DEPARTMENT OF SOCIAL SERVICES
744 P Street, Sacramento, CA 95814

REASON FOR THIS TRANSMITTAL
[ ] State Law Change
[X] Federal Law or Regulation Change
[ ] Court Order
[ ] Clarification Requested by One or More Counties
[ ] Initiated by CDSS

July 12, 2002

ALL COUNTY LETTER NO. 02-49

TO: ALL COUNTY WELFARE DIRECTORS
ALL COUNTY FOOD STAMP COORDINATORS
ALL COUNTY FOOD STAMP EMPLOYMENT AND TRAINING COORDINATORS

SUBJECT: FOOD STAMP REAUTHORIZATION ACT OF 2002: CHANGES TO THE FOOD STAMP EMPLOYMENT AND TRAINING (FSET) PROGRAM

The Food Stamp Reauthorization Act of 2002 (Act) was signed into law (Public Law 107-171) on May 13, 2002, and it includes several changes to the FSET program**.** The purpose of this All County Letter (ACL) is to provide a summary of the FSET changes and advise counties of any potential impacts to the program. Enclosed is the Food and Nutrition Services' (FNS) Administrative Notice 02-33, which summarizes the provisions in the Act. While a number of positive changes were made to the FSET program, which will allow states to administer their programs with increased flexibility and less administrative complexity, there will also be a significant reduction in the amount of 100 percent federal funds available to states.

Summary of FSET Provisions and Potential Impact to Counties

The following is a list of major changes to the FSET program that were signed into law. Each provision is followed by a description of its potential impact to counties. Unless otherwise noted, the changes will not affect the counties' FSET program until October 1, 2002. The Department issued a County Fiscal Letter (CFL) with preliminary FSET allocations for federal fiscal year (FFY) 2002 on October 26, 2001. A CFL with the final allocations for FFY 2002, which includes approved 100 percent federal funds carried over from FFY 2001, will soon be issued.

1. **Authorizes $90 million nationally on an annual basis in base 100 percent federal funds for FFY 2002 (i.e., beginning October 1, 2001) through 2007.**

   Impact: Funding for base 100 percent federal funds will be frozen at the FFY 2002 level through FFY 2007 (i.e., $90 million annually). California's allocation of base funds was $8,827,374 in FFY 2002;

2. **Authorizes $20 million nationally on an annual basis in additional 100 percent federal funds for FFY 2002 through 2007. These funds are available to states that pledge to offer FSET work slots to every Able Bodied Adult without Dependents**

(ABAWD) who is at risk of losing food stamp eligibility due to noncompliance with the work requirement.

Impact: California will not qualify for a share of additional 100 percent federal funds under the new criteria. This is because California will not be able to meet new federal rules that require states to commit an FSET slot to every ABAWD at risk of losing eligibility since only half of the counties participate in FSET. Prior to these changes, the amount of additional funds appropriated nationally was $75 million in FFY 2002, and the only requirement that a state had to meet to access these funds was to spend at least the same amount that it had spent in FFY 1996 (i.e., meet a maintenance of effort [MOE] requirement). California's last approved allocation of additional funds was $7,356,145. This change will result in a substantial decrease in 100 percent federal funding.

3. **Eliminates the MOE requirement to access additional 100 percent federal FSET funds.**

   Impact: With the change in criteria for accessing additional 100 percent federal funds, the entire MOE was eliminated retroactive to October 1, 2001. The Department will handle any MOE adjustments through the normal year-end closeout process.

4. **Eliminates the requirement that 80 percent of the 100 percent federal FSET funds must be spent on ABAWDs in qualifying activities.**

   Impact: Elimination of this requirement will give counties greater flexibility to determine and/or prioritize the populations to be served in the FSET program and the type of activities they will participate in.

5. **Eliminates the $25 limit on participant reimbursement for transportation and ancillary costs.**

   Impact: Elimination of the $25 cap on participant reimbursement of transportation and ancillary costs means that the federal government will match up to 50 percent of the actual costs for these expenditures. However under the proposed State Budget for FY 2002-03, counties will be fully responsible for the nonfederal share of participant reimbursement costs for transportation/ancillary and dependent care. Counties may begin to claim actual costs for transportation/ancillary expenses beginning July 1, 2002 based on their current allocations. (Over $5 million was budgeted for transportation/ancillary costs in FFY 2002, and counties have claimed only $479,713 during the first two quarters of the fiscal year.)

6. **Eliminates the $175 and $30 limits on offered and filled work slots.**

   Impact: Subject to the availability of 100 percent federal funds, the elimination of these cost caps will allow counties to claim full reimbursement for the actual costs of more expensive FSET components from their allocation of 100 percent federal funds. If actual FSET program costs exceed the amount of 100 percent federal funds allocated, the excess costs may be funded with 50 percent federal/50 percent county funds. Any request for 50/50 funding must be included in a county's annual FSET plan.

7. **Rescinds carryover of unspent 100 percent federal FSET funds from years prior to FFY 2002, unless states have already obligated the funds prior to the date of enactment.**

   Impact: Prior to the date of enactment, the Department obligated the full amount of approved 100 percent federal FSET funds, including $7,260,545 in recently approved carryover funds. FNS confirmed that California's full allocation of FFY 2002 funds will not be impacted by this statutory change. As stated earlier, the Department will soon issue a CFL with the counties' final FSET allocations for FFY 2002. This CFL was delayed pending enactment of the Food Stamp Reauthorization Act and clarification from FNS on some of the changes.

8. **Changes the FSET funding allocation formula by taking into account the number of individuals who are not exempt from the ABAWD work requirement instead of fluctuations in the ABAWD caseload.**

   Impact: The change in the FSET funding allocation formula will reduce California's allocation of 100 percent federal funds from $8,827,374 in FFY 2002 to $7,113,981 in FFY 2003.

In summary, there will be a significant reduction in the amount of 100 percent federal funds available. This means that beginning in FFY 2003, counties may need to adjust their FSET program services or the number of individuals to be served in FSET, and/or request additional 50 percent federal/50 percent county funds to offset the loss of 100 percent federal funds.

FSET State Plan Training

A discussion of the federal changes will be incorporated into the Department's upcoming training to counties on preparation of the annual FSET Plan. The counties' Food Stamp Coordinators were previously notified of this training, which had to be rescheduled to July due to the extensive nature of the federal changes and recent receipt of the implementing federal instructions. Counties are reminded that the FSET training is rescheduled to:

Thursday, July 18, 2002
CDSS Training Center, Sierra Room
Sacramento, California
9:30 a.m. to 1:00 p.m.

Counties that have not yet made their reservations will need to immediately contact Tony Pyara, Employment Bureau Analyst, at (916) 657-2630. There are a few remaining seats available.

Extended Filing Date for FFY 2003 County FSET Plans

The Department will soon send a letter to the 37 counties that had previously indicated an interest in participating in FSET for FFY 2003. The letter will include a table of the preliminary allocations for these counties. In light of the reduced 100 percent federal funding, the Department will ask the Food Stamp Coordinators to confirm their intent to participate in FFY 2003. If any counties choose not to participate, their share of the FSET funds will be reallocated proportionately to the remaining interested counties based on their non-assistance food stamp caseload. After this confirmation is received, the Department will send an ACL to the interested counties with their revised preliminary allocations and updated FSET plan instructions.

Due to delays caused by the federal reauthorization process, the Department will submit a tentative FSET State Plan based on current year expenditure levels to meet FNS' August 15th deadline for State Plan submission. (The Department will request additional 50/50 funds in the State Plan should the counties want to increase their 50 percent county match to offset the reduction 100 percent federal funds.) The counties' deadline to submit their annual plan is extended to October 1, 2002. Upon receipt of the counties' plans, the Department will review them for completeness and accuracy and compare the total amounts requested by the counties in the various FSET funding categories to the amounts specified in the State Plan. If they are materially different, the Department will submit an amended State Plan to FNS for their approval.

If you have any questions about this letter, please contact Suzanne Nobles, Chief of the Employment Bureau, at (916) 653-7103 or Yvonne Lee, Unit Manger, at (916) 657-5039.

Sincerely,

Original Document Signed by
Bruce Wagstaff on 7/12/02

BRUCE WAGSTAFF
Deputy Director
Welfare To Work Division

Enclosure

c: CWDA
CSAC

Enclosure

United States Department of Agriculture
Food and Nutrition Service

Western Region

Reply to
Attn of:

REVISED

Subject: Administrative Notice 02-33 FS-2-GEN

FSP - Farm Bill Nutrition Title -Section by-Section Summary of Food Stamp Provisions

To: ALL WESTERN REGION FOOD STAMP PROGRAM COORDINATORS
ALL WESTERN REGION FOOD STAMP PROGRAM QUALITY CONTROL COORDINATORS
ALL WESTERN REGION EMPLOYMENT & TRAINING COORDINATORS

Attached is a summary of the food stamp provisions in Title IV of the Farm Bill (HR 2646) - the "Food Stamp Reauthorization Act of 2002" - agreed to in Conference. **This is intended for public information purposes and is not intended as an official directive or interpretation of policy. The Bill needs to be formally approved by Congress and the President before it becomes law.**

The documents for the Conference Report can be accessed on the Food and Nutrition Service (FNS) website at http://agriculture.house.gov/fbconfrpt.htm. The U.S. House Committe on Agriculture website at http://agriculture.house.gov has additional information on this and other subjects.

We would like to schedule a conference call on **Tuesday, May 13, at 1:00 p.m.** PDT, to discuss your concerns and issues about these provisions, and hear your suggestions on whether you would like training on this package. The telephone number for this call will be (415) 705-1818.

If you have any questions, please contact your State desk team.

DONNA CLIFTON, Policy Officer
Food Stamp Program
Westem Region

Attachment

550 Kearny St. ■Room 400 ■San Francisco, CA 94108-2518

Section 4101 – Encouragement of Payment of Child Support (effective October 1, 2002) – This provision allows States, at their option, to treat legally obligated child support payments to a non-household member as an income *exclusion* rather than a *deduction* (as provided in current law). It requires USDA to establish simplified procedures that States, at their option, could use to determine the amount of child support paid by a household, including information from a State's child support enforcement agency.

Section 4102 – Simplified Definition of Income (effective October 1, 2002) – This provision allows a State option to exclude certain types of income that are not counted under the State's Temporary Assistance for Needy Families (TANF) cash assistance or Medicaid programs. Under this provision, States are allowed to exclude: educational assistance not counted under Medicaid; State complementary assistance not counted under section 1931 of Medicaid; and any type of income not counted under section 1931 of Medicaid or TANF except for wages or salaries, benefits from major assistance programs, regular payments from a government source (such as unemployment benefits or general assistance), worker's compensation, child support payments, or other types as determined by USDA through regulations that are essential to fair determinations of food stamp eligibility and benefit amounts.

Section 4103 – Standard Deduction (effective October 1, 2002) – This provision replaces the current, fixed standard deduction with a deduction that varies according to household size and is adjusted annually for cost-of-living increases. Larger households will receive a higher deduction than they currently do. For households in the 48 contiguous States and DC, AK, HI and VI, it sets the deduction at 8.31 percent of the applicable net income limit based on household size. No household would receive an amount less than the current deduction ($134, $229, $189 and $118 respectively) or more than the standard deduction for a household of six. Guamanian households receive a slightly higher deduction.

Section 4104 – Simplified Utility Allowance (effective October 1, 2002) – This provision allows States to simplify the Standard Utility Allowance (SUA) if the States elect to use the SUA rather than actual utility costs for all households. For these States, it eliminates the current requirement to prorate the SUA when households share living quarters and it allows the use of the SUA for households in public housing with shared meters that are only charged for excess utility costs.

Section 4105 – Simplified Determination of Housing Costs (effective October 1, 2002) – This provision allows States to use a standard deduction from income of $143 per month for homeless households with some shelter expenses.

Section 4106 – Simplified Determination of Deductions (effective October 1, 2002) – This provision allows States to disregard reported changes in deductions during certification periods except for changes associated with a new residence or earned income until the next recertification.

Section 4107 – Simplified Definition of Resources (effective October 1, 2002) – This provision increases the resource limit for households with a disabled member from $2,000 to $3,000 consistent with the limit for households with an elderly member. It also provides a State option to exclude certain types of resources that the State does not count for TANF or Medicaid (section 1931). Under this option, States could not exclude cash, licensed vehicles, amounts in financial institutions that are readily available, or other resources as determined by USDA through regulations that are essential to fair determinations of food stamp eligibility and benefit amounts.

Section 4108 – Alternative Issuance Systems in Disasters (effective on enactment of the Farm Bill) – This provision allows USDA to approve alternate methods for issuing food stamp benefits during disasters when reliance on electronic benefit transfer systems (EBT) is impracticable.

Section 4109 – State Option to Reduce Reporting Requirements (effective October 1, 2002) – This provision allows States to extend semi-annual reporting of changes to all households not exempt from periodic reporting. Under current regulations, this option is limited to households with earnings. For States choosing the option, households required to report less often than every three months would only have to report when income exceeds the gross income limits.

Section 4110 – Cost Neutrality for Electronic Benefit Transfer Systems (effective October 1, 2002) – This provision eliminates the requirement that Federal costs for electronic benefit transfer systems cannot exceed the costs of the paper systems they replace.

Section 4111 – Report on Electronic Benefit Transfer Systems (effective on enactment of the Farm Bill) – Requires USDA to submit a report not later than October 1, 2003 to the House and Senate Agriculture Committees that 1) describes the status of EBT systems in each State; 2) specifies the number of vendors each State has contracted with for EBT systems; 3) specifies the number of States with multiple vendor contracts; 4) provides information on States in which EBT is not operational by October 1, 2002; 5) describes the issues faced by States that have awarded a second EBT contract during the 2-year period prior to the report and the steps taken by the State to address those problems; 6) describes the issues faced by States that plan to award a second EBT contract within the 2-year period from the date of the report and the strategies the States are planning to address those issues; 7) describes initiatives being considered by USDA, retailers, vendors, and advocacy groups to address any outstanding EBT issues; and 8) examines advances in electronic benefit delivery during the 5- to 10-year period from the date of the report including access at farmers' markets, increased use of transaction data to identify and prosecute fraud, and fostering increased competition among vendors.

Section 4112 – Alternative Procedures for Residents of Certain Group Facilities (effective October 1, 2002) – This provision requires USDA to conduct pilot projects to test the feasibility of issuing standardized rather than individual allotments to residents of small group facilities for the disabled, shelters for battered women/children or the homeless, and drug or alcoholic treatment centers. It requires USDA at the conclusion of the projects to determine whether alternative procedures should be extended nationwide and to notify the House and Senate Agriculture Committees of its determination. If USDA makes a determination not to extend procedures nationwide, pilot projects are to be terminated within a reasonable amount of time. States wishing to participate are required to submit plans for approval by USDA that include identification of the participating facilities, a schedule of reports on the project, procedures for standardizing allotments that are based on allotment amounts typically received by residents, and a commitment to comply with program requirements.

Section 4113 – Redemption of Benefits through Group Living Arrangements (effective on enactment of the Farm Bill) – This provision allows group homes and institutions to redeem EBT benefits directly through banks in areas where EBT has been implemented rather than going through authorized wholesalers or other retailers.

Section 4114 – Availability of Food Stamp Program Applications on the Internet (effective 18 months after enactment of the Farm Bill) – This provision requires State agencies that have a Web site to post applications on these sites in the same languages that the State uses for its written applications.

Section 4115 – Transitional Food Stamp for Families Moving from Welfare (effective October 1, 2002) – Under this provision, States may extend from the current 3 months up to 5 months the period of time households may receive transitional food stamp benefits when they lose TANF cash assistance. Benefits would be equal to the amount received by the household prior to the termination of TANF with adjustments in income for the loss of TANF and, at State option, information from another program in which the household participates. A household would not be eligible for the extension if it was losing TANF cash assistance because of a sanction, was disqualified from the Food Stamp Program, or is in a category of households designated by the State as ineligible for transitional benefits. Households may apply for recertification during the transitional period with benefits determined according to current circumstances. The provision also extends through the end of the transitional period the length of time households can be certified for benefits (currently limited to 12 months for most households).

Section 4116 – Grants for Simple Application and Eligibility Determination Systems and Improved Access to Benefits (effective October 1, 2002) – Authorizes up to $5 million of appropriated funds for each of fiscal years 2003 through 2007 to pay the full costs for projects to improve access for food stamp eligible households or to develop and implement simplified application and eligibility systems. It requires USDA to develop selection criteria and USDA may give preference to government-private partnerships in awarding grants. Funds could not be used to carry out projects on an on-going basis.

Projects may consist of: coordinating food stamp application and eligibility processes with other assistance programs; establishing alternative methods of applying that use the telephone and internet or other system improvements; developing materials and other resources to increase program access; improving methods for informing eligible households about the program; or other activities that USDA determines are appropriate.

Section 4117 – Delivery to Retailers of Notices of Adverse Action (effective on enactment of the Farm Bill) – This provision allows the Secretary to use mailing methods other than certified mail when notifying retailers of adverse action so long as the method provides evidence of delivery.

Section 4118 – Reform of Quality Control (QC) System (effective October 1, 2002) — This provision makes substantial changes to the QC system that measures States' payment accuracy in issuing food stamp benefits. Only those States with persistently high error rates would face liabilities. Current law imposes liabilities each year a State's payment error rate is above the national average. Effective FY 2003, the reforms raise this threshold so that States are not penalized unless there is a 95 percent probability that their error rate exceeds 105 percent of the national average for two consecutive years. If a State's error rate exceeds the threshold for two years in a row, a liability will be established that is equal to 10 percent of the cost of errors above 6 percent. Of that amount, USDA may waive all or part, and/or require up to 50 percent to be reinvested in corrective action programs and/or require up to 50 percent to be set aside for possible recovery in the third year. If a State's error rate exceeds the threshold for three consecutive years, the State is responsible for paying the second year at-risk amount and USDA will again require up to 50 percent of the liability amount to be reinvested in corrective action programs and up to 50 percent be set aside for possible recovery in the following year if the State again exceeds the threshold for that year. States are required to pay at-risk amounts as soon as possible after all appeals have been exhausted. When a liability against the State is established, USDA is required to provide to the Governor and State legislature a copy of the notification letter sent to the Food Stamp Program administrator. States' right to appeal liabilities and seek good cause relief are retained. As under current law, States with payment error rates above 6 percent are required to submit corrective action plans to reduce their error rate.

Section 4119 – Improvement of Calculation of State Performance Measures (effective on enactment of the Farm Bill) – This provision extends the date for completing QC reviews and resolving State/Federal differences to May 31st and extends the date for announcing QC error rates to June 30th.

Section 4120 – Bonuses for States that Demonstrate High or Most Improved Performance (effective on enactment of the Farm Bill) – For FY 2003, the current enhanced funding system that is based on error rates is replaced with a performance system that will award $48 million in bonuses each year to States with high or improved performance for actions taken to correct errors, reduce the rates of error, improve eligibility determinations, or other activities that demonstrate effective administration as determined by USDA. USDA will establish guidance for awarding FY 2003 and FY 2004 bonuses by October 1, 2002 and issue regulations regarding the criteria for bonus awards for FY 2005 and succeeding years. The Secretary will solicit ideas from State agencies and organizations that represent State interests prior to issuing proposed regulations.

Section 4121 – Employment and Training (E&T) Program (various effective dates) – This provision authorizes for each of fiscal years 2002 through 2007 $90 million for unrestricted E&T funding and up to $20 million in additional funding for States that pledge to offer work slots to unemployed, childless adults who are subject to the 3-month time limit for food stamps. The provision also eliminates: 1) the requirement that 80 percent of unmatched funds must be used for able-bodied adults with dependents; 2) the requirement that States maintain their 1996 E&T funding levels to access additional funds; and 3) the limits on the amounts that USDA will reimburse States for work activities. Fiscal year 2001 and prior year funds are rescinded when the Farm Bill is enacted unless States have already obligated these funds. Effective on enactment, it eliminates the $25 per month cap that USDA will reimburse States for transportation and other work costs incurred by participants in E&T programs.

Section 4122 Reauthorization of Food Stamp Program and Food Distribution Program on Indian Reservations (effective October 1, 2002) – Reauthorizes programs for a 5-year period from FY 2003 through FY 2007.

Section 4123 – Expanded Grant Authority (effective on enactment of the Farm Bill) – This provision clarifies that USDA may exercise its waiver authority to conduct Food Stamp Program research through grants to public or private organizations.

Section 4124 – Consolidated Block Grants for Puerto Rico and American Samoa (effective on enactment of the Farm Bill) – This provision consolidates the block grant for Puerto Rico and American Samoa beginning in FY 2003 and provides $1.401 billion in consolidated funding for FY 2003 with annual adjustments through FY 2007 based on the thrifty food plan. Of these funds, 99.6 percent is available to Puerto Rico to pay 100 percent of the costs to provide nutrition assistance under its program and 50 percent of the administrative costs and 0.4 percent is available for American Samoa to pay 100 percent of costs for its nutrition assistance program. It allows Puerto Rico to spend not more than $6 million of its FY 2002 amount (in effect prior to enactment) in FY 2002 or FY 2003 to upgrade electronic data processing systems, implement systems to simplify eligibility, and operate EBT systems. Beginning in FY 2002, both Puerto Rico and American Samoa may carry over not more than 2 percent of their funding from one fiscal year to the next.

Section 4401 – Partial Restoration of Benefits to Legal Immigrants (various effective dates) – This provision restores food stamp eligibility to qualified aliens who are otherwise eligible AND who:

- are receiving disability benefits regardless of date of entry (current law requires them to have been in the country on 8/22/96) – effective FY 2003;
- are under 18 regardless of date of entry (current law limits eligibility to children who were in the country on 8/22/96) – effective FY 2004 & beyond; or
- have lived in the U.S. continuously for 5 years as a qualified alien beginning on date of entry – effective April 2003.

Effective FY 2004, the provision also eliminates the deeming requirements for immigrant children that count the income and resources of the immigrant's sponsor when determining food stamp eligibility and benefit amounts for the immigrant child. In a conforming amendment, it also eliminates the 3-year deeming requirements under section 5(i) of the Food Stamp Act for children.