome and confusing policies that had become increasingly frustrating to both administrators and program recipients. Excessive federal micromanagement, a lack of state flexibility, and conflicts with the Temporary Assistance for Needy Families (TANF) program and Medicaid were among the problems that contributed to a sharp decline in FSP participation from 1995 to 2001, to high administrative costs, and to increased QC errors. The farm bill addressed the great majority of concerns raised in *Crossroads*, and APHSA hailed the legislation as a major victory for states.

To better understand the significance of APHSA's achievements in the farm bill, it is helpful to review some of the FSP's history in recent years. While the 1996 welfare reform law is recalled primarily for the sweeping changes it brought to cash welfare assistance, that legislation also made significant changes in the FSP. One of the most far-reaching was an end to FSP eligibility for legal noncitizens. Subsequent legislation restored eligibility to limited portions of the legal noncitizen population, but this was done in such a piecemeal and confusing manner that those who became eligible still largely stayed away from the program.

Another important 1996 change was a complex work requirement added for able-bodied adults without dependents (ABAWDs), requiring them to work at least 33 out of every 36 months to maintain FSP eligibility. This change was later followed by separate legislation setting aside 80 percent of FSP employment and training (E&T) program funds exclusively for ABAWDs, although they constituted only a small portion of FSP recipients subject to work requirements. Other changes in the 1996 law included additional restrictions on FSP eligibility and a requirement for states to fully implement electronic benefit transfer (EBT) by 2002. The law did include some minor options for FSP administrative flexibility, but they were not enough to alter the program's overall complex and process-oriented nature.

These FSP changes were accompanied by a sharp decline in the cash assistance caseload that resulted from the end of the former Aid to Families with Dependent Children (AFDC) program. AFDC was replaced by the TANF program, which included numerous incentives and mandates to move families off assistance and into the workforce. Most cash-assistance families were also FSP participants prior to the 1996 changes, but the new TANF program, coupled with a good economy, led to equally dramatic declines in the FSP caseload. FSP participation had peaked at nearly 27.5 million persons in 1994 and still stood at 25.5 million in 1996. However, the number of participants plunged to 17.1 million in 2000, just four years later.

States noted that the FSP's administrative complexities were driven by the program's detailed, rigid overall requirements plus its QC system, which required precise prediction and tracking of participants' income and circumstances despite the unpredictability of those factors among low-income families. States that exceeded the error tolerance were subject to significant financial penalties. The FSP error rate average hovered above 10 percent for several years, driven largely by the increasing number of recipients who worked; the QC system was particularly unsuited for fairly evaluating earned income, which often fluctuates and is therefore difficult to predict and track.

The 2002 farm bill addressed the great majority of these concerns through several far-reaching categories of reform. Of greatest importance to states were the bill's simplification options, including one that allows a six-month certification period with a requirement to report only the most critical changes in household circumstances. Other streamlining options included the ability to conform major aspects of FSP eligibility policy to those of the states' TANF or Medicaid programs. Finally, the FSP QC system was significantly altered so that sanctions now apply to fewer states and in smaller amounts. The 2002 legislation also added a new bonus incentive system for high performance in several categories, including (for the first time) customer service measures. The farm bill also strengthened FSP benefits, notably by restoring eligibility to nearly all legal noncitizens.

States have found that the farm bill's reforms have in fact allowed important improvements in administering the FSP. One of the most dramatic and positive changes has been the widespread adoption of options designed to simplify administration and reduce "red-tape" barriers for clients. The most notable example is the semi-annual reporting (SAR) option, which provides a six-month certification period in which recipients are required to report only those changes that would have major impact on eligibility. The result has been reduced administrative workload and fewer errors for states, and fewer trips to FSP offices for program participants. Other options widely adopted by states include those allowing transitional benefits for participants leaving TANF, simplified definitions of income and resources, a simplified utility allowance, and a simplified procedure for homeless shelter costs. The farm bill options most frequently adopted by states so far include the SAR option, 35 states; simplified definition of income, 29 states; simplified definition of resources, 26 states; simplified homeless

housing costs, 24 states; and simplified utility allowance, 33 states. (In addition, a substantial majority of states have adopted important simplifications made available by administrative action prior to the farm bill, particularly categorical eligibility and vehicle value rules conformed to TANF programs.)

Challenges

Despite the many strengths and accomplishments of the current program, the FSP remains a large, growing, complex, and highly structured program. It still requires more application information, more verification and follow-up, and more frequent updates than any other comparable assistance program. Administrators and states alike are concerned that the program's lengthy and complex application procedures remain a barrier to access and understanding. The weak national economy and recent natural disasters have helped push FSP caseloads to nearly record levels, with increases approaching 50 percent over the last four years. These increases have come at a time when most states have had to freeze or even reduce staff in response to the unprecedented state budget crisis of recent years.

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While the farm bill achieved substantial simplification, there is need for additional change. For example, the FSP and its participants would benefit greatly from additional standardization in the area of expense deductions, particularly medical expenses. When the Medicare prescription drug card benefit was implemented in June 2004, the lack of an adequate medical expense deduction policy in the FSP caused a great deal of confusion and administrative complexity. The program also needs other reforms designed to reach individuals who are elderly and disabled, who remain a severely underserved population. One of the most useful would be making the Combined Application Projects (CAPs) under which SSI recipients can automatically receive FSP benefits, a nationally available option rather than the current handful of demonstration projects. The current projects are simple, inexpensive, and far more accessible to individuals who are elderly and disabled than the regular FSP program.

The program is also still saddled with ineffective and burdensome policies in a number of other policy areas, such as the work requirements for ABAWDs. States are strongly committed to helping able-bodied FSP recipients become employed or strengthen their existing attachment to the workforce. However, current ABAWD requirements often hinder rather than contribute to that goal. Complicated mandates for ABAWDs eligibility and a counterproductive set-aside of scarce FSP E&T dollars for this group show the need for change in this area of FSP policy. The farm bill did not simplify ABAWD work requirements at all, and only partially reformed the E&T funding structure; \$20 million per year is still set aside only for ABAWDs, and only \$90 million per year in additional funds are available.

With respect to eligibility for legal immigrants, despite the recent restoration of eligibility to most legal immigrants, the FSP's treatment of this group is still more complicated than it was under pre-1996 law.

The program's continuing complexities also contribute to the low percentage of eligibles who participate in the program—just slightly above half the total persons eligible, despite the recent dramatic surge in the FSP caseload. One of the major high performance bonus categories in which states now

compete is the increase in the participation rate, yet even the best outreach efforts still run headlong into the FSP's numerous eligibility requirements and ongoing paperwork burden.

The FSP also still does not deliver adequate support to its most vulnerable participants. Many elderly participants qualify only for the program's \$10 minimum monthly benefit; this is a major factor in the low participation rate of this group. Individuals who are elderly or disabled are also prevented from participating by the FSP's low resource limit of \$3,000, which has remained the same for many years and—unlike other assistance programs for individuals who are elderly—is not indexed for inflation.

In the first edition of *Crossroads*, APHSA said that the FSP must expand its performance measures beyond payment accuracy to include significant outcomes, like the movement of families toward self-sufficiency. The 2002 farm bill made important progress toward this goal, specifically through changes that should reduce the number of states receiving sanctions and the dollar amounts of those sanctions. The farm bill also replaced the previous enhanced funding provision with a high performance bonus system under which \$40 million is paid each year to states with high or improved

performance in payment accuracy improvement, timeliness of applications, and participation rate. Despite these forward strides, concerns about the QC system remain. In the last two years, the national error rate average has plunged to record lows nearing 6 percent. Such exemplary performance must be recognized and rewarded; APHSA believes no individual state should have to face sanctions any longer if the national average drops below a reasonable threshold.

In addition, the high performance bonus system is insufficiently funded and remains too entwined with process measures—\$24 million of the \$40 million is still related to payment accuracy measures. In addition, states should always be allowed to choose reinvestment of any sanction, rather than leaving that option to USDA.

Finally, states with reinvestment plans developed before the recent sharp decline in the national error rate average should be allowed to renegotiate those plans with the Food and Nutrition Service (FNS).

Several states in this category have made significant progress in improving their error rates, but their plans require them to pay an “at-risk” sanction amount if their error rates do not remain below the national average.

Further reforms in FSP administrative requirements and performance measurement must be accompanied by corresponding improvements in FSP administrative cost reimbursement policy. The FSP's overall administrative costs remain among the highest of any government program due to its complexity and stringent QC oversight. Before 1998, the federal government reimbursed states 50 percent of these costs. However, enactment of cost-allocation provisions that year have since cut the average nationwide reimbursement of FSP administrative costs to just 46 percent, and some states receive barely above 40 percent. Since 1998, states have lost a total of \$1.2 billion in FSP administrative reimbursements compared to prior policy. These losses have greatly exacerbated the difficulty states have in administering this program as FSP caseloads soar to nearly record levels.

Another particularly important need in FSP administrative cost reform is program automation. While other major human service programs enjoy enhanced match for automation, there has been no enhanced match in the FSP for a decade. In that time, states have lost ground in their ability to

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upgrade their FSP information systems and adequately comply with such requirements as the full implementation of EBT. The most common reason that states have been unable to take up more of the farm bill's simplification options is their lack of automation capacity and funding.

Finally, there are two program changes currently under discussion that could place new burdens on states. First, the changes in the Food Stamp Nutrition Education (FSNE) program currently being discussed at the federal level could potentially take away the matching fund contributions that cooperators bring to state FSNE contracts. And, a new program name to replace the outdated food stamp label must be done in a manner and on a schedule that does not place undue costs and burdens on states.

Recommendations

PROPOSAL

Allow demonstrations to further simplify application and calculation procedures.

1. The Food Stamp Act should be amended to allow states to test a variety of innovative methods that can remove more barriers, further streamline the eligibility and benefit determination process, and improve the quality of food purchases. These methods should be implemented for up to 18 months, followed by an evaluation period of no more than 12 months, and then made available immediately to all states as standard administrative options. One major new approach that should be tried in multiple locations is the alternative application strategy now under consideration that would allow food banks or other similar organizations to initiate the application process with up to two months of initial eligibility, followed by a conventional application review by the state agency.
2. Other possible innovations should include the proposal APHSA made in 2001: an overhauled allotment calculation methodology using total monthly gross income with an upper limit of 150 percent to 185 percent of poverty, adjusted by certain percentages that allow for an earned income disregard and essential expenses, to yield a benefit table providing the majority of program recipients with allotments equal to or higher than present levels. States should also be allowed to test other changes, such as aligning the food stamp household composition definition with that of other programs.
3. While some of these innovations might result in higher overall program benefit costs, making these investments in the FSP would be amply repaid in greater program access, less confusion, and simpler administration. Congress should set aside sufficient funds to cover reasonable additional costs of these innovations. States should be allowed to exempt such demonstration projects from the state's QC sample.

EXPLANATION

The FSP currently requires all applicants to undergo a lengthy application procedure, typically within a food stamp office. The process can be complex and take up to 30 days before a decision is issued. As a result, many otherwise-eligible families never gain access to the program because of these hurdles and the stigma still attached to food stamps. In contrast, families visit other assistance systems—such as food banks and soup kitchens—much more readily, and these locations ought to be used to attach eligible families to food stamps. A highly streamlined preliminary screening procedure could accurately

identify most eligible families and get them started with one or two months' benefits. The state agency would then follow up to confirm eligibility and establish a longer-term benefit level.

To determine eligibility and benefits, the FSP currently takes a recipient family's income and makes certain adjustments to calculate what portion of it will be used to determine eligibility and benefit levels. Since 1977, the program has determined this countable income by starting with gross income, then subtracting a set of deductions for certain expenses, and finally adjusting for the assumption that no more than 30 percent of a household's income is theoretically available for food. Although the 2002 farm bill provided some additional standard deductions, the program has never allowed for the amount of a low-income family's budget that is truly available for food; the most obvious example is that no deduction is available for vehicle ownership or operating expenses. Further, the set of allowable deductions has varied over time with the vagaries of politics and periodic moves to cut program costs, and even with the farm bill changes still imposes administrative burdens. This complex process is also a major element of client frustration and misunderstanding, and adds substantially to the program's barriers to access and participation.

PROPOSAL

Provide additional options and simplifications.

Several new administrative options and simplifications would further enhance the FSP and build on the positive changes made by the 2002 farm bill:

1. The Transitional Benefits option should be amended to allow benefits to be continued for six months, rather than five months.
2. The program's medical deduction should be standardized and expanded so that it will not reduce the value of other medical assistance, such as prescription drug benefits.
3. Convert the FSP's current lifetime ban on participation by drug felons to a state option.
4. Extend categorical eligibility to those who receive Medicaid.
5. The flexibility, efficiency, and enhanced program access provided by present categorical eligibility options must be retained; APHSA opposes any efforts to curtail these options.
6. Exclude from countable income any subsidies that support families as they care for foster children, adopt children, or serve as guardians for children.

EXPLANATION

In 2001, APHSA recommended that the Food Stamp Act should be amended to allow benefits to be continued for six months at the level authorized prior to closure of the participant's cash assistance benefits. The 2002 farm bill provided states with an option to do so, but unfortunately limited the duration of the transitional period to five months because of budget constraints. The five-month period is inconsistent with the six-month certification period commonly used elsewhere in the FSP, in Medicaid, and in other benefit programs. As a result, this option has seen little use. Both states and program participants would benefit greatly if this relatively minor adjustment could be made.

The food stamp medical deduction is available to elderly and disabled participants whose out-of-pocket medical expenses exceed \$35 per month. The excess amount is a deduction from gross income. While beneficial, this deduction should be standardized so that recipients do not have to document individual expenses and so that caseworkers can avoid this substantial paperwork burden. In addition, the deduction should be structured so that it does not reduce the net benefit of other

types of medical assistance, such as the prescription drug benefits provided by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (P.L. 108-173).

The lifetime drug felon ban policy, which was enacted in 1996, mandates all states to have this ban in place unless they specifically choose to opt out of it. Although some states have done so, the extra step required to end the ban means that it will typically remain in effect in many states that would not otherwise proactively choose it. The ban has detrimental effects on the ability of these former prisoners to help themselves and their families toward self-sufficiency. It is also inconsistent with the many prisoner re-entry efforts across the country.

States now have the option to extend categorical eligibility to those receiving TANF benefits and services, and this policy has proved a major step forward in making the program simpler and more accessible. However, as the number of TANF recipients remains static or even declines and as the Medicaid caseload steadily grows, Medicaid has now become by far the most common program low-income families are attached to outside of the FSP itself. This change would provide an obvious opportunity to connect more low-income individuals to the FSP and to further simplify state administration.

There have been recent proposals to curtail categorical eligibility and restrict it to only those families receiving TANF cash benefits. Such a change would end eligibility for several hundred thousand members of working families and could add considerably to state administrative burdens in processing applications from similar families.

Present FSP law still requires that family support and family formation subsidies (adoption, foster care, and guardianship payments) must be counted as income. Many other essential family expenses have been properly excluded from countable income, and this same treatment should now be extended to these payments that are so vital to supporting and building strong families. Both states and the federal government strongly encourage families to care for foster children and to adopt, and these same families should not have their FSP benefits curtailed by this policy.

PROPOSAL

Re-establish equitable federal participation in administrative costs.

The historic 50 percent match rate for normal administrative expenditures must be restored. In addition, states should be provided 75 percent enhanced match for urgent and beneficial program improvements, including automation changes and implementing administrative simplifications and access improvements.

EXPLANATION

The FSP has always been a federal-state partnership under which the federal government provides benefit funds and administrative matching grants while states are responsible for day-to-day program administration. Until 1998, the federal government had always matched normal administrative expenditures at 50 percent, but this was reduced for nearly all states by cost allocation changes in the Agriculture Research Act enacted that year. That law said that states' TANF grants had been inflated

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because FSP costs had been charged to AFDC in the base period, and that therefore states in fact already had been given excess funds for FSP purposes. However, TANF law prohibits any use of the TANF block grant for non-TANF purposes and prohibits states from making up the FSP cuts with any state TANF or maintenance-of-effort funds.

The cost-allocation cuts were extended in the 2002 farm bill, and reduce state matching funds by \$196.9 million per year. To date, these reductions have accumulated to more than \$1.2 billion in lost funding to states. In addition, other administrative match cuts in the past decade have eliminated the enhanced funding once available for automated systems and anti-fraud activities.

Meanwhile, the program remains complex and caseloads have risen sharply. The FSP has an extremely high administrative cost-to-benefits ratio, and states have to shoulder a disproportionate share of this burden. State budgets are now under some of the most severe constraints on record, and states cannot sustain quality administration of the FSP without restoration of the federal government's historic role in providing matching funds.

PROPOSAL

Enhance employment and training programs and encourage work.

1. The farm bill provided some improvements in FSP E&T program policy and funding, but further changes are needed to serve all those subject to work requirements and all those who could benefit from work experience. The remaining E&T set-aside for ABAWDs should be eliminated so that states may use their entire E&T allocations for any FSP recipient in need of its services.
2. The special requirements for ABAWDs should be eliminated, and these recipients should be mainstreamed into existing E&T programs. In addition states must be able, at their option, to implement alignments and simplifications among their work programs, including TANF and those funded under the Workforce Investment Act (WIA).
3. Proposals for consolidating E&T funds with other work program funding streams should assure that states continue to receive as much E&T funding as they would under the present program, and that the FSP E&T population continues to be served.

EXPLANATION

The FSP currently provides an E&T program under which states may provide employment, training, and workfare to able-bodied recipients to the extent allowed by E&T funding. E&T funds have always been meager, and most states have been able to do little beyond offering job-search activities. The E&T program's problems were exacerbated in 1996 and 1997 when changes in the law imposed an administratively cumbersome work requirement on ABAWDs and unrealistically set aside 80 percent of E&T funds for ABAWD work slots.

The 2002 farm bill improved the E&T program by making most E&T funding unrestricted and by removing the caps on reimbursements for transportation and other work costs. However, problems remain; ABAWDs policies are unchanged, and the complexity and confusion they cause are counterproductive. The 2002 legislation kept in place a special \$20 million E&T set-aside for ABAWDs, and this must be removed so that states can productively use their limited total E&T funds in conformance with their overall welfare-to-work strategies. In this way states can assure that their full E&T allocations can be used to maximum advantage.

Recent proposals have called for an option under which E&T funds could be combined with funds from other work programs. While this could result in more efficient work program administration, APHSA urges that such changes not result in any reduction of E&T funds or of the current E&T population being served.

PROPOSAL

Complete the restoration of eligibility for legal noncitizens.

In the 2002 farm bill, federal FSP eligibility for legal noncitizens was restored to most categories in this group who lost eligibility in 1996. However, certain legal noncitizens are still ineligible, and states are still saddled with complex requirements for ascertaining eligibility for other groups of noncitizens. APHSA repeats its call made in 2001 that the federal government must reinstate the simple, straightforward noncitizen policies in effect prior to the enactment of the welfare reform law in August 1996. This change would restore eligibility to those living in the United States continuously fewer than five years and who have not accumulated 40 quarters of work history, or who do not fall into certain exception categories (such as refugees and asylees). In addition, the complications added to sponsor deeming rules in 1996 should also be eliminated.

APHSA repeats its call made in 2001 that the federal government must reinstate the simple, straightforward noncitizen policies in effect prior to the enactment of the welfare reform law in August 1996.

EXPLANATION

Federal legislation over the last few years, especially the farm bill, has restored federal eligibility to most, but not all, noncitizens. While these restorations are laudable, until the process is complete, legal noncitizen policy will remain a barrier to participation and a contributor to administrative complexity and errors. Current policy also contributes to suspicion among noncitizens that applying for benefits may result in their information being shared with immigration authorities.

PROPOSAL

Enhance benefits and program access for senior and disabled individuals.

The following changes and options will greatly improve participation by individuals who are elderly and disabled in the program:

1. Increase the minimum allotment to \$50 for one- and two-person households, with automatic adjustments for inflation;
2. Increase the asset limit from \$3,000 to \$5,000, and adjust it annually for inflation;
3. Make the Combined Application Projects now operating in several states available to all states as a standard administrative option.

EXPLANATION

Individuals who are elderly and disabled remain the most underserved group among food stamp recipients. Many of these individuals qualify for only a low amount of benefits, in many cases just the minimum benefit (\$10 per month). Yet to receive these low amounts, individuals who are elderly and disabled must overcome a variety of barriers. These include extensive paperwork requirements to

obtain a deduction for medical expenses, the implication of dishonesty caused by quality control-driven verifications and investigations, discomfort with dealing with electronic benefit transfer (EBT) systems, and low resource limits under which savings accounts and other essential assets cause ineligibility.

In the past few years, a few states have been allowed to operate CAPs, under which those qualifying for Supplemental Security Income (SSI) are automatically attached to the FSP. These projects have proven to be simple and effective ways to boost enrollment of individuals who are elderly and disabled, and greatly reduce overall administrative burdens. They can require some minimal additional effort from the Social Security Administration, but considering their many advantages, the investment is amply justified. All states should be able to choose CAPs as a normal administrative option.

PROPOSAL

Strengthen electronic benefit transfer program administration and funding.

1. The federal government should provide 75 percent matching funds to states for operating and upgrading their EBT systems.
2. Any federal requirements affecting the location of EBT call centers must allow realistic lead times for states to make such changes.

EXPLANATION

Electronic Benefit Transfer has proven to be an extremely successful and well-liked delivery system for food stamp benefits. It removes the stigma associated with paper coupons, and supports work and preparation for work by putting clients into the economic mainstream—they can use “plastic” like everyone else.

However, states have paid a high price for this success story. In particular, more and more states are now spending more state dollars for EBT benefit delivery than they did for the old paper coupon system. The primary reason is the significant cost shift to states for responsibilities, like the food stamp redemption aspects of retailer management that belonged to USDA under the paper system. Also, there are substantial and inherent differences in the federal requirements for EBT and the paper coupon system that have resulted in unfunded mandates such as an around-the-clock, toll-free help line for clients and retailers. State costs are also rising due to the lack of competition among vendors; the majority of states share the same EBT prime vendor and are seeing basic prices double and triple from those paid just a few years ago.

In addition, federal legislation has been proposed that would require states to bring back their EBT call centers from overseas and locate them domestically. The costs of relocating these centers, especially if done quickly, are extremely high. Any such federal requirement must allow states to implement call center changes at their next contract renewal cycle but no longer than 36 months from the effective date.

The traditional federal match for EBT expenditures is no longer adequate and does not reflect the shift to states of responsibilities that formerly belonged to USDA nor the many recent additional EBT cost increases outlined above. At the same time, USDA is realizing significant cost savings since the department no longer has to pay for printing, distributing, redeeming, and accounting for paper stamps.

PROPOSAL

Continue reform of the FSP performance measurement system.

The 2002 farm bill made important improvements in the FSP QC system. However, further reforms are required to make QC part of a properly balanced system of incentives and outcome measures for working families and other program recipients.

These reforms should include:

1. No individual state should be subject to sanctions if the national error rate average is at or below a reasonable threshold.
2. The cycle for determining states with error rate liabilities should be expanded from the current two years to three years.
3. The bonus incentive system must be adequately funded at a level of at least \$100 million per year, rather than the current \$40 million.
4. The bonus incentive system's categories must expand greatly to include the full range of important program outcomes, including measures of recipient advancement toward self-sufficiency, and no more than 25 percent of bonus funds should be allocated to payment accuracy-related measures. FNS must engage in prior consultation with states to develop and expand the existing outcome measures.
5. States must be allowed to choose reinvestment of sanctions as a standard alternative to payment.
6. States with existing reinvestment plans that include "at-risk" amounts based on earlier estimates of the national average error rate must be allowed to renegotiate these plans with the Food and Nutrition Service to reflect the substantially lower error rates now being reported.
7. States should receive credit against any sanctions owed for their overissuance and fraud collections.
8. States should have the option to eliminate the face-to-face interview in favor of alternative methods of gathering and verifying information.
9. States should be allowed access, at their option, to databases (such as the Federal Directory of New Hires) that provide information useful in verifying wage data and other household information.

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EXPLANATION

The 2002 farm bill reduced the distorting effects of high and frequent sanctions and provided a modest beginning toward incentive bonuses for high performance. Nevertheless, the basic character of the QC system remains intact; for example, each year it still tags many states in potential sanction status simply because they may have been slightly over the national average, which currently has hit new lows. To further mitigate the impact of this system, states should be given three years to correct errors before being sanctioned. Currently states are not notified of first-year liability until nine months into the second year of the two-year cycle. This does not allow sufficient time to implement effective corrective action activities that could let the state avoid a sanction. A three-year cycle would provide sufficient time for a state to develop a plan, implement it, and demonstrate the effectiveness of the plan.

The bonus system is severely under-funded and still tilts heavily toward rewarding achievement in payment accuracy. Only \$40 million is available for all bonus awards, in contrast with the more than \$73 million awarded in "enhanced funding" payments alone for FY 2002 performance (the last year of the pre-farm bill QC system). Of the \$40 million, \$24 million is still set aside for payment accuracy-related measures, leaving only \$16 million for customer service performance measures. A funding level of at least \$100 million would be much more in line with the payment level that existed prior to the farm bill.

States are held to a very high standard of accuracy in collecting and verifying income and other household information that affects program eligibility and benefit levels. States should be allowed access, whenever they believe it is feasible and cost-effective, to all databases that could assist them in these efforts. For example, APHSA supports recent proposals to allow states access to the Federal Directory of New Hires. This database and other sources like it should prove useful in verifying wages and similar information.

PROPOSAL

Reform and strengthen nutrition education.

States support nutrition education as a proper and increasingly necessary element of strengthening family well-being. One example of this support has been their nearly universal participation in the optional FSNE program. However, changes that USDA has recently considered for FSNE are problematic. A far better alternative would be for USDA to overhaul the administration and funding of its nutrition education activities. While nutrition education activities should be targeted toward nutrition assistance program recipients to the extent practicable, to have maximum impact they must take place largely in schools and other community settings or through the media.

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1. Nutrition education should be supported through a single, consolidated source of 100 percent USDA funds that are not channeled through or otherwise attached to any individual USDA nutrition program.
2. USDA should also work with other federal agencies in a broad-based effort to counter the impact of advertising and other elements of popular culture that glamorize unhealthy nutrition habits.

EXPLANATION

In recent years, a growing stream of FSNE funding has been used by nearly every state to promote good nutrition knowledge and habits among FSP recipients and other low-income families. These voluntary and nearly universal state FSNE activities have been made possible largely through the cooperation of extension agencies, universities, and others who contract with states to carry out FSNE and who supply the in-kind matching funds necessary to draw down federal FSNE funding. Recently USDA has begun discussing substantial changes to this arrangement, saying that because of audit findings FSNE funds may now have to go strictly to educate only those participating in or eligible for the FSP. If states are required to document such usage, their data collection burdens could substantially increase.

These changes could discourage current cooperators and add substantially to state administrative burdens. With state budgets in crisis, there is little possibility that states could replace the match that current cooperators bring to the table. States are also concerned that some of the changes being discussed could result in FSNE activities taking place largely in FSP waiting rooms; not only are these facilities unsuitable in many locations, but this additional step in an office visit might further discourage some participants from their contacts with government agencies.

If implemented, these changes could well curtail most current FSNE arrangements. States have neither the staff, funds, nor expertise to replace the present methods of carrying out FSNE activities. The proposed new funding arrangement could avoid such an unfortunate occurrence. The state cooperators now carrying out FSNE are competent and experienced, and states hope these arrangements will not be disrupted.

PROPOSAL

Provide alternative support for persons in group-living arrangements.

The USDA should provide an alternative means of nutritional support for shelters and treatment centers. These institutions should be allowed to apply for nutritional subsidies that, if within the FSP budget stream, no longer rely on individual determinations of eligibility for those residing in the institution.

EXPLANATION

States believe the present method of providing FSP benefits to those in group-living arrangements is too problematic to be resolved by further policy revisions. Instead, USDA should devise an alternative means of providing food assistance to these institutions outside the FSP. Under the present complex and cumbersome rules, states must spend an inordinate amount of time determining eligibility and calculating budgets for the relatively few FSP recipients who reside in these facilities. In addition, there are many rules governing how the allotment is issued and what part of the allotment must be given back to a person who leaves a center. Issuing benefits via EBT has added more complexity.

PROPOSAL

Provide workable and nationally consistent disaster procedures.

The USDA should provide all states with the same, nationally consistent procedures for issuing FSP benefits during disasters. USDA should quickly develop a new set of workable disaster procedures in collaboration with states.

EXPLANATION

Because of the numerous and extensive natural disasters in recent years, states have had to operate a number of large-scale disaster plans under which USDA oversees state administration of emergency FSP benefits. States have noted that USDA frequently varies the requirements for these plans from one state to the next and from one disaster to the next. There is no justification for this inefficient ad-hoc approach, particularly in light of the extensive recent experience states and USDA have now accumulated in this area of policy and practice. A consistent set of procedures would save substantial administrative time and expense at all levels of government and would speed the delivery of benefits in future disasters.