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Transitional Food Stamps: Background and Implementation Issues¹ by Dorothy Rosenbaum

The 2002 Food Stamp reauthorization law allows a state option to provide up to five months of transitional food stamps to families that leave welfare *without requiring the family to reapply or submit any additional paperwork or other information*. The change builds upon an earlier USDA regulation that gave states the option of providing transitional food stamps for *three* months to families leaving cash assistance funded with TANF block grant or TANF maintenance-of-effort (MOE) funds.

During the transitional period the household's food stamp benefit level is frozen at the amount it received prior to its TANF case closure, adjusted for the loss of TANF income. There are two possible exceptions to this freeze: 1) a household may *reapply* in order to have its benefits adjusted, and 2) the state may opt to adjust benefits based on information it receives from another program in which the household participates. If a household is due to reapply for benefits during the transitional period, the state may push back the reapplication or recertification until the transitional period is over.

States may not provide transitional food stamps to families that cease to receive TANF cash assistance because of a sanction or to households that are disqualified from the Food Stamp Program. States may, at their discretion, apply transitional food stamps to all other categories of households that cease to receive TANF, including those terminated from cash assistance for missing appointments.

As of October 2003 nine states have adopted the option. New York implemented the three-month option under regulation late in 2001 and modified their policy effective October 2002 to incorporate the legislative changes. Pennsylvania followed in the summer of 2002. Four states — Arizona, Colorado, Maryland, and Massachusetts — implemented transitional food stamps late in 2002 or early in 2003 and another three states implemented in the summer of 2003: Nebraska, New Mexico, and North Carolina. Several states are actively planning to implement the provision, including California, Connecticut, Oregon, Virginia, and Wisconsin.

States have adopted another of the major new food stamp options — simplified reporting — at a much faster rate. As of October 2003, 41 states either had already implemented this option or were well into the planning stages. Many states viewed simplified reporting as a more important priority because it affects a much larger share of the food stamp caseload. Simplified reporting reduces the administrative costs of food stamp cases and helps reduce error rates. Many states saw that option as a way of managing their caseloads at a time when they are losing staff resources because of tight state budgets. Now that most states have adopted simplified

¹ This paper is an updated excerpt from *Implementing New Changes to the Food Stamp Program: A Provision by Provision Analysis of the Farm Bill*, August 2002, available at <http://www.cbpp.org/8-27-02fa.htm>.

reporting they may wish to turn their attention to transitional food stamps which offers many of the same advantages as simplified reporting. States that have already implemented transitional food stamps are very positive about the option. This paper incorporates information gathered from conversations with these states so that their trail-blazing efforts can inform the decisions of the other states.

Rationale

Most families that leave TANF cash assistance programs have low incomes and remain eligible for food stamps when they go to work. Many of these eligible families, however, do not stay connected to the Food Stamp Program when they leave TANF. Research by both the Department of Health and Human Services and the Urban Institute has shown that fewer than half of the individuals who leave TANF cash assistance continue to participate in the Food Stamp Program despite earning low wages and (in most cases) remaining eligible for food stamp benefits.

Additional research by the Manpower Demonstration Research Corporation (MDRC) indicates that many families that leave TANF cash assistance are not aware they remain eligible for food stamps. MDRC also has reported that the steps such families must take to continue receiving food stamps often are confusing or difficult. If families on cash assistance knew they would continue to be eligible for food stamps (and Medicaid) when they obtained a job, MDRC notes, these families might be more likely to look seriously for employment.

The transitional food stamps option is designed to help address these problems. By continuing a family's food stamps based on information the state already has, a transitional benefit can both provide continuity of food stamps and make clear to the family that food stamps are available to families who do not receive cash assistance. Helping families retain food stamps after leaving welfare for work can help make the transition to work more successful and help ensure the families are better off working than on welfare. An added feature of transitional benefits is that it provides a higher level of food stamps than many working families would receive under the regular benefit formula. This can serve as a reward for work that will reinforce states' "welfare to work" messages.

Transitional food stamps also respond to states' concern that families that leave TANF are error-prone because of their fluctuating circumstances. The correct transitional benefit is based on information that the state already has and is frozen for several months. Households are not required to report changes in their circumstances during the transitional period. As a result, states can have a higher degree of confidence that these households are receiving the "correct" amount. Thus, states should actually have *lower* error rates for families receiving transitional food stamps than they do for the rest of their caseloads.

Policy Issues

No Contact with the Household is Necessary — States that adopt the transitional benefits provision in the Farm Bill must issue these benefits based on information they already have, without further contact with the household. (Contact with the household is required at the end of the transitional period to assess eligibility for ongoing benefits.) States may not require contact between the household and the state agency.² Requiring contact would undermine the purpose of transitional benefits. Many households may not understand that they remain eligible for food stamps after leaving welfare and thus may fail to respond to requests for additional information. This would result in their termination from the program, which is precisely what transitional food stamps are designed to prevent.

The Transitional Benefit Level is the Correct Amount, Even if There Was an Earlier Error in the Case — The correct transitional food stamp benefit for all purposes, including quality control, is the amount of food stamps received in the month prior to TANF case closure, adjusted for the loss of cash assistance (and at state option information from another program). This is true even if there was an error in the case before the household received transitional food stamps. According to USDA's Questions and Answers, Both the State and the household are to be held harmless for inaccuracies in the transitional benefit that are due to prior errors in the food stamp benefit if the transitional benefit is correctly computed based on the benefit during the final month of TANF receipt, even if this benefit was not correct.® (See USDA's Q&As, number 4115-6.) As a result, if a state adopts transitional food stamps, families leaving TANF should no longer be considered "error prone."

Which Households Are Eligible — All households that cease to receive TANF cash assistance are eligible for transitional food stamps, except for those that are sanctioned off of TANF and those disqualified from food stamps. If a food stamp household contains members who are not in the TANF unit, the entire food stamp household may still receive transitional food stamps when there is no longer any TANF income.

Some may think of transitional food stamps as similar to transitional Medicaid and apply it only to households that the state knows have left TANF because of an increase in earnings. There is, however, a key difference between transitional food stamps and transitional Medicaid. Transitional Medicaid is designed to provide continued health coverage to families that have lost eligibility for regular Medicaid because of increased earnings. In contrast, transitional food stamps is designed to lessen the paperwork burden of food stamp participation for families that are leaving welfare but likely remain eligible for food stamps. Thus, states can apply transitional food stamps to any household that leaves TANF, even if the state does not know whether the household has a new source of income.

² This is true even without the transitional benefit. Under the food stamp regulations, states must rely on households to report changes in their circumstances in order to adjust food stamp benefits. The fact that the household's TANF case is closed is not sufficient grounds by itself for a state to seek additional information from the household. There must be an indication that something else changed or is unclear about the household's circumstances. See 7 C.F.R. ' 273.12(f)(3).

Two of the nine states that have implemented transitional food stamp (Colorado and Pennsylvania³) apply it only to households that leave TANF with earnings. The other seven states apply transitional food stamps more broadly to households that leave TANF for most other reasons.

Extending Transitional Food Stamps to Households Unable To Reapply for TANF and Food Stamps — A very common reason for a household to leave TANF is that it was due to have its eligibility for TANF redetermined and did not respond to a notice to come to an interview or otherwise provide information. Frequently, states set the food stamp recertification for the same time, so if a household fails to show up for its interview its TANF and food stamp cases are closed for procedural reasons rather than because the household was determined to be ineligible. Often households that fail to reapply for TANF are, in fact, eligible for food stamps and wish to continue to receive them but do not realize they can do so after leaving TANF. Alternatively, their work schedules may not have permitted them to make a trip to the welfare office.

USDA's Questions and Answers make clear that if the TANF and food stamp certification periods end at the same time, and the household ceases to receive TANF, the state may extend the household's food stamp certification period and provide transitional benefits for up to five months. This will provide a very clear signal to households leaving TANF that food stamps is available as a work support and that their food stamp eligibility is not dependent on participating in TANF. Maryland and Nebraska have taken advantage of this option and extend transitional food stamps to households that fail to reapply for TANF or otherwise fail to complete the TANF reapplication process. New Mexico extends benefits to these types of households as long as there is some contact with the household to allow the eligibility worker to explain transitional food stamps to the household.

The Level of the Transitional Benefit — In many states, the transitional benefit amount will typically be the maximum food stamp benefit available for a given household size. This is because if a household had only TANF income in the month before leaving TANF and that income is removed in calculating the transitional food stamp benefit, the household will qualify for the maximum benefit. Even households that had a small amount of earnings during their last month on the TANF cash assistance program may still qualify for the maximum benefit under transitional benefits. This may ease the concerns of some states and advocates that the freezing of benefit levels under transitional food stamps will cause some households to receive smaller benefits than they might otherwise receive. In these situations, even if the household loses its job during the transitional benefit period or experiences another increase in need, it will already be getting the maximum food stamp benefit available. Preliminary data from Maryland and Nebraska show that for transitional food stamp households the average benefit is about \$300 to \$350 a month.

Of course, if the household's size increases during the transitional period the household may qualify for additional food stamps (even though it is at the maximum benefit for the smaller household size). Such a household will need to reapply for food stamps if it wishes its benefits to be adjusted to include the new household member during the transitional period.

³ Pennsylvania plans to expand transitional food stamps to more types of TANF "leavers" early in 2004.

Adjusting the Benefit Based on Information from Another Program — Under the transitional benefit option, states may either freeze the food stamp benefit level at the level received in the month prior to TANF closure (adjusted for only the loss of TANF income) or adjust the food stamp benefit based on information from another program in which the household participates.

It would be preferable from both the household's perspective and the state's quality control perspective to freeze the benefit without taking into account changes known from other programs. As mentioned above, it is quite likely that in most states the transitional benefit level will be the maximum food stamp benefit available for a given household size; taking household earnings or other income into account would generally reduce the household's benefit. Should a change in a household's circumstances during the transitional period make the household potentially eligible for a higher benefit, it can always reapply and have its benefit level redetermined.

In addition, a state that acts on changes that are reported for another program may have to contact households to request additional information about these changes if it lacks sufficient documentation for food stamp purposes. Such requests would undermine the paperwork-reduction goal of the transitional food stamp option and are likely to result in many procedural terminations of eligible households.

However, some states may have computer difficulties freezing the food stamp benefit and would rather make changes based on information they learn from other programs. It is important to keep in mind that even a transitional benefit with the state option to act on changes reported for other programs can be a large improvement over current practice. In addition, states that adopt transitional food stamps with the option to respond to changes that are known from another program can work to resolve the computer difficulties and convert to the other approach at a later date.

Implementation Issues

Computer Systems — Adopting the transitional food stamp policy requires modification of computer systems and other administrative policies and practices. States report encountering some challenges, but generally have worked through the problems relatively easily. The principal challenge that states identify is that they have computer systems that are integrated to calculate eligibility and benefits for multiple programs based on the same information. Under transitional food stamps, the benefit is calculated based only on the prior month's information. States have needed to reprogram their computers to override other household information they maintain for other programs, such as Medicaid and child care, so that the frozen transitional benefit is what is issued for food stamps.

Some states, including Arizona, Maryland, and New York have aimed to automate the entire process based on the code that the eligibility worker enters to identify the reason for the TANF case closure. In these states eligibility for food stamps, the food stamp benefit level, the

authorization of the five-month transitional period, and all notices to households are triggered automatically if the TANF case-closure code is one that renders the household eligible for transitional food stamps. Other states, including Colorado and Nebraska, report systems changes that still leave a greater amount of activity to be completed manually by the eligibility worker.

The states that have implemented transitional food stamps report that systems changes took one to two staff people two to three months to complete. Some states have all in-house staff who do programming, others have a mixture of in-house staff and contractors to do the work. One state, Maryland, estimated that the programming costs of transitional food stamps totaled \$179,000.

Households reapplying for TANF during the Transitional Period — States report that a substantial number of the households that receive transitional food stamps reapply for TANF before the five month transitional period is complete. Because of the variability in low-income household's circumstances, reapplying for TANF was and is quite common even in the absence of transitional food stamps. Studies conducted in the late 1990s found that from 10 to 25 percent of TANF leavers returned to TANF within six months.⁴

When households that are on transitional food stamps reapply for TANF the states that have adopted the option continue transitional food stamps during the period that eligibility for TANF cash assistance is being determined (usually up to 45 days) and then certify the household under regular food stamp rules if the TANF is approved. If TANF is not approved the transitional food stamp period continues until the five months are completed. In general, states experience is that even though they have to process a new TANF application, this would have occurred anyway and the fact that the household is on food stamps already saves them some administrative time. In particular, there is no need to process expedited food stamps for these applications because they are already receiving food stamps.

Dual participation — The only situation in which USDA has said that the transitional benefits five-month freeze *must* be broken, other than when the household reapplies for TANF, is if a member of the household moves out and applies for food stamps as part of another household or is reported as a new member of another household. USDA has said that the Food Stamp Act strictly prohibits duplicate participation and that both households' benefits must be adjusted to reflect the change.

Most states that have adopted the option, when faced with this situation, remove from the food stamp calculation the household member(s) and any income and deductible expenses associated with the member(s). They otherwise continue transitional food stamps for the remaining household members based on the same information that was used to originally calculate the transitional food stamps benefit level.

⁴ Furthermore, these studies generally consider a family to have left TANF after two complete months of not receiving TANF, so the proportion could be higher. See The Urban Institute, *Final Synthesis Report of Findings from ASPE "Leavers" Grants*, November 2001 at <http://aspe.hhs.gov/hsp/leavers99/synthesis02/index.htm>.

Eligibility Worker Training and Attitudes — States report that some eligibility staff have had difficulty adjusting to the philosophical shift in food stamp eligibility and benefit rules that underlie transitional food stamps. These eligibility workers have been trained to calculate precise food stamp benefits every month based on knowing virtually every relevant detail of current household circumstances. They think that households are potentially getting benefits they do not “deserve” under transitional food stamps because it is possible their actual circumstances would result in lower benefits.

Some states have found that providing workers with background on the research about TANF leavers and training on the policy rationale that Congress and the President made in enacting the legislation has helped to ease these concerns. States report that they find that these issues are receding with time as staff become used to the changes. In addition, despite their concerns, eligibility staff nonetheless recognize that transitional food stamps is an administrative simplification. Transitional food stamp cases are easier to administer and less prone to QC errors.

Additional Resources

USDA Guidance:

Questions and Answers Regarding the Food Stamp Program (FSP) Certification Provisions of the Farm Bill, available at:

http://www.fns.usda.gov/fsp/rules/Legislation/2002_farm_bill/farmbill-QAs.htm

Questions and Answers on the Noncitizen Eligibility and Certification Provisions Final Rule (November 21, 2000 final rule) — Second Section, available at:

http://www.fns.usda.gov/fsp/rules/Legislation/2002_farm_bill/farmbill-QAs-II.htm

Revisions and Additions to the Procedures of the Quality Control (QC) Review Handbook for Fiscal Year (FY) 2004 at: <http://www.fns.usda.gov/fsp/qc/pdfs/memo-03-01.pdf>

Research:

Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, “Leavers” and Diversion Studies, available at:

<http://aspe.hhs.gov/hsp/leavers99/index.htm>

Fewer Welfare Leavers Employed in Weak Economy, Pamela J. Loprest, The Urban Institute, August 2003, available at http://www.urban.org/UploadedPDF/310837_snapshots3_no5.pdf.

Who Returns to Welfare, Pamela J. Loprest, The Urban Institute, September 2002, available at http://www.urban.org/UploadedPDF/310548_B49.pdf.

Former Welfare Families Continue to Leave the Food Stamp Program, Sheila Rafferty

Zedlewski and Amelia Gruber, The Urban Institute, March 2001, available at:

<http://www.urban.org/Template.cfm?Section=ByTopic&NavMenuID=62&template=/TaggedContent/ViewPublication.cfm&PublicationID=7309>

Are the Steep Declines in Food Stamp Participation Linked to Falling Welfare Caseloads?,

Sheila R. Zedlewski and Sarah Brauner, The Urban Institute, November 1999, available at:

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Post-TANF Food Stamp and Medicaid Benefits: Factors That Aid or Impede Their Receipt, Janet

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Food Stamp Use Among Former Welfare Recipients, Cynthia Miller, Cindy Redcross, Christian Henrichson, Manpower Demonstration Research Corporation, 2002, available at:
http://www.mdrc.org/Reports2002/USDA_WorkingPaper/USDA_MillerWrkingPaper.pdf