

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814

October 12, 1988



ALL-COUNTY INFORMATION NOTICE I-104-88

TO: ALL COUNTY WELFARE DIRECTORS

SUBJECT: REFORM OF THE FEDERAL FOOD STAMP QUALITY CONTROL SYSTEM


This is to inform you that Congress approved on August 11 and the President signed into law on September 19, the Hunger Prevention Act of 1988. It is the result of bipartisan legislation (H.R. 4060 and S. 2560). In addition to provisions affecting Food Stamp benefits and nutrition and food distribution programs, the Act changes the rules governing the Food Stamp program quality control (QC)/sanction system beginning in Federal Fiscal Year (FFY) 1986. Attached is a list of the major provisions of the Act relative to the QC/sanction system.

While the legislation does not contain everything we wanted, it does reduce the overall sanction level on States by defining the national performance target as the lowest national performance measure (which is the weighted average of all States' payment error rates for overissuances, issuance to ineligibles and underissuances) to date plus one percentage point. This change reduces California's liability by approximately 80 percent for FFY 1986 and 71 percent for FFY 1987.

Because of the above legislation the Food and Nutrition Service (FNS) has granted States an extension for FFY 1986 waiver request submission until at least November 30, 1988. The additional time will allow FNS to ascertain whether the basis and process for good cause should be modified. The FNS plans to provide more information as soon as possible. Meanwhile, we are holding our already completed 1987 waiver request.

We appreciate the promptness and effort shown by those Counties who responded to our July 19, 1988 request for waiver information. Thank you for helping in the State's sanction defense action.

If you have questions concerning the letter, please call the Corrective Action Bureau at (916) 445-4458.


ROBERT K. HOREL
Deputy Director

Attachment

cc: CWDA

MAJOR QUALITY CONTROL/SANCTION PROVISIONS
OF THE HUNGER PREVENTION ACT OF 1988

These provisions are effective October 1, 1985, except for the enhanced funding provisions which are effective October 1, 1988.

- o The national performance measure will be used to establish a national performance target. The target will be the lowest national performance measure (the weighted average of all State's payment error rates for overissuance, issuance to ineligibles and underissuance) achieved in any fiscal year to date plus one percentage point. The tolerance level will be used to determine the State's share of the cost of payment error for the fiscal year.
- o A State whose invalid decisions in denying eligibility are less than a nationwide percentage determined reasonable by USDA can receive increased Federal administration funds of one percentage point for each full one tenth of a percentage point that the State's payment error rate is less than 6 percent, up to a maximum of 60 percent administrative funding.
- o States will not be liable for any errors resulting from the application of new regulations during the 60 day period following the required implementation date for such regulations. The Secretary of Agriculture has the authority to extend this grace period for an additional 30 days. This grace period does not apply for mass benefit changes, such as annual adjustment in deductions and benefit levels.
- o Following a good cause waiver determination by the USDA, the State is liable for interest on any unpaid portion of the sanction claim, beginning 30 days from receipt of such claim, unless the State appeals the claim. If the claim is appealed, interest will accrue from the date of the administrative appeal decision or two years after the bill is received, whichever is earlier, until the date the unpaid portion is received.

Should a State pay the claim and the claim is subsequently overturned through administrative or judicial appeal, any amount paid by the State will be returned with interest, accruing from the date the payment was received until the date the payment is returned.

The interest rate will be based on the average bond equivalent of the weekly 90 day Treasury bill auction rates during the period the interest accrued.

- o Establishes a payment accuracy improvement system that includes incentives for payment accuracy in addition to error rate penalties.
- o States are required to expeditiously submit sufficient data to USDA for use in determining the payment error rate for the fiscal year. The USDA must notify a State of the amount of claim or incentive within nine months following the fiscal year.
- o When the USDA notifies a State of its error rate, incentive payment or claim, it will also announce the national performance measure. The national performance measure is the sum of each State's error rate times that State's portion of the total national allotment for the fiscal year. If a State fails to meet the reporting requirements, the USDA may use another measure of a State's performance to develop a national performance measure.
- o The USDA will conduct a study of the payment improvement system, assess the feasibility of measuring payment errors due to improper denials and terminations or develop other fiscal performance standards. The results of the study along with recommendations are to be reported to Congress by July 1, 1990.