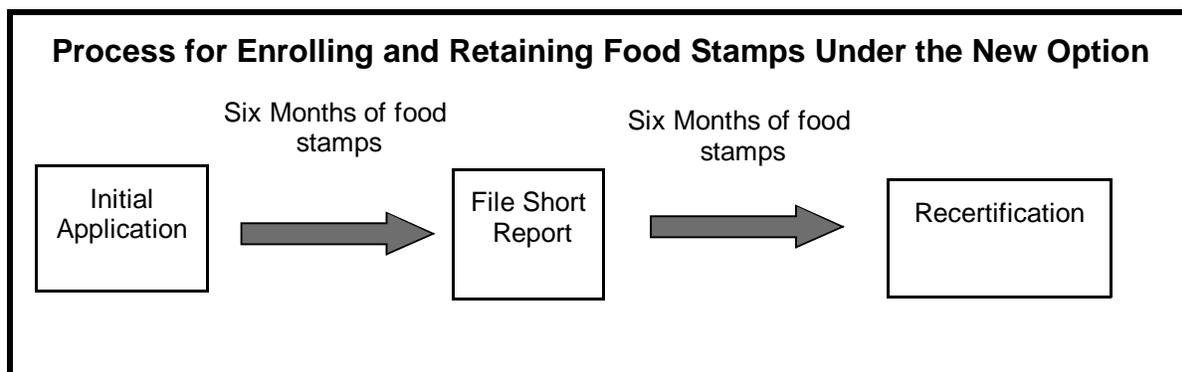


December 7, 2000

**MAKING FOOD STAMPS WORK:
Important New State Option for Semi-Annual Reporting Could Dramatically
Improve the Food Stamp Program for Working Poor Families**

On November 21, 2000, USDA published final regulations¹ permitting a new state option to dramatically improve the food stamp program for low-income working households. The new option, called ‘semi-annual reporting,’ allows states essentially to freeze a household’s benefits for six months at a time. With the new option the paperwork burdens on working households and state agencies can be dramatically reduced and it can also help states achieve and maintain low error rates. This significant new option builds upon the array of new state flexibility USDA announced in July 1999².

Under the new option, the state agency would calculate a household’s benefits at application in the same way it does for other new food stamp households. For working households assigned to semi-annual reporting, however, the state would freeze the household’s benefits for six months at a time instead of requiring the household to report frequently on changes in its income and other circumstances. At the end of six months the household would file a semi-annual report and needed verification. The state would use the information in the report to determine the household’s eligibility and benefits for the next six-month period. This option



¹65 Federal Register pp. 70133-70212, (November 21, 2000). 7 C.F.R §273.12(a)(1)(vii).

²Those options are described in detail in CBPP paper, “Improving Access to Food Stamps: New Reporting Options Can Reduce Administrative Burdens and Error Rates,” by Dorothy Rosenbaum, September, 2000. See:<http://www.cbpp.org/9-1-00fs.htm>.

responds to states' desire to find a way to reduce burdens on working households participating in the food stamp program without increasing food stamp error rates. By freezing a household's benefits, states can offer families food stamps for longer periods of time with fewer paperwork requirements. And, state error rates could actually improve under this option because the state would only need to adjust the household benefits in a very limited number of instances during the six month period.

This option may be less responsive to household's monthly fluctuations in income and other circumstances, but the reduced burdens on working households make the option well worth the trade-off. By significantly reducing the administrative hassles of food stamp participation, states can expect to raise working family participation rates which historically have been much lower than other eligible household types. Historically, only about half of eligible low-income working households have participated in the food stamp program³. Even lower participation rates have been found in studies of families leaving welfare for work.⁴ Food stamps is a crucial work support and it is essential that the program serve more eligible working households, particularly as more and more low-income households move from welfare to work.

Details About the Option

Semi-annual reporting is very similar to an option USDA announced in July 1999, called quarterly reporting. Under the semi-annual reporting option, a state would determine a working household's benefits at initial certification. The benefits would be set for six months and the household would be required to report to the state agency only if its total monthly income rose above 130% of the poverty line. For example, for a family of three in 2001, the household would be told to contact the state agency if its monthly income rose above \$1,533 because at this income level the family would be ineligible to receive food stamps.⁵

After six month's time, the household would file a report answering a few questions about changes in its circumstances. The state would use this information to adjust the household's benefits for the next six months. After twelve months, the state would need to conduct a recertification which would likely include an in-office interview.

Keeping the Report Simple – States have broad flexibility on how simple to make the semi-annual report form. They can decide whether to require households to report on information from one or more months from the previous six months on the form. A state that requires a

³Laura Castner and Scott Cody, "Trends in FSP Participation Rates: Focus on September 1997", November 1999. See: <http://www.fns.usda.gov/oane/MENU/Published/FSP/FILES/trends97.pdf>

⁴Office of the Assistance Secretary for Planning and Evaluation, "Leavers and Diversion Studies: Summary of Research on Welfare Outcomes Funded by ASPE," Table 7. See: <http://aspe.hhs.gov/hsp/leavers99/ombsum.htm>

⁵As described later, if a household's circumstances deteriorated significantly, for example, if a household member lost his or her job—the household may report the change and receive higher benefits.

household to report on each of the previous six months will have more complete information on which to base the next six month's benefits. This approach, however, places a substantial burden on households to remember each month's circumstances and retain and submit the required pay stubs and other verification. If the household forgets or is confused about important facts, an error may result. Such an approach also places burdens on eligibility workers to process substantial paperwork and verification. A preferable alternative is to require households to report on only one month's income and circumstances. The household is much more likely to be able to complete the report accurately and provide adequate verification to the state.

Furthermore, the report form need not be lengthy. The state may ask only six questions about changes in household circumstances on the report to meet USDA requirements⁶ (The questions are on income, household composition, residence, child support obligations, vehicles, and resources.) Illinois employs both of these techniques to keep their quarterly report short and easy for the household to complete. States may further simplify the form by printing the most recent information that the state agency used to calculate the household's benefits with respect to these items. This way the household would be better able to determine if they experienced a change from the information they reported last time. Maine uses this approach for its mail-in recertification forms. A simple version of semi-annual reporting option could dramatically reduce burdens of food stamp participation on eligible low-income working families. Instead of having to keep track of their household budgets and report fluctuations in their income as frequently as every month, families would simply have to respond to six questions every six months.

Increasing Access Without Jeopardizing Error Rates -- This option comes at a time when states and non-profit groups alike have been searching for ways to increase participation in the food stamp program among the working poor without increasing states' food stamp error rates. States have appropriately raised concerns about the penalties associated with increasing working poor participation in the food stamp program that are inherent in the food stamp quality control system. The food stamp quality control system are measures how accurately states determine eligibility and benefit amounts. Historically, food stamps has been a benefit that each month adjusts to a households changing circumstances. States have much more difficulty administering benefits precisely to households with earnings because low-wage workers tend to have fluctuating incomes, necessitating frequent changes to their food stamp benefits. In 1999, every state except one had a higher error rate among its households with earnings as compared to households without earnings.

As more and more low-income families are moving from welfare to work or are combining cash assistance and wages, states have struggled to continue to serve these working household without seeing a significant rise in the food stamp error rates. States with error rates above the national average are subject to federal fiscal penalties and frequently must put in place systems, subject to USDA review, to reduce errors. To date, several strategies states have used

⁶7 C.F.R §273.12(a)(1) and CBPP's "Improving Access to Food Stamps: New Reporting Options Can Reduce Administrative Burdens and Error Rates," p. 22.

to reduce quality control payment errors among working households have tended to result in increasing the burden of participating. Examples include increased verification and requiring households to reapply for food stamps every three months. Unfortunately, these efforts make it much harder for working households to participate in the program because households need time off from work to come into the welfare office for interviews or to drop-off additional verification.

Semi-annual reporting, along with the existing option to use quarterly reporting, should help states serve working families without increasing, and perhaps decreasing, their food stamp error rates. A state is not liable for errors if the household experienced a change in its circumstances that it did not report if the state's policies did not require the household to report the change. Also, if households are required to report less frequently there are fewer opportunities for states to fail to adjust benefits correctly in response to a reported change. In 1998, 37 percent of errors occur because of changes in household circumstances during the certification period which are neither reported nor acted upon by the state agency⁷. States that adopt this option should expect to see an improvement in their error rates because these changes would no longer need to be reported and processed.

A Significant Share of Each State's Caseload Could Benefit from Semi-Annual Reporting

Similar to the quarterly reporting option, the regulation limits semi-annual reporting to households with earnings. Under the quarterly reporting option, USDA has determined that states could consider as earners anyone with earnings in the past three months. Furthermore, states may keep households on quarterly reporting until the next certification period if the household loses its earnings. The same policy applies to semi-annual reporting.

According to food stamp quality control data, 27 percent of all food stamp households had earnings in 1999. If one considers only households with children, 42 percent had earnings. Of non-elderly/non-disabled households 42 percent also had earnings. See the Appendix for state by state data. By adopting this option, a state could make the food stamp program significantly easier to access for ten of thousands or in some cases hundreds of thousand of households in the state. Furthermore, one would expect the number of working households participating in food stamps to increase under this option. First, many working households will be able to retain food stamp for longer periods of time if the procedural and administrative costs of participation are reduced. And, low-income working households who do not currently receive food stamps may find the benefit more attractive to them if participation hassles are reduced.

States with Six-Month Certification Periods Can Use this Option – The least burdensome approach to semi-annual reporting for households and states is to couple this option with 12 month certification periods. This way the household need only fill out a full application form and

⁷USDA Food Stamp Quality Control Annual Report for FY 1998.

visit the welfare office once a year and file a report one additional time per year. Some states with six-month certification periods, however, may not be able to switch to 12 month certification periods immediately. This should not delay their adopting semi-annual reporting. The regulation allows states to use this option for working households that have at least a six month certification period. In such a case, the state would freeze benefits for six months and the recertification application would serve as the report⁸.

If it adopts this option, a state with six-month certification periods can eliminate virtually all reporting requirements for households with earnings in-between certifications. Currently, in states with change reporting, working households have to report fluctuations in their monthly income of more than a fixed amount -- typically \$100. Or, in states with status reporting, the household might need to report if an earner moves from part-time to full-time work. Furthermore, in states with either change or status reporting, households must report a variety of non-income circumstances such as a whether a household member moves away or a change in child support obligation.

By adopting semi-annual reporting, states with six-month certification periods could dramatically decrease paperwork for both recipients and the state agencies that must process these forms each month. Food stamp error rates would likely decline in these states because currently if a client fails to report a change or the state fails to act on a report, the state could be held liable for a food stamp error. Under semi-annual reporting, most changes in household circumstances are no longer reportable, thereby greatly reducing the risk of errors.

States with Quarterly Reporting May Wish to Consider the New Option – Nine states have already adopted the quarterly reporting option that USDA made available to all states in July of 1999⁹. States that have quarterly reporting for households with earnings are those who could most readily adopt the semi-annual reporting option because the two options are administered so similarly. The most significant difference is that households would need to be told to report if their total monthly income rises above 130 percent of poverty. If these states adopted semi-annual reporting, reporting burdens for households and state agency workload on reports in those states would reduce by at least half.

Semi-Annual Reporting is an Attractive Alternative to Three-Month Certifications – A common strategy for reducing errors for many years, and one that USDA has advocated, has been to require households to submit a recertification form and appear at the office for an interview

⁸States may conduct recertifications either in the office on the telephone or via mail or with no interview at all. Households are required under USDA regulations to be re-certified with an interview only once every twelve months, unless the household is comprised of elderly and disabled members. Elderly/disabled households can be certified for 24 months. In cases where appearing for an interview would be a hardship for the household, even the required annual face-to-face interview can be waived.

⁹These states are Alabama, Arkansas, Illinois, Louisiana, Massachusetts, New York, South Carolina, Tennessee and Wyoming.

every three months. Semi-annual reporting, along with the options announced in July 1999, offer an alternatives to three-month certifications. Short certifications – especially three-month certifications – appear to have had a negative effect of reducing caseloads.

Nationally, the proportion of working families with children required to come to food stamp offices at intervals of three months or less more than tripled between 1994 and 1999, rising from nine percent to 34 percent¹⁰. States and non-profit groups alike believe that this move to short certification periods for working families undercuts the food stamp program's basic mission by depressing participation among eligible families. Between 1994 and 1999, those states that increased by at least 50 percentage points the proportion of working families required to reapply every three months or less experienced an average decline of 29 percent in participation among working families. By contrast, all other states experienced an average decrease of less than one percent in participation among this group of families.

Three-month certification period are extremely onerous for working households. Low-wage workers new to the workforce may find it difficult to ask their employers for time off, particularly to apply for benefits. In addition, eligibility worker are typically overworked with extremely large caseloads. Three-month certifications only increase their workload by increasing the number of times per year they must conduct a complete interview. Since two-thirds of errors occur on or before the most recent certification, states may want to consider a certification and reporting system that gives eligibility workers more time to process cases at certification. This is likely to reduce errors.

Semi-annual reporting would respond to both of these concerns in states with three month certifications by dramatically reducing the participation burden for households and the workload for already overly taxed eligibility workers. In addition, these states need not be concerned that their error rates would increase. States are not held liable for errors if the household experiences a change in it circumstances that it did not report if the states' policies did not require the household to report the change. As outlined above, households have virtually no reporting requirements under semi-annual reporting. States with three month certification periods could actually reduce their error rates by adopting semi-annual reporting. If they reduced the number of certification interviews that eligibility workers must conduct, workers could spend more time processing the information they obtain at initial certification or recertification and then limit the items that must be reported over a six- month period.

Benefits Can Be Adjusted in a Few Situations During the Certification Period

The semi-annual reporting option establishes a mechanism where working households whose circumstances worsen dramatically, perhaps because they lost their job, can have their food stamps adjusted upward during the six-month period. If a household voluntarily contacts the state

¹⁰Food Stamp Quality Control data.

agency to seek additional assistance in light of a change in circumstances, the state agency must adjust the households' food stamp benefits upward. Such adjustments are not made if the reported change would decrease the household's benefit. And, adjustments are made only if the household provides any required verification of the deterioration in their circumstances. This important feature of the option ensures that food stamp can respond to a radical deterioration in household circumstances.

There are a few additional circumstances under which the state agency must adjust a household's benefits during the six month freeze. These limited circumstances are:

- if the household has asked for their food stamp case to be closed,
- if the state agency has information about the household's circumstances considered verified upon receipt – such as the household files a report with acceptable verification that would increase the household's benefits
- the state agency is aware of a change that affects large numbers of households uniformly, such as the annual cost-of-living adjustment to Social Security or food stamp benefits,
- there has been a change in the household's cash assistance grant (TANF or general assistance) where the state agency knows of the change, such as the household hit a TANF time limit, or
- the household reports that their monthly income exceeds 130% of the poverty line.

Conclusion

The new semi-annual reporting option can improve appreciably low-income working household's access to the food stamp program and ease state agencies' workload pressures because it allows states to:

- provide food stamps to working households for longer periods of time,
- require households to make fewer visits to the welfare office;
- dramatically reduce the requirements on households to report changes in income and other circumstances.

States concerned about improving food stamp participation among eligible low-income working households or concerned about achieving and maintaining low error rates may want to give this option serious consideration.

APPENDIX
Food Stamp Households with Earnings in Fiscal Year 1999

| | Share of Entire Food Stamp Caseload | Share of Households with Children | Share of Non-Elderly/ Non-Disabled Households |
|----------------|------------------------------------------------|----------------------------------------------|----------------------------------------------------------|
| Alabama | 30.8% | 45.5% | 51.8% |
| Alaska | 37.6% | 49.9% | 46.4% |
| Arizona | 33.5% | 45.7% | 45.8% |
| Arkansas | 29.0% | 46.9% | 49.5% |
| California | 28.1% | 31.6% | 29.1% |
| Colorado | 28.1% | 44.7% | 47.6% |
| Connecticut | 15.1% | 26.4% | 24.4% |
| Delaware | 31.7% | 44.2% | 44.4% |
| DC | 9.4% | 14.8% | 12.6% |
| Florida | 25.2% | 47.7% | 49.1% |
| Georgia | 30.0% | 46.6% | 48.5% |
| Hawaii | 27.2% | 45.5% | 39.2% |
| Idaho | 44.8% | 70.2% | 72.7% |
| Illinois | 28.4% | 48.2% | 46.7% |
| Indiana | 28.7% | 42.6% | 46.3% |
| Iowa | 32.1% | 47.4% | 49.3% |
| Kansas | 29.3% | 51.7% | 53.1% |
| Kentucky | 26.3% | 41.5% | 48.7% |
| Louisiana | 31.0% | 45.1% | 48.6% |
| Maine | 19.3% | 35.6% | 38.4% |
| Maryland | 24.4% | 38.1% | 34.6% |
| Massachusetts | 15.7% | 26.2% | 25.5% |
| Michigan | 31.7% | 49.5% | 51.5% |
| Minnesota | 21.6% | 32.1% | 32.3% |
| Mississippi | 28.7% | 47.5% | 58.3% |
| Missouri | 26.8% | 43.7% | 44.8% |
| Montana | 35.1% | 50.1% | 47.2% |
| Nebraska | 33.0% | 46.9% | 49.8% |
| Nevada | 21.2% | 41.7% | 39.5% |
| New Hampshire | 20.6% | 35.6% | 34.4% |
| New Jersey | 15.7% | 29.0% | 25.5% |
| New Mexico | 33.3% | 46.6% | 50.5% |
| New York | 16.5% | 29.9% | 26.2% |
| North Carolina | 26.8% | 44.1% | 48.4% |
| North Dakota | 36.5% | 53.3% | 55.0% |
| Ohio | 22.2% | 38.5% | 41.5% |
| Oklahoma | 31.7% | 50.0% | 53.3% |
| Oregon | 32.4% | 53.0% | 51.0% |
| Pennsylvania | 28.2% | 50.3% | 44.5% |
| Rhode Island | 19.7% | 28.4% | 28.9% |
| South Carolina | 29.1% | 46.6% | 52.7% |
| South Dakota | 39.0% | 51.2% | 53.1% |
| Tennessee | 24.3% | 41.6% | 48.0% |
| Texas | 38.3% | 51.1% | 54.3% |
| Utah | 36.1% | 49.0% | 47.6% |
| Vermont | 23.2% | 41.0% | 39.2% |
| Virginia | 28.7% | 47.5% | 51.0% |
| Washington | 24.3% | 41.2% | 36.8% |
| West Virginia | 24.6% | 39.5% | 45.3% |
| Wisconsin | 31.3% | 46.1% | 51.4% |
| Wyoming | 43.7% | 59.9% | 62.2% |
| Guam | 20.6% | 26.0% | 23.8% |
| Virgin Islands | 32.3% | 44.8% | 42.9% |
| US | 26.8% | 41.7% | 41.6% |

