

CHAPTER I

INTRODUCTION

The food stamp simplified reporting option allows states to lengthen certification periods, reduce reporting requirements, and reduce exposure to Quality Control (QC) errors. The option is intended both to improve client access to food stamps and reduce staff workload without increasing QC error rates. Under the option, households receive a food stamp benefit amount with minimal reporting requirements and limited adjustments in the benefit amount between recertifications. The option has become popular with the states—to date, at least 35 states have implemented it, and others plan to do so.¹ The Transitional Benefit Alternative (TBA), another food stamp option, is designed to allow families to maintain food stamp benefits when they leave Temporary Assistance to Needy Families (TANF).

In this study, we examined the experiences of four states that have implemented the simplified reporting option (Arizona, Louisiana, Missouri, and Ohio) and one state that has implemented TBA (Arizona). The purpose of the study is to understand the design choices and other state decisions, the operation and challenges at the local office level, and how well the options are meeting their objectives. The experiences of the study states in implementing the options may prove useful to future policymaking and to other states implementing the options.

While the study focuses primarily on the simplified reporting option, we also take a preliminary look at TBA, which is generating substantial interest across the country but is not yet widely implemented.

This chapter provides an overview and context for the simplified reporting option and TBA and describes the research design used in the study.

¹See http://www.fns.usda.gov/fsp/rules/Memo/Support/03/State_Options/third/reporting.pdf for a list of states that have implemented the simplified reporting option based on the latest USDA information.

A. OVERVIEW AND CONTEXT FOR SIMPLIFIED REPORTING OPTION AND TRANSITIONAL BENEFIT ALTERNATIVE

1. Simplified Reporting Option Overview

Simplified reporting is a federal food stamp option that allows states to minimize the information that food stamp recipients must provide to the food stamp office during the food stamp certification period in order to maintain their benefit eligibility and benefit level. Under this option, a household generally is required to report a change during the certification period only if it results in income exceeding the food stamp eligibility limit of 130 percent of the federal poverty level. At 6 months, a state must recertify the household or, if it uses a 12-month certification period, require the household to submit a semiannual report that will be used to update its eligibility and benefit level. (See the box on page 3 for a summary of the simplified reporting option policies.)

The simplified reporting option was first made available to states under U.S. Department of Agriculture (USDA) rules promulgated in November 2000.² Congress subsequently expanded and modified the option as part of the 2002 Farm Bill. The original rule allowed only recipients with earnings to be included under simplified reporting, but the Farm Bill expanded the option to allow states to cover most food stamp recipients.³ The Food and Nutrition Service (FNS) of USDA has provided additional detail and guidance on the simplified reporting option through formal questions and answers posted on the FNS website.⁴

Limiting changes that must be reported and acted upon during a food stamp certification period is the salient feature of simplified reporting. During the certification period, food stamp households are required to report a change only if it results in income exceeding the food stamp eligibility limit of 130 percent of the federal poverty level, except that households in 12-month certification periods must also file a semiannual report at 6 months. Food stamp households *may* report other changes between certification periods or semiannual reports, but a state must *act* on the change only if it would result in an increase in food stamps (“positive change”) or if certain exceptions are met.⁵ However, many states

² As of the 2003 CFR, 7 CFR 273.12(a)(vii), the 2000 rule, has not yet been amended to reflect the Farm Bill changes.

³ Section 4109 of the Farm Bill amending Section 6(c)(1) of the Food Stamp Act and codified at 7 U.S.C. 2015(c)(1).

⁴ *Questions and Answers Regarding the Food Stamp Program (FSP) Certification Provisions of the Farm Bill* (first, second, and third set), available at http://www.fns.usda.gov/fsp/rules/Legislation/2002_farm_bill/farmbill-QAs.htm. (first set) and http://www.fns.usda.gov/fsp/rules/Legislation/2002_farm_bill/farmbill-QAs-II.htm (second set), and http://www.fns.usda.gov/fsp/rules/Legislation/2002_farm_bill/farmbill-QAs-III.htm. (third set).

⁵ There are 3 exceptions to the positive-only rule: the household requests case closure; action is taken on the TANF (or General Assistance) grant; the change is considered “verified upon receipt.” If an exception is met, the state must act on a known interim change even if the action would reduce the food stamp benefit.

The Food Stamp Simplified Reporting Option Key Policies

The simplified reporting option allows states to reduce reporting requirements and limit actions caseworkers must take on known changes. Key simplified reporting policies are described below and discussed in greater detail in the following chapters.

- **Population covered.** States may place most households (with and without earnings) into simplified reporting but generally may not include households that have no earnings and in which all adult members are elderly or disabled, households in which all members are homeless, or households that include migrant and seasonal farmworkers.
- **Certification periods.** States may assign simplified reporting households to certification periods of 4 months or longer. Typically, states choose to use either a 12-month certification period with a required short semiannual report at 6 months or a 6-month certification period with full recertification at 6 months.
- **Semiannual reports (for states using 12-month certification periods).** When a semiannual report is used, it must request information on 6 items: income, household composition, residence, vehicles (if not excluded), assets, and changes in child support obligations. States using 12-month certification periods and a semiannual report must act on all of the changes reported in the semiannual report.
- **Interim reporting requirements.** Simplified reporting households are required to report interim changes—that is, changes that occur between recertifications or semiannual reports—*only* if they result in income exceeding the food stamp eligibility limit of 130 percent of the federal poverty level. Some households *may* want to report other changes, such as a drop in income that would lead to an increase in food stamps, even though they are not required to do so. Households are not required to report most changes until the next recertification or semiannual report.
- **Acting on interim changes.** A state must act on an interim change report if it results in income that exceeds 130 percent of the federal poverty level. Otherwise, if a change report is received between recertifications or semiannual reports, the state must act only if the change would result in an increase in food stamps (a “positive” change) or if certain exceptions are met. (The 3 exceptions to this “positive-only” rule are: the household requests closure; the change is “verified upon receipt”; or the change affects the TANF grant.) Many states implementing simplified reporting have received a waiver of the “positive-only” rule in order to act on all interim changes. States with a waiver must act on all changes.

have applied for and received a waiver of this federal rule in order to act on *all* changes between recertifications or semiannual reports.

2. Motivation for Simplified Reporting and Adoption by States

Simplified reporting was designed to address workload pressures faced by local food stamp workers and to improve food stamp access for low-income families while protecting states from increased exposure to QC errors. In the early to mid-1990s, concerns about food stamp QC error rates and potential penalties drove many states to implement policies that would allow them to monitor changes in household circumstances more carefully.⁶ In particular, many states shortened the certification period for the most “error-prone” households, particularly households with earners, to only 3 months.⁷

The shorter certification periods in the 1990s successfully reduced QC error rates but substantially increased staff workload and client burden owing to the more frequent recertifications. Within two years of implementing 3-month certifications, error rates dropped significantly in the four study states. Between 1993 and 2000, the rates fell by 4 to 7 percentage points in the four study states and by 2 percentage points nationwide. At the same time, administrative workloads increased substantially as a consequence of more frequent recertifications. The increased workload pressures were particularly difficult as many local offices also faced staff shortages in response to state budget cuts. In addition, the shorter certification periods increased the burden on working families of retaining food stamps: a family member often had to take time off from work or other responsibilities to visit the office every 3 months and reapply for benefits. As a result, many working families stopped participating in the Food Stamp Program.⁸

⁶ Given that food stamp benefits are entirely federally funded, USDA measures eligibility and payment accuracy through a QC system that imposes stiff penalties on states that perform below the national average while enhancing funding to states that perform significantly above the national average. If the food stamp benefit provided by a state is more than \$25 (\$5 before FY 2000) above or below the level a household should have received, the state can be charged with an error. Furthermore, until FY 2002, QC penalties were triggered whenever a state’s error rate exceeded the national average.

⁷ Households with earnings are considered more “error-prone” because they are more likely to have fluctuating income that can lead to errors if a change is not reported and/or the food stamp benefit is not adjusted accurately to reflect the change within a specified period of time. Nationwide, the proportion of working families with children required to reapply every 3 months increased eight-fold between 1993 and 2000 from 5 to 40 percent and increased even more in the four study states (special tabulations of FSPQC data). In 1993 (earlier than most states), Louisiana implemented 3-month certification periods for households with earnings; Arizona implemented them in 1995 and Ohio and Missouri in 1996.

⁸ According to an analysis conducted by the Center on Budget and Policy Priorities, between 1994 and 2000, the number of working families with children receiving food stamps dropped by 27 percent in states that sharply increased the share of working families required to recertify at least once every 3 months (by 50 percent or more) (Super 2003). The study found that in other states the number of working families receiving food stamps dropped by only 6 percent over the same period. In addition, as compared with other states during this period, the food stamp participation rate dropped faster in states that sharply increased their use of 3-month certification periods for working families with children.

Under simplified reporting, most changes during a certification period need not be reported and thus are not considered an error for QC purposes. Because the agency no longer needs to capture all changes in circumstances, states can use longer certification periods without risking QC errors. (Prior to simplified reporting, many states had been using short certification periods with frequent reviews in order to capture all changes.) Longer certification periods mean fewer recertification interviews for both staff and clients.

In light of the potential benefits of the simplified reporting option, it is not surprising that many states quickly moved to implement the option. Missouri and Louisiana were two of the earliest states to adopt the option, implementing it for earners in May and August 2001, respectively, and expanding it to nonearners under the 2002 Farm Bill. Ohio implemented simplified reporting for earners in July 2002, and Arizona first implemented it for both earners and nonearners in January 2003.

All four study states viewed the simplified reporting option as an opportunity to reduce staff workload, improve client access, and reduce exposure to QC errors. In Missouri, for example, state administrators pointed to the prospect of lowering QC error rates and reducing staff workloads as the main reasons for implementing simplified reporting. Missouri had historically high error rates and had been subject to sanctions for higher-than-average error rates from FY 1993 to FY 1997. After implementing 3-month certifications, Missouri's QC error rates dropped below the national average and out of sanction, but the field staff's workload increased substantially. Missouri saw the simplified reporting option as an opportunity to reduce QC error rates further and, at the same time, reduce staff and client workload burdens. As one staff member put it, simplified reporting was a "win-win" situation because it could help address several goals without the usual trade-offs between reducing QC errors and improving staff workload and client access.

In Louisiana, where error rates had been exceptionally low since 1994, state administrators reported that they adopted the option with the expectation of reducing staff workload and otherwise streamlining the food stamp process while maintaining the low error rate and improving the accuracy of the eligibility process. Louisiana officials saw the simplified reporting option as a "natural continuation" of policies aimed at program simplification in order to reduce staff workload and improve program access. Although workloads declined under quarterly reporting and 12-month certification periods for earners (the state implemented quarterly reporting in September 2000), Louisiana implemented simplified reporting with the expectation of streamlining the food stamp process further and thus continuing to reduce staff workload. In particular, the state focused on relieving workload pressures associated with rising caseloads combined with budget and staff cuts.

In Arizona, state officials singled out simplifying the food stamp process and imposing fewer burdens on clients in terms of visits to the food stamp office as the chief reasons for implementing simplified reporting. State staff hoped that the less frequent certifications and fewer reporting requirements under the option would help many clients retain benefits and thus improve their food security. Although QC considerations were not the driving factor in Arizona's implementation of simplified reporting, the state needed to be sure that any

changes, particularly those that would increase certification periods for working families, would not increase error rates, which had dropped under shorter certification periods.

Ohio state administrators indicated that reducing administrative burdens on caseworkers and clients resulting from 3-month certifications was an overarching reason for implementing simplified reporting. However, as in the other states, staff wanted assurance before implementing the option that simplified reporting's changes would not increase QC error rates.

3. Transitional Benefit Alternative

TBA is a food stamp option that allows states to continue food stamps automatically for up to five months for most families that leave TANF without requiring the families to take any action to retain these transitional benefits. Under the option, the household's benefits continue in the same amount as in the month before TANF closure but undergo adjustment for the loss of TANF. During the TBA period, food stamps are frozen and no changes need be reported; nor are changes acted on except for a few situations such as a family reapplying for TANF.

The TBA option first became available under USDA rules promulgated in November 2000; Congress later codified and expanded it in the 2002 Farm Bill.⁹ Additional guidance is provided in Questions and Answers issued by FNS.¹⁰ While the original federal rule option allowed up to 3 months of TBA to families leaving TANF due to earnings, the Farm Bill expanded the option to up to five months for families leaving TANF for any reason other than a sanction. To date, 12 states have implemented TBA, including one of the study states. Arizona implemented TBA in January 2003 at the same time that it implemented simplified reporting. Chapter V discusses all aspects of Arizona's TBA decision making and implementation.

TBA was designed to address concerns about families losing food stamp benefits when they lost cash TANF benefits even though they remained eligible for food stamps. While such a phenomenon was not new, the number of families leaving welfare increased dramatically under welfare reform as state welfare caseloads declined by about 50 percent.

In an Urban Institute study, only 43 percent of families leaving welfare that were income-eligible for food stamps continued to receive food stamps (Zedlewski 2001). Even among the very poorest welfare leavers—those with incomes below 50 percent of the

⁹ As of the 2003 CFR, 7 CFR 273.12(f)(4), the 2000 TBA rule, has not yet been amended to reflect the Farm Bill changes. Section 4115 of the Farm Bill amends Section 11 of the Food Stamp Act and is codified at 7 U.S.C. 2020(s).

¹⁰ *Questions and Answers Regarding the Food Stamp Program (FSP) Certification Provisions of the Farm Bill*, available at <http://www.fns.usda.gov/fsp/MENU/APPS/ELIGIBILITY/FarmBill2002Q&APkg.htm>, and *Questions and Answers on the Noncitizen Eligibility and Certification Provisions Final Rule*, available at <http://www.fns.usda.gov/fsp/MENU/NCEP Q&As2.htm>.

poverty level—only about half continued to receive food stamps. The Urban Institute concluded that food stamps were not providing an effective transition benefit for many families moving from welfare to work. Similarly, a study conducted by the Manpower Demonstration Research Corporation (MDRC) for the USDA Economic Research Service used a different data set from the Urban Institute’s data set yet found that only about 42 percent of welfare leavers continued to receive food stamps despite the fact that most appeared to be eligible (Miller et al. 2002). MDRC noted that a lack of information about eligibility rules and the inconvenience of applying or reapplying for benefits explain why families do not stay on welfare. The automatic extension under TBA does not require a family to take any additional action to retain food stamps for the transition period.

When it first set forth the TBA option in the November 2000 federal rules, the Food and Nutrition Service noted that transitional benefits in the form of food stamps could:

- Provide a critical work support that helps a household meet its nutritional needs as it makes the transition from TANF
- See a household through to the stabilization of its circumstances before the state agency attempts to redetermine eligibility and adjust benefit levels
- Reinforce with households the fact that food stamp participation does not depend on TANF eligibility

B. RESEARCH DESIGN

The primary source of information for this study is in-depth site visit interviews with state administrators and field office staff in Arizona, Louisiana, Missouri, and Ohio. The site visits were designed to address the following research questions:

1. What are the major policy decisions and steps taken by state administrators to implement the simplified reporting option and TBA?
2. How do simplified reporting and TBA operate at the field office level?
3. How well has simplified reporting met state objectives for the option? What challenges have emerged in meeting these objectives in the study states?
4. What suggestions can state and field office staff make to help other states that may be facing similar challenges or designing a simplified reporting or TBA system?
5. Based on Arizona’s implementation of TBA, what are the major policy design decisions faced by states, the nature of the implementation process, and the significant findings for TBA?

We selected the four study states in consultation with ERS to represent a mix of design choices for the simplified reporting option, a variety of regions, and a range of QC error

rates and to include one state that had also implemented TBA. We also worked with state officials to identify one local office to be visited in each state. The local offices were to be “typical” for the states and to represent both urban and small-town or rural locations. We conducted intensive site visits to each of the four study states between April and August 2003. The site visits included individual interviews and small-group discussions with staff members of state and local offices, observations of food stamp service delivery, and, at two sites, focus group discussions with food stamp participants. Appendix A describes in detail the study state selection process as well as the types of interviews conducted and topics covered.

The remainder of this report is organized as follows. Chapter II identifies the major design decisions and other steps taken by the study states to implement the option. Chapter III describes the operation of simplified reporting at the local field offices that we visited. Chapter IV discusses the degree to which the study states have met their objectives of reducing staff workload, improving client access, and reducing QC errors. It also highlights some challenges faced by the study states in fully meeting these objectives and makes some suggestions for addressing these challenges. Chapter V describes Arizona’s experience in implementing TBA.