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Report to the Ranking Minority Member, Subcommittee on Children and Families, Committee on Health, Education, Labor and Pensions, U.S. Senate

January 1999

WELFARE REFORM

Few States Are Likely to Use the Simplified Food Stamp Program

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GAO

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Washington, D.C. 20548

Resources, Community, and
Economic Development Division

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January 29, 1999

The Honorable Christopher J. Dodd
Ranking Minority Member
Subcommittee on Children and Families
Committee on Health, Education,
Labor and Pensions
United States Senate

Dear Senator Dodd:

Over the years, state agencies have operated federal welfare programs that have provided food stamps, cash assistance, and other benefits to needy households. Each program has its own set of regulations that the states must follow to determine participant eligibility and benefits. Although these regulations provide extensive guidelines for the workers who must implement them, they also create determination processes that are expensive to conduct and are often subject to error.

In an effort to streamline program administration, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996[1] —referred to in this report as the Welfare Reform Act—provided the states[2] with the option of operating the Simplified Food Stamp Program for households whose members are receiving Temporary Assistance for Needy Families (TANF) assistance.[3] The simplified program was designed specifically to be a vehicle for creating conformity between TANF and the Food Stamp Program by merging the programs' rules into a single set of requirements for individuals receiving both types of assistance.

The Welfare Reform Act also allows the states to implement a limited, or "mini," simplified program in which only the food stamp work requirement is replaced by TANF's work requirement, according to officials from the U.S. Department of Agriculture's (USDA) Food and Nutrition Service (FNS). By requiring food stamp participants to comply with TANF's work requirement, the states may count the combined value of TANF and food stamp benefits to determine if participants are receiving assistance in an amount that is at least equal to the minimum wage multiplied by the

[1]P.L. 104-193, Aug. 22, 1996.

[2]As treated in the Food Stamp Act of 1977, as amended, "states" includes the 50 states, the District of Columbia, Guam, and the U.S. Virgin Islands.

[3]Title I of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 replaced Aid to Families With Dependent Children (AFDC) with TANF.

number of hours they must work to receive their benefits, as required by federal law.[4]

Since not all needy households receive both TANF and food stamps, the states selecting the simplified program option will, in effect, be operating three programs, according to both FNS and state officials. That is, they will continue to separately operate TANF, the regular Food Stamp Program, and the simplified program. Furthermore, to whatever extent the states use the simplified program, they must also, as required by the Welfare Reform Act, demonstrate that total federal costs will not be more than the costs that would have been incurred under the regular Food Stamp Program for the affected participants in any fiscal year—that is, the program has to be cost neutral.

You asked us to study several issues concerning the impact of welfare reform on the Food Stamp Program. This report is the third in a series responding to that request.[5] In this report, we (1) identify the number of states that have adopted or are planning to adopt the Simplified Food Stamp Program, (2) describe the concerns that may be preventing other states from adopting the simplified program, and (3) examine the impacts that the adoption of the simplified program may have on households' eligibility and benefits.

As part of our review, we mailed questionnaires in July 1998 to 53 state agencies that administer the Food Stamp Program and received responses to our questionnaire from 52 (Iowa declined to participate in our survey). Appendix I contains a more detailed description of our methodology. Appendix II provides summary information on our survey responses.

Results in Brief

Our July 1998 survey indicated that seven states had implemented a limited, or "mini," Simplified Food Stamp Program. Of the 45 states that had not implemented the simplified program, 6 were planning to do so; 30 indicated that they did not plan to do so; and the 9 remaining states were

[4]Among other provisions, the Welfare Reform Act requires that, to avoid financial penalties, the states must impose work requirements for adults receiving federal welfare assistance. In 1997, the U.S. Department of Labor ruled that welfare participants are not excluded from the protection of the Fair Labor Standards Act of 1938, as amended (29 U.S.C. 207). Under the Fair Labor Standards Act, the maximum number of hours that welfare participants can be required to work to receive their benefit is calculated by dividing the value of their benefit by the applicable minimum wage.

[5]Our first report is entitled Food Stamp Program: Characteristics of Households Affected by Limit on the Shelter Deduction (GAO/RCED-97-118, May 14, 1997). Our second report is entitled Welfare Reform: State and Local Responses to Restricting Food Stamp Benefits (GAO/RCED-98-41, Dec. 18, 1997).

uncertain about their plans. One of the six states—Arkansas—was planning to adopt the simplified program and subsequently implemented a "full," or more comprehensive, program that establishes a uniform set of eligibility requirements for both food stamp and TANF assistance.

The states that had not implemented the simplified program cited several concerns that discouraged them: (1) increasing caseworkers' burden by creating a third set of eligibility criteria for a simplified program that are different from those associated with the separately administered TANF and the Food Stamp Program; (2) restricting the options for designing a simplified program by requiring it to be cost neutral; and (3) other Welfare Reform Act requirements that had a higher priority.

The simplified program would have little or no impact on either the number of households participating in the Food Stamp Program or on the amount of their benefits, according to the majority of states that have and have not implemented a simplified program. The simplified program has limited impact, according to one state, primarily because a relatively small number of households participate in it compared with the state's total food stamp population. According to another state, since most TANF households also receive assistance under the regular Food Stamp Program, there is little change in total benefit costs as a result of the state's adoption of the simplified program.

Background

The Welfare Reform Act gives the states the opportunity and authority to streamline their operations by allowing them to experiment with ways to standardize their eligibility and benefit requirements for households participating in both TANF and the Food Stamp Program. Specifically, the act provided the states with the option of operating the Simplified Food Stamp Program. This program allows them to establish eligibility and benefit levels on the basis of household size and income, work requirements, and other criteria established under TANF, food stamps, or a combination of both programs—as long as federal costs are not increased in doing so.

The TANF Block Grant

The TANF block grant, administered by the U.S. Department of Health and Human Services, helped the states provide assistance to about 3.9 million needy families with children in fiscal year 1997. Among other things, the grant is intended to allow children to be cared for in their own homes and to reduce welfare dependency by promoting job preparation and work.

The fixed amounts of the states' TANF grants under the Welfare Reform Act are based on the amount of the grants they received in specified fiscal years under prior law, adjusted for population increases under certain circumstances.[6] For fiscal year 1997, the federal grants available to the states totaled $16.7 billion and ranged from $21.8 million in Wyoming to over $3.7 billion in California. With respect to state funding, the Welfare Reform Act included a "maintenance-of-effort" provision requiring the states to provide 75 to 80 percent of their historic level of funding.[7]

Because of congressional concern that welfare had become a way of life for some participants, a key purpose of the new law is to promote work over welfare and self-reliance over dependency. In support of this goal, the law provides that the states must require able-bodied participants to engage in work or work-related activities and must impose a 5-year lifetime limit on federal assistance. The states must require adults in families receiving TANF assistance to participate in work or work-related activities after receiving assistance for 24 months, or sooner, as defined by the state. If recipients fail to participate as required, the states must at least reduce the families' assistance and may opt to terminate it entirely.

To avoid financial penalties, the states must ensure that a certain specified minimum percentage of their beneficiaries are participating in work or work-related activities each year. These percentages are referred to as "minimum mandated participation rates." To count toward these mandated rates, adults in families receiving welfare must participate for a certain minimum number of hours in work or a work-related activity as prescribed in the Welfare Reform Act—such as job readiness workshops; on-the-job training; and, under certain circumstances, education. The required number of hours of participation and the percentage of a state's caseload that must participate to meet mandated rates increase over time are shown in table 1.

[6]Under the Welfare Reform Act, the states' grants are based on the greater of one of three options for determining the amount of their grants: (1) the average amount of grants received for fiscal years 1992, 1993, and 1994; (2) the amount of grants received for fiscal year 1994 (with some adjustments for states with high expenditures for emergency assistance in fiscal year 1995); or (3) a formula based on grants received for fiscal year 1995.

[7]Under the Welfare Reform Act, the states must have a certain number of participants working or enrolled in work-related activities. The states that meet these mandated minimum participation rates must provide at least 75 percent of their historic level of funding; the states that fail to meet these rates must provide at least 80 percent.

Table 1: Federal Law Sets Increasing Requirements for Work or Related Activities for One-Parent and Two-Parent Families

	Fiscal year					
	1997	1998	1999	2000	2001	2002
Minimum weekly average participation required (hours)						
One-parent families	20	20	25	30	30	30
Two-parent families[a]	35	35	35	35	35	35
Minimum mandated participation rates (percentage of states' caseload)						
One-parent families	25%	30%	35%	40%	45%	50%
Two-parent families	75%	75%	90%	90%	90%	90%

[a]To receive federally funded child care assistance, two-parent families must participate for a combined total of at least 55 hours a week.

Source: 42 U.S.C. sec. 607.

Instead of prescribing in detail how the states should structure their TANF programs, the Welfare Reform Act authorizes the states to use their block grants in any manner that is reasonably calculated to accomplish the purposes of TANF. For example, the states are allowed to set forth their own criteria for defining who will be eligible and what assistance and services will be available, provided they ensure fair and equitable treatment. The states may opt to deny assistance altogether for noncitizens, drug felons, minor teen parents, or those they determine are able to work. The states may also choose when to require adults to participate in work activities, what types of activities are allowed, who should receive a participation waiver, and whether to terminate grants to entire families for noncompliance.[8]

The Food Stamp Program

The Food Stamp Program is the cornerstone of federal food assistance programs. It is an entitlement program that helped put food on the table for about 8.3 million households each day during 1997 at a federal cost of about $19.5 billion. It provides low-income households with paper coupons or electronic benefits that can be redeemed for food in about 200,000 authorized stores across the nation. U.S. citizens and some legal immigrants who are admitted for permanent residency may qualify for

[8]However, the act defines the types of activities that may count toward the states' mandated participation rate, as well as the cases that must be included in the calculation. The act also stipulates that if a one-parent family with a child under age 6 is unable to obtain needed child care, the state may not sanction the family for noncompliance with the work requirement and that failure to maintain assistance to such families is grounds for a penalty of up to 5 percent of the state's grant.

food stamps. Household eligibility and benefit amounts are based on nationwide federal criteria, including household size and income; eligibility is also based on assets, housing costs, work requirements, and other factors. The program operates in the 50 states, the District of Columbia, Guam and the U.S. Virgin Islands.[9]

FNS administers the program in cooperation with state agencies. FNS is responsible for approving state plans for operation and ensuring that the states are administering the program in accordance with regulations. The program is administered at the local level by either a state agency or a local welfare agency, depending on the state. Local office staff are responsible for determining eligibility and the level of benefits issued to participating households. The federal government pays the full cost of benefits and shares administrative costs with the states. The federal cost to administer the program was about $1.7 billion in fiscal year 1997, and the average monthly household food stamp benefit was $169.[10]

The Welfare Reform Act requires most able-bodied adult participants receiving food stamps to work in return for their benefits. Able-bodied participants ages 18 to 50 with no dependent children may receive food stamp benefits for only 3 months in every 36-month period unless they are engaged in work or work programs. Qualifying work includes participating in a work program for a monthly average of 20 hours or more a week. Exclusions to the work requirement vary by program. For example, single parents with children under the age of 6 may be exempted from the food stamp work requirement, while TANF allows the states to exempt single parents with children under the age of 1.

The Simplified Food Stamp Program

The Simplified Food Stamp Program allows the states to determine eligibility and benefits under one set of program criteria for families receiving assistance from both the Food Stamp Program and TANF. Under the simplified program, the states can merge their TANF and food stamp rules into a single set of eligibility and benefit requirements and control the extent to which the program's rules are merged. Some states, for example, may elect to implement a "full" simplified program in which an extensive set of TANF requirements—such as income and asset limits—are adopted to determine eligibility. Other states may adopt a more limited, or

[9]In Puerto Rico, the Food Stamp Program was replaced in 1982 by a block grant program. The Commonwealth of the Northern Marianas Islands and American Samoa in the Pacific also operate under block grants.

[10]Benefit amounts are higher for Alaska, Hawaii, Guam, and the U.S. Virgin Islands, reflecting higher food prices in those areas.

"mini," simplified program—incorporating only TANF's work requirement into their simplified program. With a mini program, the states can administratively combine the value of their TANF and food stamp benefits in calculating whether participants are being provided with benefit amounts that are at least equal to the minimum wage—currently $5.15 an hour—multiplied by the number of hours they are required to work. (App. III describes in more detail how the adoption of a simplified program helps the states to comply with the requirement to provide the minimum wage.)

The Welfare Reform Act requires the states to retain several features of the regular Food Stamp Program, such as issuance procedures and the use of the Thrifty Food Plan[11] as the basis of benefits in their simplified program. The states must also obtain FNS' approval to implement a simplified program.[12] To establish a program, the states must demonstrate that their simplified program will not cost the federal government more than the Food Stamp Program would have cost for the affected participants in any fiscal year—that is, the program has to be cost neutral. The simplified program's cost-neutrality requirement is more restrictive than the cost-neutrality requirement approved for some welfare reform demonstration projects, which have allowed states to calculate cost neutrality over several years.

Few States Have Implemented the Simplified Program

In response to our July 1998 survey, seven states—Arizona, Delaware, Georgia, Idaho, Mississippi, New Jersey, and New York—reported that they had implemented a simplified program. Each of these states implemented a mini simplified program. Six states—Arkansas, Florida, Illinois, Maine, North Carolina, and South Carolina—indicated that they were planning to implement the simplified program. Since July, one of these states—Arkansas—has implemented it—bringing the total number of states with simplified programs to eight and reducing the number of states planning to implement the program to five. Appendix IV presents the status of each state's implementation as of July 1998.

Unlike the seven states that had implemented a mini simplified program, Arkansas adopted a more extensive simplified program, using a number of TANF requirements to determine eligibility and benefits. For example,

[11]A low-cost model diet plan that is based on the National Academy of Sciences' Recommended Dietary Allowances and on the food choices of low-income households.

[12]Households in which all members receive TANF are automatically eligible to participate in a simplified program, while households with one or more, but not all, members who receive TANF may participate with FNS' approval.

under the regular food stamp rules, the portion of the fair market value of a household vehicle that exceeds $4,650 is counted toward the household's resource limit.[13] However, Arkansas' simplified program uses a state-defined TANF rule that exempts the total value of the vehicle from the resource limit. Arkansas' primary goal in adopting the simplified program is to create a "one-stop" process for approving TANF and food stamp benefits, thereby eliminating separate participant interviews, forms, and reporting requirements for each program. The state expects that caseworkers will then be able to spend more time helping program participants find employment. (App. V describes the Arkansas program in more detail.)

According to the survey responses, of the five remaining states (excluding Arkansas) planning to implement a simplified program, all but Florida plan to adopt it within the next year. Florida was uncertain about when it would adopt a simplified program.

Figure 1 identifies the eight states (including Arkansas) that have implemented a simplified program and the five states that are planning to implement a program.

[13]Federal law set a maximum resource limit of $2,000 for most households. Households with at least one member age 60 or older may have up to $3,000 in resources. Certain resources are not counted, such as a home and lot.

Figure 1: States That Have Implemented or Plan to Implement a Simplified Program

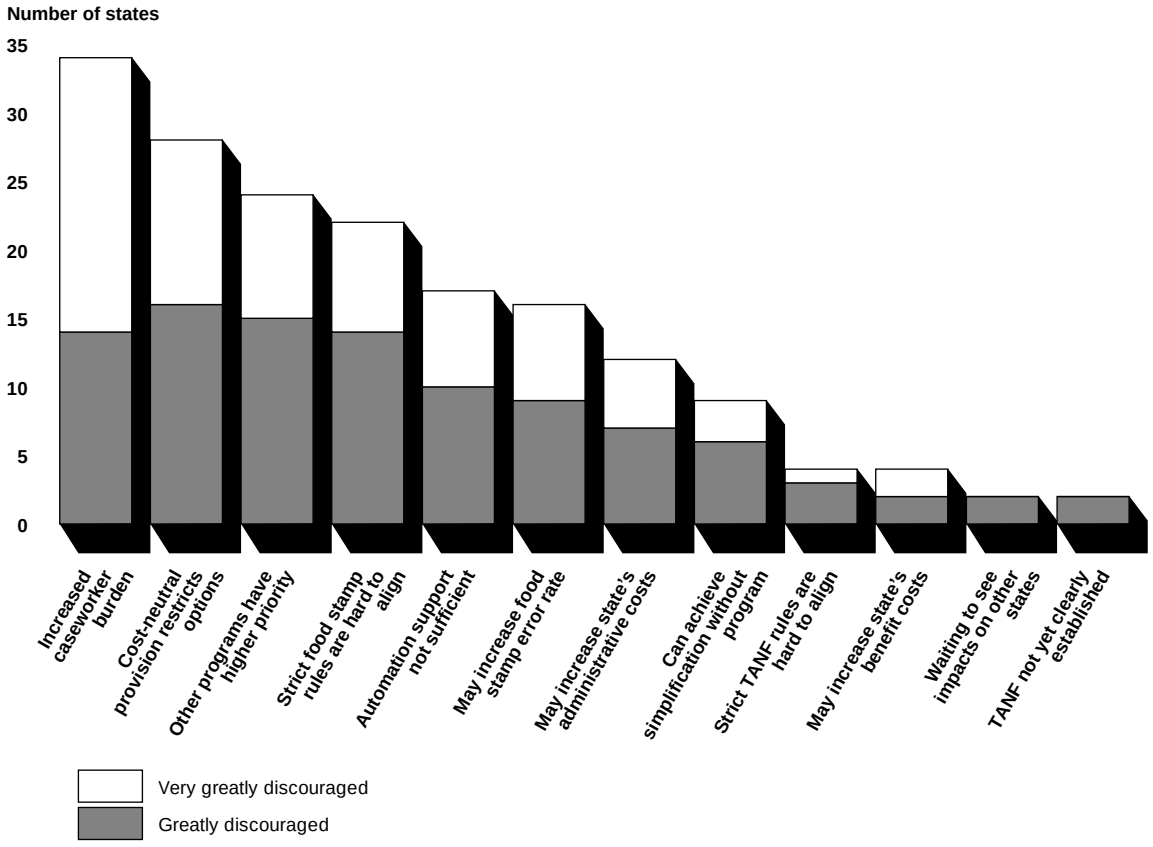
Source: GAO's July 1998 survey and FNS' data.

Thirty states are not planning to implement the simplified program, and 9 states—California, Colorado, Connecticut, Massachusetts, New Hampshire, Pennsylvania, Rhode Island, Utah, and the U.S. Virgin Islands—reported that they are uncertain about whether they will implement the simplified program.

Various Concerns Have Discouraged States From Adopting the Program

Thirty five of the 45 states that had not implemented a simplified program indicated that, as currently structured, the simplified program was hardly or not at all helpful in achieving a more efficient and streamlined operation. Nine states indicated that the program was somewhat or moderately helpful, and one state did not indicate whether it was helpful or not. As figure 2 shows, the states that have not implemented a simplified program cited a number of concerns that have discouraged its adoption.

Figure 2: Major Concerns That Discouraged States From Implementing the Simplified Program



Source: GAO's July 1998 survey.

The most frequently cited concern for 34 of the states that had not implemented a simplified program was increasing caseworker burden because of an additional set of program criteria. The additional criteria would be produced by the states' merging of TANF and food stamp provisions under their simplified program. For example, under the simplified program, a state may replace the regular food stamp provision exempting single parents with children under age 6 from work with a TANF provision exempting single parents with children under age 1. Such

changes can produce a distinct set of simplified program work requirements not found in either TANF or the regular Food Stamp Program.

The next most frequently cited concern for 28 of the states was that the program's cost-neutral provision restricted the states' options for simplifying the program. That is, a simplified program that incorporates eligibility or benefit determination criteria that result in higher food stamp benefit costs must be offset by other program features that reduces benefit costs to what they would have been under the regular Food Stamp Program—in effect, requiring the states to make program design trade-offs to achieve cost neutrality.

Finally, the third most frequently cited factor discouraging program implementation for 24 of the states was that other Welfare Reform Act requirements had a higher priority. For example, the Welfare Reform Act required the states to submit their TANF plans for federal approval and begin implementing the program by July 1, 1997. In contrast, the states were under no deadline or requirement to develop and implement a simplified program.

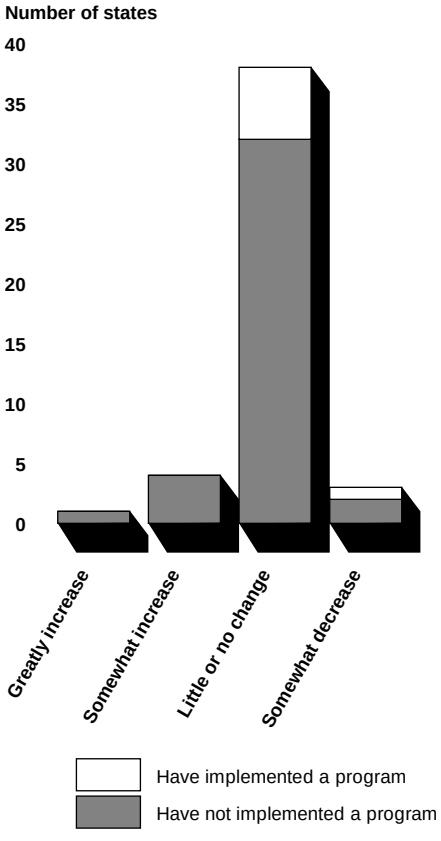
Some of the other frequently cited concerns that discouraged states from implementing the program included the states' difficulties in aligning food stamp requirements with TANF, the absence of state automation to support program implementation, and the potential increase in the states' food stamp error rates, which would result in financial penalties. (App. VI discusses our review of North Dakota, which had obtained FNS' approval to implement a full simplified program and subsequently decided against it for many of the same concerns cited by other states.)

Thirty-four of the states that had not implemented a simplified program suggested ways to improve the program to make its adoption more attractive to the states. Suggestions included extending the simplified program to all food stamp households, eliminating or relaxing the cost-neutrality requirement, and providing a moratorium on the financial penalties associated with increased food stamp error rates. The states' suggestions are summarized in appendix VII.

Most States Report That the Simplified Food Stamp Program Would Have Little Impact on Food Stamp Participation and Benefits

Most states did not expect the simplified program to affect the level of participation in the Food Stamp Program or the benefits provided. As figure 3 shows, according to 6 of the 7 states that had implemented a mini simplified program and 32 of the states that had not implemented a simplified program, the program would have little or no impact on the number of households receiving food stamps.

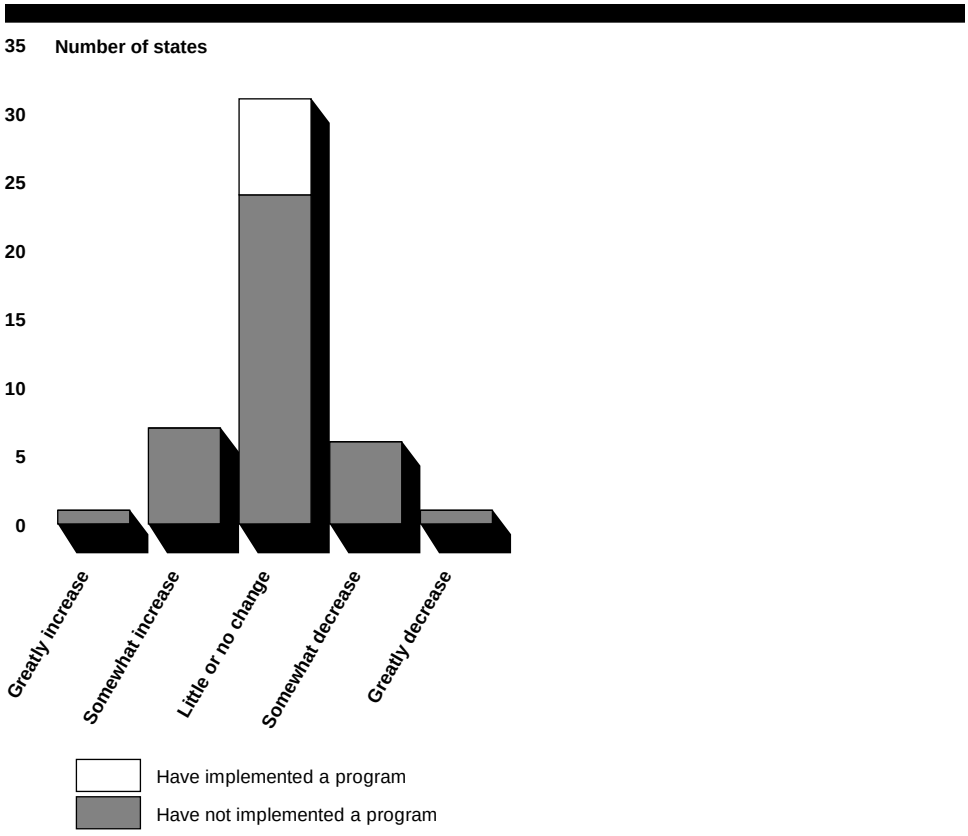
Figure 3: Impacts of the Simplified Program on the Number of Households Receiving Food Stamps



Source: GAO's July 1998 survey.

Similarly, as figure 4 shows, the 7 states that had implemented a mini simplified program and 24 of the states that had not implemented a simplified program reported that the program would have little or no impact on the benefit amounts received by participants.

Figure 4: Impacts of the Simplified Program on Average Household Food Stamp Benefits Amounts



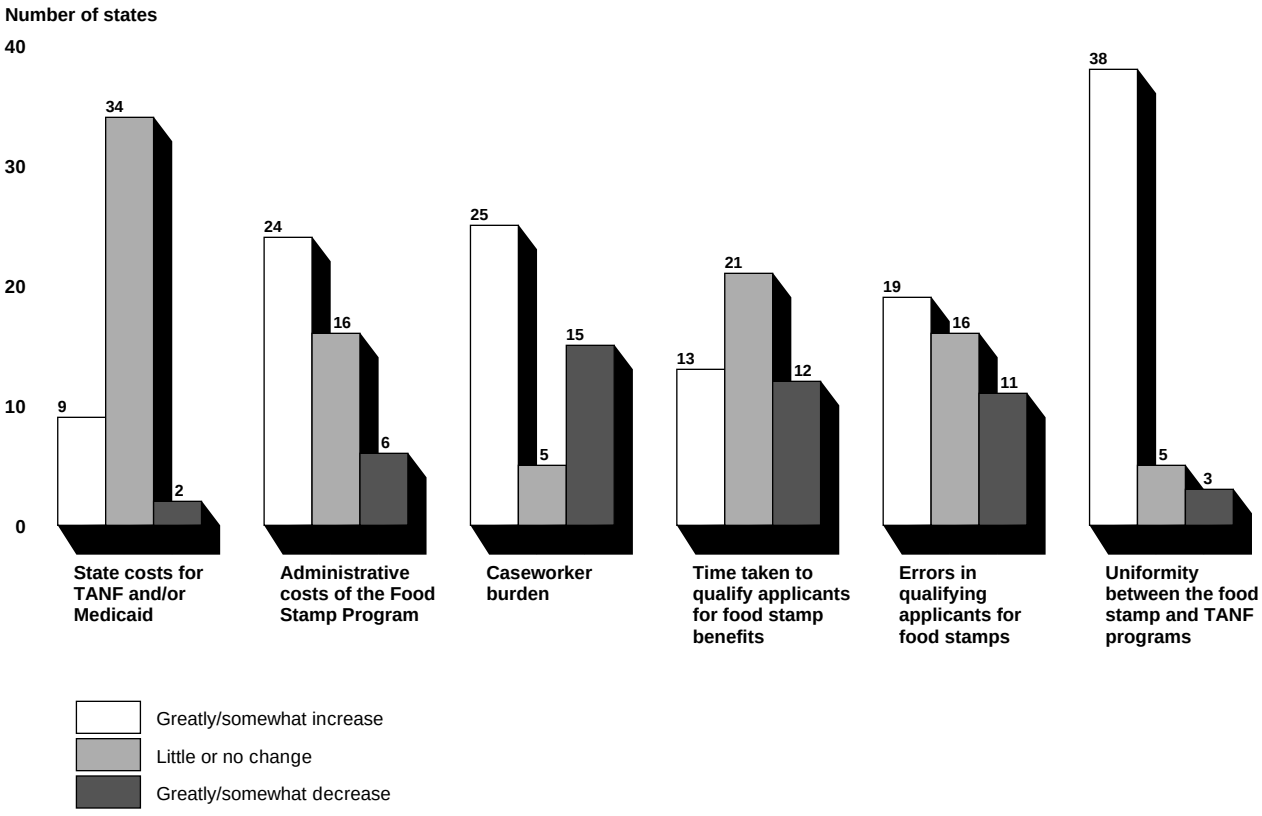
Source: GAO's July 1998 survey.

According to Georgia's food stamp director, the simplified program has had minimal impact on participation or benefit levels because most of the state's TANF households are already receiving food stamps. Food stamp officials in Idaho told us that the minimal impact on food stamp participation and benefit levels in their state is due to the relatively small

number of households that participate in the simplified program compared with the state's total food stamp population.

The states also assessed other impacts that would occur as a result of the implementation of a simplified program. For example, 35 states indicated that there would be little or no change in their TANF or Medicaid costs resulting from implementation of the simplified program, whereas 24 states reported that their food stamp administrative costs would increase. (See fig. 5.)

Figure 5: Other Impacts of the Simplified Program



Source: GAO's July 1998 survey.

Conclusions

Although the Welfare Reform Act was, in part, intended to simplify the administration of welfare assistance, this goal is not being achieved with the simplified program. Most states have not implemented the simplified program, and, under current legislation, few states are likely to take full advantage of this option. While the legislation seems to offer the states a great degree of flexibility in designing a simplified program, its restrictive cost-neutrality provision, potential to increase caseworkers' burden, and difficulties in aligning strict food stamp rules with different state-developed TANF regulations, leave the states with little incentive for adopting the program. If the simplified program's authorizing legislation remains unchanged, the program will continue to be of little value to the states—with the exception of the flexibility it gives them to combine the value of their TANF and food stamp benefits in order to meet the minimum wage requirements for workfare participants.

Matters for Congressional Consideration

To fulfill the Simplified Food Stamp Program's potential, the Congress may wish to consider working with USDA to develop modifications to the legislation that established the program in order to address the implementation concerns discussed in this report. Among other things, the Congress could consider providing the states with more flexibility in meeting the simplified program's cost-neutrality requirement by, for example, allowing a longer period of time to measure cost neutrality, instead of annually as is required by the current legislation. The Congress could also examine the feasibility of granting the states a grace period in which increased error rates attributed to the implementation of the simplified program are exempted from financial penalties.

Agency Comments

We provided USDA with a copy of a draft of this report for review and comment. We met with officials from the Food and Nutrition Service, including the Director of Grants Management and the Chief of Food Stamp Program Design, who generally agreed with the facts presented in this report. The Food and Nutrition Service had two overall comments. First, the barriers to implementing the program cited by the states as being of most concern, such as it's cost neutral provision, are imposed by the program's authorizing legislation, not by the Food and Nutrition Service or the Food Stamp Program. Second, it will be difficult to identify legislative changes that balance the states' desire for more flexibility with the Congress's concern for cost containment and the Food Stamp Program mission of ensuring the nutritional security for low-income families. We agree that the barriers of most concern to the states originate in the

program's authorizing legislation and that legislative actions effectively satisfying both state and congressional concerns may be difficult to develop. Nonetheless, we continue to believe that the actions we identified as matters for congressional consideration, such as granting the states a grace period from financial penalties due to increased error rates, offer the promise of making the program more useful to the states without necessarily increasing federal costs. In addition to its two overall comments, the Food and Nutrition Service suggested technical clarifications to the report, which we incorporated as appropriate.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after the date of this letter. At that time, we will send copies of this report to the Senate Committee on Agriculture, Nutrition, and Forestry; the House Committee on Agriculture; other interested congressional committees; and the Secretary of Agriculture. We will also make copies available to others upon request.

Please contact me at (202) 512-5138 if you or your staff have any questions about this report. Major contributors to this report are listed in appendix VIII.

Sincerely yours,

Robert E. Robertson
Associate Director, Food and
Agriculture Issues

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Abbreviations

FNS	Food and Nutrition Service
GAO	General Accounting Office
TANF	Temporary Assistance for Needy Families
TEA	Transition Employment Assistance
TEEM	Training, Education, Employment, and Management
USDA	U.S. Department of Agriculture

Objectives, Scope, and Methodology

In October 1996, the Ranking Minority Member, Subcommittee on Children and Families, Senate Committee on Labor and Human Resources (now known as the Committee on Health, Education, Labor and Pensions), asked us to study several issues concerning the impact of welfare reform on the Food Stamp Program. This report addresses the status and impact of the states' implementation of the Simplified Food Stamp Program. Specifically, we (1) identify the number of states that have adopted or are planning to adopt the Simplified Food Stamp Program, (2) describe the concerns that may be preventing other states from adopting the simplified program, and (3) examine the impacts that the adoption of the simplified program may have on households' eligibility and benefits.

To address the first objective, we mailed a national survey in July 1998 to 53 state agencies that administer the Food Stamp Program.[1] To encourage their responses to our survey, we used follow-up mailings and telephone calls. We received survey responses from 52 of the 53 states, a response rate of 98 percent. (Iowa declined to participate in our survey.)

To address the second and third objectives, we collected pertinent studies, reports, and program literature on the welfare reform changes contained in the 1996 Welfare Reform Act. Our survey also collected information on the actual or anticipated changes in the number of participating food stamp households and officials' views on whether benefit levels were expected to increase or decrease as a result of the simplified program. We also collected information on the problems or concerns that the states perceive may result from adopting the simplified program. In addition, we interviewed officials at the headquarters of the U.S. Department of Agriculture's (USDA) Food and Nutrition Service (FNS) and at all of its seven regional offices to collect information on the effect of the simplified program on household participation and benefit levels. We interviewed food stamp officials in the eight states that have adopted the simplified program: Arizona, Arkansas, Delaware, Georgia, Idaho, Mississippi, New Jersey, and New York. We also interviewed food stamp officials in North Dakota—the only state that has decided against implementing the simplified program after receiving program approval from FNS—to obtain information on their assessment process for the adoption of the simplified program.

We performed our work from April through December 1998 in accordance with generally accepted government auditing standards. We did not,

[1]As treated in the Food Stamp Act of 1977, as amended, "states" includes the 50 states, the District of Columbia, Guam, and the U.S. Virgin Islands.

however, independently verify the accuracy of the state food stamp directors' responses to our questionnaire.

Aggregated Responses to Our July 1998 Mail Survey

United States General Accounting Office

GAO

Survey of States' Use of the Simplified Food Stamp Program

Instructions

The U.S. General Accounting Office is an agency that collects and evaluates information for the U.S. Congress. We have been asked to review the states' use of the Simplified Food Stamp Program. As a part of our work, we are sending this questionnaire to all 50 states, the District of Columbia, Guam, and the Virgin Islands to collect needed information from state agency officials responsible for managing the Food Stamp Program.

Your participation in this survey is essential in order for us to provide the Congress with timely and complete data. Our overall objectives are to determine (1) how many states have adopted or are planning to adopt the program, (2) what impacts adoption of the program may have on household eligibility and benefit levels, and (3) what obstacles or concerns may be preventing states from adopting the program.

Please return your completed questionnaire in the enclosed return mail envelope within two weeks of receiving it, if at all possible. This will help us avoid costly followup. In the event the return envelope is misplaced, our return address is

Pete Bramble
U.S. General Accounting Office
441 G Street, N.W. Room 2T23
Washington, D.C. 20548

Thank you for your cooperation. If you have any questions, please feel free to call Pete Bramble (202) 512-9807, email (bramblep.rced@gao.gov), or Jackie Cook (202) 512-2737, email (cookj.rced@gao.gov).

Analysis Note: All states did not answer every question. Hence, the number of responses reported is less than expected for some questions.

Background and Definitions

Simplified Food Stamp Program. In 1996, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193), commonly referred to as the 1996 welfare reform law, allowed states to operate a Simplified Food Stamp Program.

Under the simplified program states may (1) use many of the rules and procedures they develop under the new law's Temporary Assistance for Needy Families (TANF) block grant when determining food stamp benefits for their TANF recipients, (2) adapt TANF rules to conform to the Food Stamp Program, or (3) develop a combination of the two approaches—as long as federal costs are not increased in doing so (see definition of cost neutral below).

Cost neutral. Federal costs for the simplified program may not exceed the costs in any fiscal year or any portion of any fiscal year that would have been incurred under the regular Food Stamp Program. (P.L. 104-193, Sec. 854.)

State Status

1. Has your state implemented the simplified food stamp program? *(Check one.)*

1(4)

7 Yes →**Skip to blue section.**

45 No →**Please continue.**

States That Have Not Implemented The Simplified Food Stamp Program

2. Which of the following statements best describes your state's status with regard to implementing the simplified program? *(Check one.)* (5)

16 State has decided definitely not to implement the program. →**Skip to Question 10.**

14 State will probably not implement the program. →**Skip to Question 10.**

9 State is uncertain if it will implement the program. →**Please continue.**

3 State will probably implement the program. →**Please continue.**

3 State is definitely planning to implement the program. →**Please continue.**

3. If your state implemented the simplified program, would it be implemented statewide? *(Check one.)* (6)

11 Definitely statewide →**Skip to Question 5.**

2 Probably statewide →**Skip to Question 5.**

2 Uncertain →**Skip to Question 5.**

0 Probably not statewide →**Please continue.**

0 Definitely not statewide →**Please continue.**

4. Briefly explain, if applicable, why your state would not implement the program statewide. (7)

5. About how soon would your state begin to implement the simplified program? *(Check one.)* (8)

5 Less than 1 year

2 1 - 2 years

0 2 - 3 years

0 More than 3 years

8 Uncertain

6. If your state were to implement the simplified plan, which of the following best describes the nature of the program you would implement? *(Check one.)* (9)

1 Adapt TANF program to conform to the Food Stamp Program

4 Adapt state food stamp program to conform to TANF

5 Combination of (1) and (2) above

5 Uncertain

7. How many households participated in your state's **regular** Food Stamp Program in May 1998? *(Enter number.)* (10-15)

2,992,126 households in May 1998 in 15 states

8. How many households do you estimate would participate in your **simplified** program if the program was fully implemented? *(Enter number.)* (16-21)

1,143,412 households expected at full implementation in 12 states

9. About what percentage of the total number of food stamp households in your state do you estimate would participate in the simplified program if the program was fully implemented? *(Enter percentage or zero.)* (22-24)

33.4% mean (25% median) % of all food stamp households expected to participate in simplified program at full implementation in 12 states

10. Which, if any, of the following methods has your state used or does it plan to use to assess the potential impacts of adopting the simplified program? *(Check all that apply.)*

(25-33)

- 6 Used Mathematica, Inc. (paid under FNS contract)
- 1 Have agreement with FNS to use Mathematica, Inc.
- 1 Used state-paid consultant
- 0 Plan to use state-paid consultant
- 10 Performed in-house analysis
- 6 Plan to perform in-house analysis
- 1 Other *(Please specify.)*
- 13 Do not plan to make an assessment
- 12 Uncertain what method will be used

11. Have you requested any assistance from USDA's Food and Nutrition Service (FNS) in assessing the impacts of adopting the simplified program? *(Check one.)*

(34)

- 6 Yes →**Please continue.**
- 39 No →**Skip to Question 13.**

12. Did FNS provide the requested assistance? *(Check one.)*

(35)

- 5 Yes *(Please describe the assistance provided.)*
- 1 No *(Please describe what assistance you requested and why it was not provided.)*

13. Is your Food Stamp Program administered by the state or county? *(Check one.)*

(36)

- 37 State-administered
- 7 County-administered
- 1 Other *(Please specify.)*

14. Is intake eligibility for your Food Stamp Program determined through an automated process? *(Check one.)*

(37)

- 35 Automated
- 10 Not automated

15. Typically in your state, for what public assistance programs, if any, do your food stamp case workers determine eligibility, in addition to the Food Stamp Program? *(Check all that apply.)*

(38-44)

- 39 TANF
- 36 Medicaid
- 26 Other *(Please specify.)* _____
- 15 Other *(Please specify.)* _____
- 7 Other *(Please specify.)* _____
- 1 None of the above. Caseworkers typically process only food stamp applications.
- 3 No typical statewide pattern. Local/county governments determine how the program is administered.

16. How much, if at all, has each of the following potential concerns discouraged your state from implementing the simplified program? *(Check one for each.)* (45-57)

	Discouraged				
	Hardly or Not a Concern (1)	Somewhat (2)	Moderately (3)	Greatly (4)	Very Greatly (5)
1. Additional set of program criteria may increase state caseworker burden.	2	3	5	14	20
2. Cost neutral provision restricts state's options for simplifying the program.	1	5	9	16	12
3. Adopting food stamp rules for TANF allows for enough simplification without implementing the simplified program.	9	12	10	6	3
4. Waiting to see the impacts experienced by other states.	17	12	11	2	0
5. Implementing the simplified program may increase the state's food stamp error rate, thereby incurring sanctions or the loss of enhanced funding.	4	10	13	9	7
6. Other welfare reform requirements have higher priority—the simplified program has been put on a back burner.	8	4	8	15	9
7. Strict Food Stamp Program rules make it difficult to align TANF under the simplified program.	1	7	11	14	8
8. Strict TANF rules make it difficult to align the Food Stamp Program under a simplified program.	14	12	10	3	1
9. State's TANF program is not clearly established yet.	33	4	3	2	0
10. The simplified program may increase the state's administrative costs.	8	7	14	7	5
11. The simplified program may increase the state's benefit costs (i.e., TANF or Medicaid benefits could increase).	24	3	10	2	2
12. State does not have sufficient automation support to implement the simplified program.	13	8	4	10	7
13. Other *(Please specify.)*	0	0	0	2	10

17. How much, if at all, have each of the following potential benefits encouraged your state to implement the simplified program? *(Check one for each.)* (58-63)

	Encouraged				
	Hardly or Not a Benefit (1)	Somewhat (2)	Moderately (3)	Greatly (4)	Very Greatly (5)
1. Ease state caseworker burden	17	6	2	6	3
2. Reduce program administrative costs	21	5	6	2	0
3. Reduce food stamp quality control error rate	20	6	4	0	4
4. Expedite public assistance application process	21	5	3	3	2
5. Philosophical appeal of attaining uniformity between food stamp and TANF programs	9	2	10	10	4
6. Other *(Please specify.)*	1	0	0	1	0

18. In your opinion, how much would each of the following increase or decrease if your state adopted the simplified food program? *(Check one for each.)* (64-72)

	Greatly Increase (1)	Somewhat Increase (2)	Little or No Change (3)	Somewhat Decrease (4)	Greatly Decrease (5)
1. Number of households receiving food stamps	1	4	32	2	0
2. Average food stamp benefits of households receiving food stamps	1	7	24	6	1
3. State costs for TANF and/or Medicaid	2	7	28	1	0
4. Administrative costs of the Food Stamp Program	7	16	10	5	1
5. Caseworker burden	12	12	1	10	3
6. Time taken to qualify applicants for food stamp benefits	1	12	14	9	3
7. Errors in qualifying applicants for food stamps	6	13	10	8	2
8. Uniformity between the food stamp and TANF programs	4	29	3	1	2
9. Other *(Please specify.)*	2	0	0	0	0

19. To the best of your knowledge, how would food stamp benefit levels for households participating in your simplified program compare to benefit levels of households participating in your regular Food Stamp Program? *(Check one.)* (73)

- 0 Benefits would be much higher in the regular Food Stamp Program.
- 3 Benefits would be somewhat higher in the regular Food Stamp Program.
- 17 Benefits would be about the same in the two programs.
- 7 Benefits would be somewhat higher in the simplified program.
- 0 Benefits would be much higher in the simplified program.
- 17 Do not know how benefits in the two programs would compare.

20. Has your state conducted any food stamp demonstration projects that included a cost neutral requirement? *(Check one.)* (74)

- 17 Yes →**Please continue.**
- 27 No →**Skip to Question 23.**

21. In your demonstration program, how easy or difficult was it to achieve cost neutrality? *(Check one.)* (75)

- 0 Very easy
- 3 Somewhat easy
- 3 Somewhat difficult
- 4 Very difficult
- 6 Cost neutrality was not achieved

22. To what extent has your experience with achieving cost neutrality in the demonstration project affected your current status with regard to implementing the simplified program in your state? *(Check one.)* (76)

- 6 Little or no extent
- 1 Some extent
- 4 Moderate extent
- 4 Great extent
- 2 Very great extent

23. In your opinion, as the simplified program is currently structured, how helpful is the program to states in achieving a more efficient and stream-lined operation? *(Check one.)* (77)

- 35 Hardly or not at all helpful
- 4 Somewhat helpful
- 5 Moderately helpful
- 0 Very helpful
- 0 Extremely helpful

24. In your opinion, what changes would have to be made to the Simplified Food Stamp Program to make it more desirable for states to implement? (78)

25. Please feel free to provide any additional comments you may have. (79)

Thank you for your cooperation. Please detach and discard the blue pages. Return the completed part of the questionnaire in the enclosed envelope to the address listed on page 1.

States That Have Implemented The Simplified Food Stamp Program

26. Has your state or does your state plan to implement the simplified program statewide? *(Check one.)* (5)

7 Definitely statewide →**Skip to Question 28**

0 Probably statewide →**Skip to Question 28**

0 Uncertain →**Skip to Question 28**

0 Probably not statewide →**Please continue.**

0 Definitely not statewide →**Please continue.**

27. Briefly explain, if applicable, why your state is not implementing the program statewide. (6)

28. Please describe below the current extent of implementation in your state (e.g., 13 of 45 counties, etc.). (7)

29. About when will your simplified program be fully implemented? *(Enter date below.)* (8-13)

3 in 1997; 3 in 1998; 1 no response

30. How many households participated in your state's **regular** Food Stamp Program in May 1998? *(Enter number.)* (14-19)

597,704 households in May 1998 in 6 states; 1 no response

31. How many households, if any, participated in your **simplified** food program in May 1998, and how many do you estimate will participate when the program is fully implemented? *(Enter number or zero for each.)* (20-31)

1,812 households in May 1998 in 2 states; 2 states with 0; no response from 3 states

no response from 7 states regarding households expected at full implementation

32. About what percentage of the total number of food stamp households in your state participated in your simplified program in May 1998 and what percentage do you estimate will participate when the program is fully implemented? *(Enter percentages or zero for each.)* (32-37)

5% or less of all food stamp households participating in the simplified program in May 1998 in 4 states; no response from 3 states

100% of all food stamp households expected to participate in simplified program at full implementation in 1 state; no response from 6 states

33. Did you request any assistance from USDA's Food and Nutrition Service (FNS) in assessing the impacts of adopting the simplified program? *(Check one.)* (38)

3 Yes →**Please continue.**

4 No →**Skip to Question 35.**

34. Did FNS provide the requested assistance? *(Check one.)*

(39)

3 Yes *(Please describe the assistance provided.)*

0 No *(Please describe what assistance you requested and why it was not provided.)*

35. Is your Food Stamp Program administered by the state or county? *(Check one.)*

(40)

5 State-administered

2 County-administered

0 Other *(Please specify.)*

36. Is intake eligibility for your Food Stamp Program determined through an automated process? *(Check one.)*

(41)

6 Automated

0 Not automated

37. Typically in your state, for what public assistance programs, if any, do your food stamp case workers determine eligibility, in addition to the Food Stamp Program? *(Check all that apply.)*

(42-48)

5 TANF

5 Medicaid

4 Other *(Please specify.)* _____

1 Other *(Please specify.)* _____

1 Other *(Please specify.)* _____

0 None of the above. Caseworkers typically process only food stamp applications.

1 No typical statewide pattern. Local/county governments determine how the program is administered.

38. How much, if at all, did each of the following potential benefits encourage your state to implement the simplified program? *(Check one for each.)* (49-54)

	Encouraged				
	Hardly or Not a Benefit (1)	Somewhat (2)	Moderately (3)	Greatly (4)	Very Greatly (5)
1. Ease state caseworker burden	4	0	1	0	0
2. Reduce program administrative costs	5	0	0	0	0
3. Reduce food stamp quality control error rate	4	0	0	1	0
4. Expedite public assistance application process	5	0	0	0	0
5. Philosophical appeal of attaining uniformity between food stamp and TANF programs	2	0	0	3	1
6. Other *(Please specify.)*	0	0	0	0	4

39. In your opinion, how much will each of the following increase or decrease as a result of your state's implementation of the simplified food program? *(Check one for each.)* (55-63)

	Greatly Increase (1)	Somewhat Increase (2)	Little or No Change (3)	Somewhat Decrease (4)	Greatly Decrease (5)
1. Number of households receiving food stamps	0	0	6	1	0
2. Average food stamp benefits of households receiving food stamps	0	0	7	0	0
3. State costs for TANF and/or Medicaid	0	0	6	1	0
4. Administrative costs of the Food Stamp Program	0	1	6	0	0
5. Caseworker burden	0	1	4	2	0
6. Time taken to qualify applicants for food stamp benefits	0	0	7	0	0
7. Errors in qualifying applicants for food stamps	0	0	6	1	0
8. Uniformity between the food stamp and TANF programs	1	4	2	0	0
9. Other *(Please specify.)*	0	0	0	0	0

40. When your state was evaluating whether or not to implement the simplified plan, how much of a concern, if at all, was each of the following factors? *(Check one for each.)* (64-76)

	Hardly or Not a Concern (1)	Some Concern (2)	Moderate Concern (3)	Great Concern (4)	Very Great Concern (5)
1. Additional set of program criteria may increase state caseworker burden.	4	0	0	1	1
2. Cost neutral provision restricts state's options for simplifying the program.	4	0	0	1	1
3. Adopting food stamp rules for TANF allows for enough simplification without implementing the simplified program.	5	0	1	0	0
4. Waiting to see the impacts experienced by other states.	4	1	0	0	0
5. Implementing the simplified program may increase the state's food stamp error rate, thereby incurring sanctions or the loss of enhanced funding.	4	0	0	1	1
6. Other welfare reform requirements have higher priority—the simplified program was put on a back burner.	3	1	0	1	0
7. Strict Food Stamp Program rules make it difficult to align TANF under the simplified program.	2	0	1	2	1
8. Strict TANF rules make it difficult to align the Food Stamp Program under a simplified program.	2	0	3	1	0
9. State's TANF program was not clearly established.	6	0	0	0	0
10. The simplified program may increase the state's administrative costs.	3	1	2	0	0
11. The simplified program may increase the state's benefit costs (i.e., TANF or Medicaid benefits could increase).	5	0	0	1	0
12. State did not have sufficient automation support to implement the simplified program.	4	0	0	2	0
13. Other *(Please specify.)*	0	0	1	0	1

41. How do food stamp benefit levels for households participating in your simplified program compare to benefit levels of households participating in your regular Food Stamp Program? *(Check one.)* (77)

- 0 Benefits are much higher in regular Food Stamp Program.
- 0 Benefits are somewhat higher in regular Food Stamp Program.
- 6 Benefits are about the same in the two programs.
- 1 Benefits are somewhat higher in the simplified program.
- 0 Benefits are much higher in the simplified program.
- 0 Do not know how benefits in the two programs compare.

42. Which, if any, of the following methods did your state use to assess the potential impacts of adopting the simplified program? *(Check one.)* (78)

- 3 Performed in-house analysis
- 0 Used Mathematica, Inc. (paid under FNS contract)
- 0 Used state-paid consultant
- 3 Other *(Please specify)*

43. Prior to adopting the simplified food program, did your state conduct any food stamp demonstration projects that included a cost neutral requirement? *(Check one.)* (79)

- 2 Yes →**Please continue.**
- 4 No →**Skip to Question 46**

44. In your demonstration program, how easy or difficult was it to achieve cost neutrality? *(Check one.)* (80)

- 0 Very easy
- 2 Somewhat easy
- 0 Somewhat difficult
- 0 Very difficult
- 0 Cost neutrality was not achieved

45. To what extent did your experience with achieving cost neutrality in the demonstration project affect your decision to implement the simplified food program in your state? *(Check one.)* 2(4)

- 2 Little or no extent
- 0 Some extent
- 0 Moderate extent
- 0 Great extent
- 0 Very great extent

46. In your opinion, as the simplified program is currently structured, how helpful is the program to states in achieving a more efficient and stream-lined operation? *(Check one.)* (5)

- 3 Hardly or not at all helpful
- 0 Somewhat helpful
- 3 Moderately helpful
- 0 Very helpful
- 0 Extremely helpful

47. In your opinion, what changes would have to be made to the Simplified Food Stamp Program to make it more desirable for other states to implement? (6)

48. Please feel free to provide any additional comments you may have. (7)

Thank you for your cooperation. Please return the questionnaire in the enclosed envelope to the address listed on page 1.

Use of the Simplified Program to Comply With Minimum Wage Requirements

The Department of Labor has determined that under the Fair Labor Standards Act of 1938, as amended, welfare participants who are required to work must receive benefits that are at least equal in value to the minimum wage multiplied by the number of hours worked. Some states that provide low levels of assistance through Temporary Assistance for Needy Families (TANF), such as Mississippi, have found it difficult to require participants to work the hours mandated by the Welfare Reform Act to receive benefits and remain in compliance with the federal minimum wage restriction.

For example, a Mississippi household consisting of a single parent and two children received a TANF benefit of $120 in October 1997. The maximum hours that the state could require the parent to work under the minimum wage restriction would have been a little more than 5 hours a week (the product of $120 divided by 4.3 average number of weeks per month divided by the minimum wage of $5.15 equals 5.4 hours)—about 15 hours short of TANF's 20-hour weekly work requirement in October 1997.

According to the Mississippi food stamp director, the state addressed this shortfall in work hours by adopting a "mini" simplified program that allowed it to administratively combine the value of its monthly TANF and food stamp benefits when calculating the maximum number of hours that participating households can be required to work under the minimum wage restriction. In the above example, combining the $120 monthly TANF benefit with the maximum food stamp benefit—at that time, $321 for a family of three—brought the total value of the household's October 1997 assistance to $441. With the combined benefit amount, the maximum number of hours allowed under the minimum wage restriction increased from about 5 to 20 hours a week. As a result, Mississippi was able to meet TANF's fiscal year 1998 work requirement for participants without exceeding the maximum number of work hours allowed.

Status of States' Implementation of the Simplified Food Stamp Program as of July 1998

Status of implementation	States	Number of states reporting
State has decided definitely not to implement the program	Alabama, Guam, Hawaii, Kentucky, Maryland, Minnesota, Missouri, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Tennessee, and Washington	16
State will probably not implement the program	Alaska, District of Columbia, Indiana, Kansas, Louisiana, Michigan, Montana, Ohio, Texas, Vermont, Virginia, West Virginia, Wisconsin, and Wyoming	14
State is uncertain if it will implement the program	California, Colorado, Connecticut, Massachusetts, New Hampshire, Pennsylvania, Rhode Island, Utah, and Virgin Islands	9
State has implemented a program	Arizona, Delaware, Georgia, Idaho, Mississippi, New Jersey, and New York	7
State will probably implement the program	Florida, North Carolina, and South Carolina	3
State will definitely implement the program	Arkansas, Illinois and Maine	3
Data not available	Iowa	1

Arkansas Implements the Simplified Food Stamp Program

Arkansas was the first state to obtain FNS' approval to implement a simplified program that merges several Food Stamp Program and TANF requirements. Arkansas' goal in adopting a simplified program is to streamline and simplify the process of applying for food stamp and TANF benefits. By implementing a "seamless" procedure for approving the two benefits at the same time—a "one-stop" process—caseworkers should save time in interviewing clients, completing forms, and reporting requirements. Caseworkers would use the additional available time to help welfare recipients pursue employment opportunities. Reducing time in the clients' application process would also help decrease the need to hire additional caseworkers to meet the increased responsibilities resulting from implementing welfare reform changes. Arkansas serves about 100,000 households, or 1 percent of the nation's food stamp household population. This appendix describes the state's experiences in adopting a simplified program.

Initial Challenges in Obtaining Approval for a Simplified Program

In 1996, Arkansas began developing proposals for a simplified program with the idea that it would implement the program at the same time as TANF.[1] By March 1997, Arkansas had drafted a plan and contacted FNS for guidance. FNS provided contract assistance to help ensure that the simplified plan was cost neutral, and subsequent analyses showed that Arkansas stayed well within the cost-neutrality requirement. However, with regard to the process of aligning the regulations for the Food Stamp Program and TANF to achieve a simplified program plan, Arkansas' food stamp officials told us that the lack of FNS regulations and detailed guidance resulted in a learn-as-you-go, ad-hoc approval process that was full of uncertainties. As a result, Arkansas officials were not sure which proposed program changes FNS would approve. According to FNS officials, Arkansas submitted its proposal for a Simplified Food Stamp Program for review and approval in October 1997. FNS officials stated that some of Arkansas' proposed simplified plan provisions could not be approved because of the strict statutory requirements of the Food Stamp Program or the adverse impact of the proposed program changes on recipients' benefits. FNS officials said they took great care in reviewing and approving the Arkansas plan because Arkansas' simplified program and the modifications suggested by FNS officials would be instrumental in shaping federal policies for the Simplified Food Stamp Program nationwide. FNS approved Arkansas' plan for pure-TANF households (all household

[1]Arkansas officials refer to their TANF program as the Transition Employment Assistance (TEA) Program. The TEA Program, which provides assistance for up to 2 years, would help (1) economically needy families become more responsible for their own support and less dependent on public assistance and (2) recipients recognize their employment possibilities and direct them to jobs.

members are eligible to receive TANF assistance) in February 1998. According to agency officials, FNS approved Arkansas' simplified program plan for mixed-TANF households (some, but not all, household members are eligible to receive TANF assistance) in March 1998 after Arkansas modified the plan to reduce the amount of benefit loss for these households and Arkansas implemented it in August 1998.

Difficulties in Aligning Food Stamp Rules and Procedures

Arkansas officials cited three major changes to the simplified program that FNS either did not approve or only partially approved because the strict statutory requirements for the Food Stamp Program were difficult to align with TANF. These proposed rules and procedures would have greatly contributed to Arkansas' goal of creating a "seamless" process to reduce application processing time. These changes were to (1) use an average dollar amount to determine the shelter costs under a simplified program, (2) change Arkansas' application process so that the approval of both TANF and food stamp benefits could be given at the same time, and (3) change the definition of households to exclude children born while the mother was receiving TANF assistance.[2]

Shelter Costs

To determine whether a household's net monthly income qualifies for the Food Stamp Program, a shelter expense deduction is included in the calculation. Under program regulations, a household is entitled to a deduction equal to its shelter costs (such as rent, mortgage payments, utility bills, property taxes, and insurance). Also, under the regular Food Stamp Program, a household without elderly or disabled members receives a deduction for the portion of shelter expenses exceeding 50 percent of net income, not to exceed the capped amount. Households containing elderly or disabled members are entitled to subtract the full value of their shelter costs when those costs exceed 50 percent of their adjusted income. In fiscal year 1996, the limit on the excess shelter expense deduction for a household without elderly or disabled members was generally $247.

Arkansas' proposed simplified program would have changed how shelter costs are considered in determining food stamp benefits. Specifically, Arkansas would have applied a county's average shelter costs to both pure- and mixed-TANF households. Arkansas wanted to use the average shelter cost because, in keeping with the goal of creating a "seamless" process, each county could then be assigned a standard shelter cost.

[2]While the federal law under TANF is silent on whether to prohibit benefit increases for families on assistance when another child is born (referred to as "family cap" provisions), many states have adopted some type of family cap provision to discourage subsequent births.

However, using each county's average shelter costs in calculating simplified program benefits would have reduced the food stamp benefits, particularly for the mixed-TANF households, especially those containing elderly or disabled members, according to an FNS contractor's analysis.[3] While benefit amounts for pure-TANF households would increase an average of less than 1 percent, benefits for mixed-TANF households would decrease an average of more than 8 percent. Furthermore, approximately one-half of all the mixed-TANF households participating in the simplified program would lose benefits, and about one-third of the households would lose more than 20 percent. FNS said that such a level of reduction in benefits compromised the program's nutritional support for a significant number of mixed-TANF households, most of which contain elderly or disabled members, who are particularly vulnerable to nutritional loss.

FNS would not approve any policy changes that would have a negative effect on food stamp benefits. Consequently, FNS instructed Arkansas to modify its simplified program and consider changes in the calculation of shelter expenses on the basis of standardized and actual expenses for each county. Arkansas modified its simplified program to allow mixed-TANF household recipients to choose between the standard shelter costs and the household's actual shelter costs. However, Arkansas also kept the average benefit calculation.

FNS commented that the simplified program's authorizing legislation requires FNS to approve implementation plans for pure-TANF households so long as these plans comply with the law. Using the simplified program authority, FNS established a single criterion for approving mixed-TANF households, and that criterion does not prohibit, but only limits, the amount that benefits can be reduced for these households. According to FNS, as long as a state's plan for mixed-TANF households does not reduce benefits beyond specific thresholds and meets the statutory requirements, FNS will approve any state's plan. FNS officials stated that they offered their services to work with Arkansas officials in developing several appropriate alternative ways to consider shelter costs in determining benefits in the simplified program. The use of actual expenses was only one of several suggestions made by FNS to limit the amount of benefit loss.

Application Processing

Arkansas had proposed approving the applications for TANF and food stamp benefits at the same time. In effect, any household submitting an application to participate in TANF would be automatically submitting an

[3]Results For Arkansas' Simplified Food Stamp Program Plan 1, Mathematica Policy Research, Inc., Sept. 15, 1997.

application to participate in food stamps. FNS officials did not approve this program change because, under the Welfare Reform Act, the recipient has to be eligible for TANF assistance before being eligible for benefits under the simplified program. Consequently, Arkansas officials changed the simplified program rules to certify applicants' eligibility for food stamp benefits after the TANF application is approved. If an applicant is not approved for TANF assistance within 30 days, the applicant is approved to receive benefits under the regular Food Stamp Program rules, if otherwise eligible. The TANF application form was revised to include information needed to determine eligibility for the regular Food Stamp Program. Once the applicant completed all the necessary paperwork and was subsequently approved for TANF assistance, the Arkansas caseworker would then convert the applicant's regular food stamp eligibility to the simplified program.

This application procedure causes the caseworker to take extra time to process an application for food stamp benefits under the regular Food Stamp Program rules. Moreover, moving applicants back and forth between the regular Food Stamp Program and the simplified program can cause confusion and give the caseworkers an additional workload burden.

FNS commented that it approved the Arkansas plan for joint application filing, and the only restrictions on joint application processing pertain to situations in which the state is not able to approve the TANF application within 30 days. If TANF cannot be approved within 30 days, the food stamp application must be processed using regular Food Stamp Program procedures. This procedure ensures that food stamp benefits are not delayed while the state is making its determination regarding TANF.

Household Composition

Arkansas had proposed changing the food stamp definition of households to exclude children born while the mother was receiving TANF assistance. FNS advised Arkansas that the definition of a household[4] under the food stamp regulations could not be altered. Children ineligible for TANF assistance because of the family cap provision would still be included as household members for simplified program benefits. FNS advised Arkansas that it must use the regular food stamp regulations governing household composition in determining whether a household is eligible to participate in the simplified program. In addition, the households affected by the family cap provision must have their food stamp benefits determined

[4]In general, individuals who live in a residential unit and purchase and prepare food together constitute a household.

under the regular Food Stamp Program.[5] Arkansas revised its simplified program to allow households with children ineligible for TANF assistance solely because of the family cap provision to participate in the simplified program.

The change in the definition of a household can cause that household to move between the simplified program and the regular Food Stamp Program. Once a household becomes ineligible for TANF assistance, the household's eligibility for food stamps under the regular Food Stamp Program must be determined. FNS understood the administrative difficulties in switching households between the simplified program and the regular Food Stamp Program when TANF benefits are suspended for a short period of time. FNS notified Arkansas that it would be appropriate to allow a household to retain its simplified program status for a period of time—but no longer than 4 months. Households that are suspended from TANF for longer than 4 months must have their benefits redetermined under the regular Food Stamp Program.

FNS commented that the simplified program plan Arkansas submitted did not request an alteration in household composition because of children subject to the family cap. It stated that these households would participate in the simplified program and would have their food stamp benefit amounts adjusted. Furthermore, FNS officials stated that because the Arkansas plan includes households with children subject to the family cap, benefits for these households are determined using the simplified program procedures.

Arkansas Simplified Plan Adopts TANF Rules

In spite of some of the difficulties, Arkansas still implemented a version of a simplified program. The Arkansas' simplified program adopted TANF's processing standards and rules to the extent possible, including the following:

- No medical costs are allowed under the simplified program because TANF recipients are covered by Medicaid. Under the regular Food Stamp Program, medical deductions of costs incurred over $35 are available to households that contain elderly and disabled members.
- No dependent care costs are allowed under the simplified program because the state pays child care costs for TANF recipients. Under the regular Food Stamp Program, households with dependents receive a

[5]According to Arkansas officials, households affected by the family cap provision will not be considered categorically eligible for benefits through the Simplified Food Stamp Program but must meet the gross income and resource limits of the regular Food Stamp Program.

deduction up to $200 for expenses involved in caring for children and other dependents while household members work, seek employment, or attend school.

- Countable income and resources will be determined by TANF rules, which limit resources to $3,000 for households. The regular Food Stamp Program permits up to $2,000 in countable assets for most households. Countable assets include cash; assets that can easily be converted to cash, such as money in checking or savings accounts, savings certificates, stocks or bonds; and lump-sum payments and nonliquid resources. Furthermore, TANF allows resource exemptions, such as the total value of one motor vehicle, while the Food Stamp Program exempts the fair market value up to $4,650.
- Households will be certified as eligible for assistance under the simplified program for up to 12 months, and benefits can be automatically extended. The regular Food Stamp Program certification period is also up to 12 months in Arkansas, but at the end of the period applicants must reapply for benefits, according to Arkansas officials. This certification period varies across the states and averages about 10 months.

Benefits and Expectations for the Simplified Program

Arkansas invested a small amount of resources to develop its simplified program. The program serves approximately 10 percent of the state's food stamp households. Arkansas officials stated that, although it is too early to determine whether the simplified program will meet its goals, some of the program's potential benefits may include the following:

- Eligible TANF households will not have to apply for food stamps.
- Households receiving food stamps through the simplified program will have no change in reporting requirements, other than the TANF program requirements.
- County caseworkers will not be required to process a separate set of income and eligibility verification system reports generated through the Food Stamp Program.
- Households participating in the simplified program will not be subject to quarterly reporting.
- The state's administrative costs will be cut because workers will no longer have to process two applications and report changes and will therefore be free to assist households in obtaining employment.

Arkansas officials believe that they should be able to make their informal assessment of the simplified program in January 1999.

North Dakota Decides Not to Implement a Simplified Program

After investing significant resources to simplify program administration, North Dakota officials, believing that the obstacles to implementation were insurmountable, decided not to implement the Simplified Food Stamp Program. North Dakota serves only about 16,000 households, or about two-tenths of a percent of the nation's food stamp households. This case study describes North Dakota's experience in attempting to implement a simplified program and become more administratively efficient in providing public assistance to its clients.

Efforts Toward Simplification

In 1993, North Dakota officials, in anticipation of welfare reform, developed a conceptual plan for program simplification with the ultimate goal of getting people off welfare. North Dakota planned to develop a single cash benefit program based on family size that would replace assistance programs such as food stamps, Aid to Families with Dependent Children (AFDC), and Low Income Energy Assistance.[1] Under this cash benefit program, eligibility determinations would be made with one set of rules for TANF, food stamps, and energy assistance, and benefits would be provided as a lump sum "cash out payment." North Dakota also planned to develop a comprehensive system to meet essential training, education, and employment needs of persons receiving public assistance. The conceptual welfare reform plan resulted in a comprehensive program and an automated management system—referred to as Training, Education, Employment, and Management (TEEM)—which determines individuals' eligibility for public assistance and the level of benefits they should receive.

During 1996, the state planned to initiate a TEEM demonstration project. However, the Food Stamp Program was suspended from the demonstration project because FNS did not approve the policy changes requested by the state as a part of its Food Stamp Program and TANF merger. During this period, the Welfare Reform Act, containing the Simplified Food Stamp Program, was enacted. State officials believed that the simplified program provisions would allow their TEEM effort to obtain greater uniformity between the food stamps and TANF programs. Although the act disallowed a cash benefit for food stamps, North Dakota officials believed that the simplified program's provisions would afford greater opportunities for implementing major policy changes, including the opportunity to provide a "single lump sum benefit." In addition, the proposed TEEM demonstration project would have been limited to

[1]The Low Income Energy Assistance Program is a block grant, administered by the U.S. Department of Health and Human Services in conjunction with the states. It provides eligible households with assistance for home heating and cooling, energy crisis, and weatherization.

operating in only 10 North Dakota counties, whereas the simplified program would operate statewide. Ultimately, however, North Dakota decided not to implement a simplified program and is proceeding in its efforts to establish TEEM without the Food Stamp Program.

Obstacles Encountered by North Dakota

North Dakota officials told us that they encountered a number of obstacles when working towards approval of a simplified program. Overall, they said the lack of federal regulations contributed to uncertainty regarding the type of program changes that could be achieved under the simplified program. The development of the program was a learn-as-you-go process, and although numerous concerns were resolved, new ones surfaced. State officials said that these roadblocks were a continuing source of frustration and created an environment of uncertainty and vagueness as to what simplified policy changes could be achieved under the simplified program legislation. Some of the major obstacles North Dakota faced are discussed below.

Increased Caseworker Burden

According to North Dakota officials, caseworkers' burden would increase as a result of implementing the simplified program. In addition to the TANF and regular Food Stamp Program, the simplified program creates an additional set of regulations and procedures—in essence creating a whole new program. This new program would comprise a mixture of TANF and Food Stamp Program regulations. Generally, caseworkers determine welfare benefits by applying multiple program regulations and procedures, including those for food stamps, TANF and Low Income Energy Assistance. According to state officials, with all the changes occurring in welfare reform in general, and TANF and TEEM in particular, the addition of a new set of program regulations and procedures would increased the complexity of the process to determine eligibility for welfare assistance. North Dakota caseworkers are located in small rural counties, and depending on the location, would have different degrees of experience and responsibilities. Some caseworkers manage all aspects of their county offices, some are also secretaries, and some are newly hired, long-term, and seasonal employees. Because many caseworkers do not administer these programs full-time and do not routinely determine eligibility for welfare assistance, North Dakota officials believe that these caseworkers are not as familiar with current welfare regulations as are full-time caseworkers. Thus, to add an additional set of program regulations and procedures would increase caseworkers' burden.

Increased Error Rates

North Dakota, like other states, is required by FNS to conduct quality control reviews of its food stamp cases to identify and measure any erroneous food stamp issuances. Using the results of the review, the state determines an error rate that is the percentage of benefits either issued to ineligible households or issued in improper amounts (under- or over-payments) to eligible households. This error rate is reported to FNS.

North Dakota officials stated that the addition of the simplified program would definitely increase the state's food stamp error rates because of the additional burden it would place on the caseworkers. North Dakota's error rate was 11.03 percent in fiscal year 1997, which exceeded the national average of 9.88 percent. This higher error rate resulted in a sanction of $38,978. North Dakota officials informed us that many of the mistakes were caused by seasonal workers. Other errors resulted from households' fluctuating earned income, changes in welfare reform processes, and other local circumstances.

Considering the state's high error rate, and the fact that the simplified program would add an additional set of program regulations and procedures, North Dakota officials believed that implementation of the simplified program would contribute to caseworkers' burden and could result in even a higher error rate. If the error rate increased by as much as 1 percent over the fiscal year 1997 rate, North Dakota would have incurred a corresponding increase in the sanction liability of $97,260, or an increase of 350 percent.

Ambiguity of Simplified Food Stamp Legislation

According to North Dakota officials, the Simplified Food Stamp Program as outlined in the Welfare Reform Act is not simple. While the act's provisions establishing the simplified program appear to allow the states the flexibility to make almost any type of program change, the Food Stamp Program is restrictive and some of its statutory provisions cannot be changed. In this regard, state officials told us that the Food Stamp Program differs from TANF and the Low Income Energy Assistance Program, which are block grants and therefore provide the state with flexibility in changing program operations. For example, state and FNS officials could not agree on the time period beneficiaries would have for notifying program officials of any significant changes in income earnings according to North Dakota officials. That time period varies between TANF and the Food Stamp Program—for TANF, it is 10 days, and for food stamps, it is up to 2 months. According to state officials, they could not agree with FNS officials because the time period allowed under the Food Stamp regulations could not be changed.

FNS commented that it approved for the simplified plan the TANF requirement for reporting changes. According to FNS officials, since the Food Stamp Act places no restrictions on the states with respect to changes in reporting requirements, the states may use their TANF rules, food stamp rules, or a combination of the two.

Strict Food Stamp Rules Are Hard to Align

Two major reforms that North Dakota officials sought to initiate under the simplified program were not approved by FNS. FNS officials stated that these changes would alter the fundamental concepts of the Food Stamp Program. The two major policy reforms were (1) redefining household composition and (2) proposing a single benefit calculation for TANF, Food Stamps, and the Low Income Energy Assistance programs. According to FNS officials, approval of the changes for household composition and benefit calculations would alter the Food Stamp Program's most fundamental features by eliminating the national nutrition safety net for low-income households. In addition, the approval of these two policy changes would reduce food stamp benefits for the elderly and disabled recipients who share living quarters with a TANF recipient. FNS officials stated that North Dakota's proposal would replace the Food Stamp Program with essentially a state program, which the Congress elected not to do under welfare reform. When FNS did not approve this change, North Dakota abandoned its simplified food stamp proposal because the simplified program would not achieve the TEEM goals of providing a single lump sum benefit. FNS officials commented that North Dakota was aware even before submitting its simplified program proposal that FNS would not approve the major points of its plan, because these proposals had been previously denied in a demonstration project proposal for North Dakota's TEEM effort. According to FNS officials, FNS advised North Dakota that the two proposals could not be approved under the simplified program because they violated the Food Stamp Act. However, North Dakota continued to seek these program changes as a part of its simplified program proposal.

Concerns About Cost Neutrality in the Future

Although North Dakota's simplified program proposal was cost neutral initially, state officials told us they feared that the program would not be cost neutral in future years. They were concerned about federal and/or state policy changes that could take place over time and that could have a negative impact on cost neutrality. Under such conditions, the state might no longer meet the cost-neutral requirement. Under the Welfare Reform Act, if FNS determines that a state's program has increased federal costs for any year (or portion of a year), it must notify the state within 30 days. Within 90 days, the state must then submit, for FNS' approval, a corrective

action plan designed to prevent its simplified program from increasing federal food stamp costs. If the state does not submit or carry out a plan, its simplified program will be terminated, and according to the act, the state will be ineligible to operate a simplified program in the future. In the opinion of North Dakota officials, if the cost-neutrality provision was extended beyond 1 year, there would be a greater opportunity to achieve the goal.

Decision to Abandon Implementation

In April 1998, shortly before receiving FNS' final approval, North Dakota officials decided to abandon the implementation of the simplified program. According to state officials, it became obvious that the program—revised from its original proposal in order to obtain FNS approval—would not meet the needs of North Dakota's TEEM effort. FNS officials stated that these changes were necessary to meet the Food Stamp Act' s requirements. State officials believed that its 5-year welfare reform effort, including the approximately 1-year effort to develop a simplified program, had wasted hundreds of hours of staff time. Since North Dakota did not achieve its goal, the expenditure of valuable personnel resources that could have been put to more productive use represent a great loss to the state, according to state officials.

Summary of Suggested Changes to the Simplified Program

Suggested change	States making suggestion	Number of states making suggestion
Extend the simplified program to all food stamp households	California, District of Columbia, Hawaii, Kansas, Maine, Minnesota, Nevada, Texas, Virginia, Wisconsin, West Virginia, and Wyoming	12
Change rules (i.e., remove restrictions; allow states to use same financial penalties across programs; base benefits on income only)	Alaska, Alabama, California, Illinois, Indiana, Maryland, Michigan, Missouri, North Dakota, Pennsylvania, and South Carolina	11
Eliminate or relax the cost-neutrality requirement	Alabama, California, Connecticut, Maryland, Minnesota, New Hampshire, Rhode Island, South Dakota, Tennessee, and Utah	10
Grant categorical food stamp eligibility for TANF participants	Alaska and Michigan	2
Provide funding for implementation costs	Nebraska and Tennessee	2
Allow an increase in food stamp benefits	California and Utah	2
Allow mixed-TANF households to participate under same rules as pure-TANF households	Arkansas and South Dakota	2
Provide moratorium on quality control errors	Tennessee	1

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