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Report to the Secretary of Agriculture

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FOOD STAMP PROGRAM

States Seek to Reduce Payment Errors and Program Complexity

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Contents

Abbreviations

FNS	Food and Nutrition Service
SUA	standard utility allowance

United States General Accounting Office
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The Honorable Dan Glickman
The Secretary of Agriculture

Dear Mr. Secretary:

In fiscal year 2000, the U.S. Department of Agriculture's Food Stamp Program provided $15 billion in benefits to a monthly average of 17.2 million low-income individuals in the 50 states; Washington, D.C.; Guam; and the Virgin Islands. Agriculture's Food and Nutrition Service (FNS) and the states jointly implement the Food Stamp Program. FNS, which pays the full cost of food stamp benefits and about half of the states' administrative costs, promulgates program regulations and oversees program implementation. The states administer the program: they determine whether households meet eligibility requirements, calculate monthly benefits that households should receive, and issue benefits to participants. The states' accuracy in determining eligibility and benefit levels is assessed annually by FNS' quality control system. According to the quality control system, the states overpaid food stamp recipients an estimated $1.1 billion in fiscal year 1999 and underpaid recipients $450 million.[1] Together, these errors amounted to nearly 10 percent of food stamp benefits. About 56 percent of these errors occurred when state food stamp workers made mistakes, such as misapplying complex food stamp rules in calculating benefits. The remaining 44 percent of the errors occurred because participants, either inadvertently or deliberately, did not provide accurate information to state food stamp offices when required.

Because of congressional interest in assuring the integrity of Food Stamp Program payments, we (1) identified the states' efforts to minimize food stamp payment errors, and (2) examined what FNS has done and could do to encourage and assist the states in reducing such errors. In doing this work, we analyzed information obtained through structured interviews with state food stamp officials in 28 states, including 14 states with payment error rates below the national average and 14 states with error rates above the national average (see app. I). These 28 states delivered 74 percent of all food stamp benefits in fiscal year 1999. We also obtained and

[1]Fiscal year 1999 is the most current year for which FNS could provide quality control data. A monthly average of 18.2 million individuals received $15.8 billion in food stamp benefits in that year.

analyzed information from officials at FNS' headquarters and seven regional offices. We performed our work from February through November 2000 in accordance with generally accepted government auditing standards.

Results in Brief

All 28 states we contacted had taken actions in recent years to reduce payment errors. Specifically, most states (1) verified the accuracy of benefit payments calculated by state food stamp workers through supervisory and other types of case file reviews, (2) provided specialized training for state food stamp workers, (3) analyzed quality control data to identify causes of common payment errors and develop corrective actions, (4) matched food stamp rolls with other federal and state computer databases to identify ineligible participants or verify income and asset information provided by food stamp recipients, and (5) used computer software programs to assist caseworkers in determining benefits. Because many factors can affect error rates, it is difficult to isolate the impact of any one action a state may have taken to reduce its error rate. However, most of the state food stamp officials cited case file reviews as one of the most effective tools for reducing payment errors. State food stamp officials said their primary challenge to reducing payment errors in recent years stemmed from the priority their states have given to implementing welfare reform, which competes with the Food Stamp Program for management attention and resources.

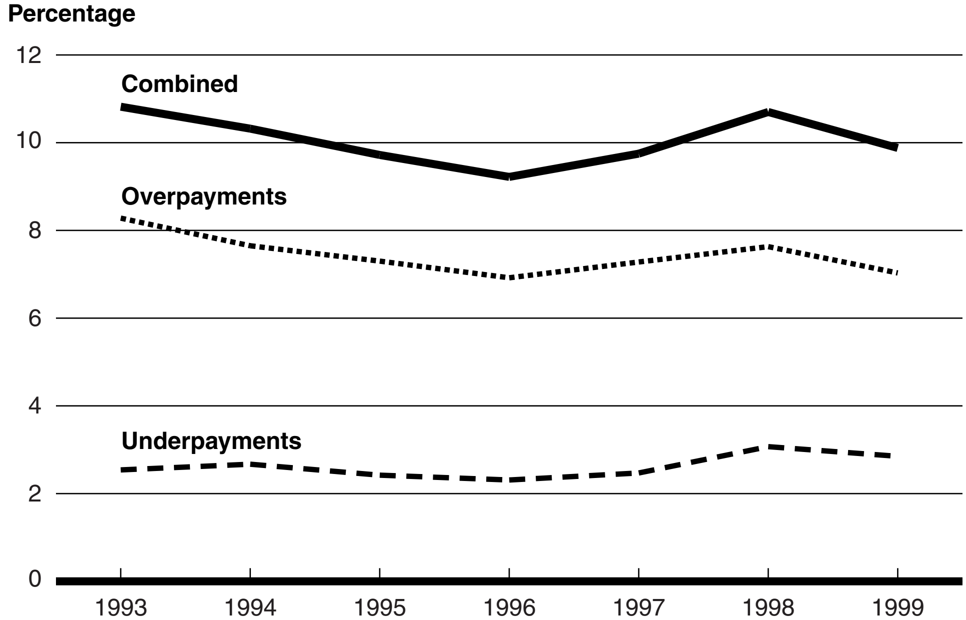
FNS has primarily used three approaches to encourage the states to minimize their payment error rates. First, relying on the results of its quality control system, FNS has imposed financial sanctions—$31 million in fiscal year 1999—on states whose error rates were above the national average, and provided enhanced funding—$39 million in 1999—to states whose payment error rates were below 6 percent. Second, FNS has reduced the opportunity for payment errors by allowing the states to reduce food stamp reporting requirements for certain recipients. For example, in July 1999, FNS began to grant waivers that allowed the states to require that food stamp recipients report income changes once every 3 months, rather than when a change occurred. It should be pointed out, however, that these waivers help reduce error rates in part by changing the definition of a payment error; they do not necessarily reduce program benefit costs. Finally, FNS' regional offices have promoted the exchange of information among states about potentially successful initiatives for reducing payment errors. While all three of these approaches can help the states reduce payment errors, state food stamp officials believe that the action offering the greatest potential for additional reductions involves fundamentally simplifying the complex food stamp requirements for determining eligibility and calculating benefits. Additionally, FNS officials and others have noted that simplification may offer other benefits, including greater program participation by eligible recipients—an overall goal of the Food Stamp Program—and decreased administrative costs.

FNS has taken initial steps in examining options for modifying the Food Stamp Program, including simplification. However, it is unclear the extent to which FNS will systematically develop and analyze the advantages and disadvantages of various simplification options. Accordingly, to help ease program administration and potentially reduce payment errors, we are recommending that the FNS Administrator develop options to simplify requirements for determining program eligibility and benefits for consideration in the congressional debate on the Food Stamp Program reauthorization.

Background

FNS' quality control system measures the states' performance in accurately determining food stamp eligibility and calculating benefits. Under this system, the states calculate their payment errors by annually drawing a statistically valid sample of at least 300 to 1,200 active cases, depending on the average monthly caseload; by reviewing the case information; and by making home visits to determine whether households were eligible for benefits and received the correct benefit payment. FNS regional offices validate the results by reviewing a subset of each state's sample to determine its accuracy, making adjustments to the state's overpayment and underpayment errors as necessary. To determine each state's combined payment error rate, FNS adds overpayments and underpayments, then divides the sum by total food stamp benefit payments. As shown in figure 1, the national combined payment error rate for the Food Stamp Program was consistently above 9 percent from fiscal year 1993 through fiscal year 1999. About 70 percent of the food stamp payment errors resulted in overpayments to recipients, while about 30 percent resulted in underpayments. FNS' payment error statistics do not account for the states' efforts to recover overpayments; in fiscal year 1999, the states collected $213 million in overpayments. (See app. II for information about states' error rates and collections of overpayments.)

Figure 1: National Payment Error Rate for the Food Stamp Program, Fiscal Years 1993 to 1999



Source: FNS.

Errors in food stamp payments occur for a variety of reasons. For example, food stamp caseworkers may miscalculate a household's eligibility and benefits because of the program's complex rules for determining who are members of the household, whether the value of a household's assets (mainly vehicles and bank accounts) is less than the maximum allowable, and the amount of a household's earned and unearned income and deductible expenses. Concerning the latter, food stamp rules require caseworkers to determine a household's gross monthly income and then calculate a net monthly income by determining the applicability of six allowable deductions: a standard deduction, an earned income deduction, a dependent care deduction, a medical deduction, a child support deduction, and an excess shelter cost deduction. (See app. III for the factors that state caseworkers consider in calculating a household's excess shelter cost deduction.) The net income, along with other factors such as family size, becomes the basis for determining benefits. Other payment errors occur after benefits have been determined primarily because households do not always report changes in income that can affect their benefits and the states do not always act on reported changes, as required by food stamp law.

To reduce the likelihood of payment errors, FNS regulations require that states certify household eligibility at least annually, and establish requirements for households to report changes that occur after certification. In certifying households, states are required to conduct face-to-face interviews, typically with the head of the household, and obtain pertinent documentation at least annually. In establishing reporting requirements, the states have the option of requiring households to use either (1) monthly reporting, in which households with earned income file a report on their income and other relevant information each month; or (2) change reporting, in which all households report certain changes, including income fluctuations of $25 or more, within 10 days of the change. According to FNS, many states have shifted from monthly reporting to change reporting because of the high costs associated with administering a monthly reporting system. However, change reporting is error-prone because households do not always report changes and the states do not always act on them in a timely fashion, if at all.

All States We Contacted Took Actions to Reduce Payment Errors

Each of the 28 states we contacted has taken many actions to reduce payment error rates. Further, 80 percent of the states took each of five actions: (1) case file reviews by supervisors or special teams to verify the accuracy of food stamp benefit payments, (2) special training for caseworkers, (3) analyses of quality control data to identify causes of payment errors, (4) electronic database matching to identify ineligible participants and verify income and assets, and (5) use of computer software programs to assist caseworkers in determining benefits. It is difficult to link a specific state action to its effect on error rates because other factors also affect error rates. However, almost all state food stamp officials cited case file reviews by supervisors and others as being one of their most effective tools for reducing error rates. Additionally, state officials most often cited the competing pressure of implementing welfare reform as the primary challenge to reducing food stamp payment errors in recent years.

States Took Various Actions to Reduce Payment Error Rates

The following subsection summarizes our findings on state actions to reduce payment errors.

- *Case file reviews to verify payment accuracy:* In 26 of the 28 states we contacted, supervisors or special teams reviewed case files to verify the accuracy of benefit calculations and to correct any mistakes before the state's quality control system identified them as errors. Supervisory reviews, used by 22 states, typically require that supervisors examine a minimum number of files compiled by each caseworker. For example, Alaska requires monthly supervisory review of five cases for each experienced caseworker and all cases for each new caseworker. Furthermore, 20 states, including many of the states using supervisory review, use special teams to conduct more extensive reviews designed to identify problems in specific offices, counties, or regions. Reviewers correct mistakes before they are detected as quality control errors, where possible; identify the reasons for the mistakes; and prescribe corrective actions to prevent future errors. For example, in Genesee County, Michigan, the teams read about 2,800 case files, corrected errors in nearly 1,800, and provided countywide training in such problem areas as shelter expenses and earned income. In Massachusetts, caseworkers reviewed all case files in fiscal year 2000 because of concerns that the state's error rate would exceed the national average and that FNS would impose financial sanctions. Massachusetts corrected errors in about 13 percent of the case files reviewed; these would have been defined as payment errors had they been identified in a quality control review.
- *Special training for caseworkers:* In addition to the training provided to new caseworkers, 27 states provided a range of training for new and experienced caseworkers aimed at reducing payment errors. For example, these states conducted training specifically targeted to calculating benefits for certain categories of food stamp households, such as those with earned income or those with legal noncitizens, for which rules are more likely to be misapplied.[2] Many states also conducted training to update caseworkers and supervisors on food stamp policy changes that affect how benefits are calculated; new policies often introduce new calculation errors because caseworkers are unfamiliar with the revised rules for calculating benefits, according to several state officials.

[2]The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193, Aug. 22, 1996) tightened food stamp eligibility requirements, in part, by disqualifying most permanent resident aliens. Subsequently, the Agricultural Research, Extension, and Education Reform Act of 1998 (P.L. 105-185) restored eligibility to permanent resident aliens who were lawfully residing in the United States as of August 22, 1996, and (1) were age 65 or older at that time or (2) are either disabled or under age 18.

- *Analysis of quality control data:* Twenty-five states conducted special analyses of their quality control databases to identify common types of errors made in counties or local offices for use in targeting corrective actions. For example, California created a quality control database for the 19 largest of its 54 counties and generated monthly reports for each of the 19 counties to use. Georgia assigned a staff member to review each identified quality control error and work with the appropriate supervisor or worker to determine why the error occurred and how it could be prevented in the future. With this process, officials said, counties are much more aware of their error cases, and now perceive quality control as a tool for reducing errors. In Michigan, an analysis of quality control data revealed that caseworkers were misinterpreting a policy that specified when to include adults living with a parent in the same household, and changes were made to clarify the policy.
- *Electronic database matching:* All 28 states matched their food stamp rolls against other state and federal computer databases to identify ineligible participants and to verify participants' income and asset information. For example, all states are required to match their food stamp rolls with state and local prisoner rolls.[3] In addition, most states routinely match their food stamp participants with one or more of the following: (1) their department of revenue's "new hires" database (a listing of recently employed individuals in the state) to verify income, (2) the food stamp rolls of neighboring states to identify possible fraud, and (3) their department of motor vehicle records to verify assets. Officials in four states said the "new hires" match reduced payment errors by allowing caseworkers to independently identify a change in employment status that a household had not reported and that would likely affect its benefits. Mississippi food stamp officials said the vehicle match helped reduce payment errors because caseworkers verified the value of applicants' vehicles as part of determining eligibility.
- *Computer assistance in calculating benefits:* Twenty-three states had developed computer software for caseworkers to use in determining an applicant's eligibility and/or in calculating food stamp benefit amounts. Twenty-two of the states have software that determines eligibility and calculates benefits based on information caseworkers enter; the remaining states' software is limited to calculating benefits after the

[3]Effective June 2000, states also are required to match food stamp rolls with the Social Security Administration's master file of deceased individuals. However, Maryland officials have found many false matches because records data were incorrectly entered or were out-of-date.

caseworker has determined eligibility. These programs may also cross-check information to correct data entry errors; provide automated alerts that, for example, a household member is employed; and generate reminders for households, for example, to schedule an office visit. The most advanced software programs had online interview capabilities, which simplified the application process. Some states had automated case management systems that integrated Food Stamp Program records with their Medicaid and other assistance programs, which facilitated the administration of these programs.

Some states took other actions to reduce their payment errors. For example, even though FNS regulations only require that food stamp households be recertified annually, 16 states increased the frequency with which certain types of food stamp households must provide pertinent documentation for recertifying their eligibility for food stamp benefits. In particular, 12 of the 16 states now require households with earned income to be recertified quarterly because their incomes tend to fluctuate, increasing the likelihood of payment errors. More frequent certification enables caseworkers to verify the accuracy of household income and other information, allowing caseworkers to make appropriate adjustments to the household's benefits and possibly avoid a payment error. However, more frequent certification can also inhibit program participation because it creates additional reporting burdens for food stamp recipients.[4]

In addition to more frequent certification, five states reported that they access credit reports and public records to determine eligibility and benefits. Seven states have formed change reporting units in food stamp offices serving certain metropolitan areas, so that participants notify these centralized units, instead of caseworkers, about starting a new job or other reportable changes.

States Believe That Case File Reviews Have Been Key to Reducing Error Rates

Food stamp officials in 20 of the 28 states told us that they have primarily relied on case file reviews by supervisors and others to verify payment accuracy and reduce payment errors. For example, Georgia officials noted one county's percentage of payment errors dropped by more than half as a

[4]A 1996 survey found that, on average, (1) applicants spent nearly 5 hours and made at least two trips to the local food stamp office to apply for food stamps and (2) recipients spent nearly 2-1/2 hours and made at least one trip to the local office to recertify eligibility. See Mathematica Policy Research, Inc., *Customer Service in the Food Stamp Program* (July 1999).

result of the state's requirement that management staff in 10 urban counties re-examine files after a supervisor's review. In each of the past 3 years, Ohio food stamp administrators have reviewed up to 100 cases per county per year and have awarded additional state funding to counties with low error rates. In fiscal year 1999, the counties used $2.5 million in state funds primarily for payment accuracy initiatives.

There was less consensus about the relative usefulness of other initiatives in reducing payment errors. Specifically, food stamp officials in 13 states told us that special training for caseworkers was one of their primary initiatives; officials in 8 states cited recertifying households more frequently; officials in 6 states identified the use of computer software to determine eligibility and/or benefits; officials in 5 states identified computer database matches; and officials in 4 states cited analyses of quality control data.

Implementation of Welfare Reform Has Taken Priority Over Error Reduction Efforts

Food stamp officials in 22 of the states we contacted cited their states' implementation of welfare reform as a challenge to reducing error rates in recent years.[5] In particular, implementing welfare reform programs and policy took precedence over administering the Food Stamp Program in many states—these programs competed for management attention and resources. In Connecticut, for example, caseworkers were directed to help participants find employment; therefore, the accuracy of food stamp payments was deemphasized, according to state officials. Similarly, Hawaii officials said agency leadership emphasized helping recipients to find employment and instituted various programs to accomplish this, which resulted in less attention to payment accuracy. Furthermore, officials from 14 states said welfare reform led to an increase in the number of working poor. This increased the possibility of errors because the income of these households is more likely to fluctuate than income of other food stamp households.

[5]The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 replaced the Aid to Families with Dependent Children program with the Temporary Assistance for Needy Families program and gave the states responsibility for administering the new program with block grant funding. The act encouraged welfare recipients to find employment by setting a lifetime limit of 5 years on the receipt of program benefits and establishing financial penalties for states that fail to ensure that a specified minimum percentage of their welfare households work or participate in work-related activities each year.

State food stamp officials cited three other impediments to their efforts to reduce payment errors, although far less frequently. First, officials in 12 states cited a lack of resources, such as a shortage of caseworkers to manage food stamp caseloads, as a challenge to reducing error rates. Georgia, Mississippi, and Texas officials said caseworker turnover was high, and New Hampshire officials said they currently have a freeze on hiring new caseworkers. Second, officials in 10 states cited problems associated with either using, or making the transition from, outdated automated systems as challenges to reducing payment errors. For example, New Hampshire officials found that their error rate increased from 10.2 percent in fiscal year 1998 to 12.9 percent in fiscal year 1999 after they began to use a new computer system. In addition, Connecticut and Maryland officials noted that incorporating rules changes into automated systems is difficult and often results in error-prone manual workarounds until the changes are incorporated. Finally, officials in nine states told us that food stamp eligibility revisions in recent years, particularly for legal noncitizens, have increased the likelihood of errors.

FNS Has Encouraged States to Reduce Payment Error Rates, but Simplifying Food Stamp Rules May Reduce Errors Further

To encourage the states to reduce error rates, FNS has employed financial sanctions and incentives, approved waivers of reporting requirements for certain households, and promoted initiatives to improve payment accuracy through the exchange of information among the states. However, state food stamp officials told us the single most useful change for reducing error rates would be for FNS to propose legislation to simplify requirements for determining Food Stamp Program eligibility and benefits. Simplifying food stamp rules would not necessarily alter the total amount of food stamp benefits given to participants, but it may reduce the program's administrative costs (the states spent $4.1 billion to provide $15.8 billion in food stamp benefits in fiscal year 1999). FNS officials and others expressed concern, however, that some simplification options may reduce FNS' ability to precisely target benefits to each individual household's needs.

FNS Has Used Three Principal Methods to Reduce States' Payment Errors

The three principal methods FNS has used to reduce payment errors in the states are discussed in the following subsections.

Financial Sanctions and Enhanced Funding

As required by law, FNS imposes financial sanctions on states whose error rates exceed the national average. These states are required to either pay the sanction or provide additional state funds—beyond their normal share of administrative costs—to be reinvested in error-reduction efforts, such as additional training in calculating benefits for certain households. FNS imposed $30.6 million in sanctions on 16 states with payment error rates above the national average in fiscal year 1999 and $78.2 million in sanctions on 22 states in fiscal year 1998—all of which were reinvested in error-reduction efforts.[6] (See app. IV.)

Food stamp officials in 22 states reported that their agencies had increased their commitment to reducing payment errors in recent years; officials in 14 states stated that financial sanctions, or the threat of sanctions, was the primary reason for their increased commitment. For example, when the Texas Department of Human Services requested money to cover sanctions prior to 1995, the Texas legislature required the department to report quarterly on its progress in reducing its payment error rate. Officials in Texas, which has received enhanced funding for the past 2 fiscal years, cited the department's commitment and accountability to the Texas legislature as primary reasons for reducing the error rate over the years and for maintaining their focus on payment accuracy.

FNS also rewards states primarily on the basis of their combined payment error rate being less than or equal to 5.9 percent—well below the national average. FNS awarded $39.2 million in enhanced funding to six states in fiscal year 1999 and $27.4 million to six states in fiscal year 1998. In the past 5 years, 16 states have received enhanced funding at least once. Officials in one state told us that the enhanced funding remained in the state's general fund, while officials in four states said the enhanced funding supplemented the state's appropriation for use by the Food Stamp Program and other assistance programs. For example, in Arkansas, the food stamp agency used its enhanced funding for training, systems development, and equipment. Arkansas officials told us that enhanced funding was a major motivator for their agency, and they have seen an increase in efforts to reduce payment errors as a direct result.

Waivers to Reporting Requirements

In July 1999, FNS announced that it would expand the availability of waivers of certain reporting requirements placed on food stamp households. FNS was concerned that the increase in employment among

[6] In fiscal year 1999, FNS reduced sanctions for states that had a high percentage of households with legal noncitizens and households with earned income because these households were more prone to payment errors than other food stamp households.

food stamp households would result in larger and more frequent income fluctuations, which would increase the risk of payment errors. FNS also was concerned that the states' reporting requirements were particularly burdensome for the working poor and may, in effect, act as an obstacle to their participation in the program.[7] This is because eligible households may not view food stamp benefits as worth the time and effort it takes to obtain them. As of November 2000, FNS had granted reporting waivers to 43 states, primarily for households with earned income. (See app. V.) The three principal types of waivers are explained below:

- The threshold reporting waiver raises the earned income changes that households must report to more than $100 per month. (Households still must report if a member gains or loses a job.) Without this waiver, households would be required to report any wage or salary change of $25 or more per month. Ohio uses this type of waiver (with a smaller $80-per-month threshold) specifically for self-employed households. Ohio credits the use of this and other types of reporting waivers to the decrease in its error rate from 11.2 percent in 1997 to 8.4 percent in 1999.
- The status reporting waiver limits the changes that households must report to three key events: (1) gaining or losing a job, (2) moving from part-time to full-time employment or vice versa, and (3) experiencing a change in wage rate or salary. This waiver eliminates the need for households to report fluctuations in the number of hours worked, except if a member moves from part-time to full-time employment. Texas officials cited the implementation of the status reporting waiver in 1994 as a primary reason that their error rate dropped by nearly 3 percentage points (from over 12 percent) in 1995. Texas' error rate reached a low of about 4.6 percent in 1999.

[7]Food stamp participation declined by 34 percent, from a monthly average of 27.5 million participants in fiscal year 1994 to a monthly average of 18.2 million participants in fiscal year 1999. This decline includes a reduction in (1) the number of individuals eligible for food stamp benefits, reflecting the strong U.S. economy and tighter food stamp eligibility requirements for legal immigrants and able-bodied adults without dependents, and (2) the percentage of eligible individuals participating in the program. FNS estimates that only about 62 percent of eligible people in the United States received food stamp benefits in September 1997—a 9-point drop from 71 percent of eligible people participating in September 1994.

- The quarterly reporting waiver eliminates the need for households with earned income to report any changes during a 3-month period, provided the household provides required documentation at the end of the period.[8] The waiver reduces payment errors because any changes that occurred during a quarter were not considered to be errors and households more readily understood requirements for reporting changes. Food stamp officials in Arkansas, which implemented a quarterly reporting waiver in 1995, believe that their quarterly reporting waiver is a primary reason for their subsequent stable error rate.

FNS expects that reporting waivers will reduce the number of payment errors made because households are more likely to report changes and, with fewer reports to process, the states will be able to process changes accurately and within required time frames. However, the lower payment error rates that result from these waivers are primarily caused by a redefinition of a payment error, without reducing the Food Stamp Program's benefit costs. For example, a pay increase of $110 per month that is not reported until the end of the 3-month period is not a payment error under Arkansas' quarterly reporting waiver, while it would be an error if there were no waiver. As a result, the quarterly reporting waiver may reduce FNS' estimate of overpayments and underpayments. FNS estimated, in July 1999, that the quarterly waiver would increase food stamp benefit costs by $80 million per year, assuming that 90 percent of the states applied for the waiver.

Of the 10 states that do not have a reporting waiver, 7 require monthly reporting for households with earned income. The advantage of monthly reporting is that benefits are issued on the basis of what has already occurred and been documented. In addition, regular contact with food stamp households allows caseworkers to quickly detect changes in the household's situation. However, monthly reporting is more costly to administer and potentially can exacerbate a state's error rate, particularly if it cannot keep up with the volume of work. A Hawaii food stamp official told us that monthly reporting contributed to recent increases in Hawaii's error rate because caseworkers have not processed earned income

[8] In November 2000, FNS promulgated regulations that give the states the option to require food stamp households with earned income to report changes semiannually, unless a change would result in a household's gross monthly income exceeding 130 percent of the monthly poverty income guideline ($1,533 per month for a family of three).

changes on time, while Connecticut officials said their food stamp workers were making mistakes by rushing to meet deadlines.

Fostering Communication Among States

As part of the food stamp quality control program, FNS' seven regional offices have assembled teams of federal and state food stamp officials to identify the causes of payment errors and ways to improve payment accuracy. Each region also has held periodic conferences in which states from other regions were invited to highlight their successes and to respond to questions about implementing their initiatives. Examples of topics at recent conferences in FNS' northeastern region included best payment accuracy practices and targeting agency-caused errors. FNS' regional offices also have made funds available for states to send representatives to other states to learn first-hand about initiatives to reduce payment errors. Since 1996, FNS has compiled catalogs of states' payment accuracy practices that provide information designed to help other states develop and implement similar initiatives.

Simplifying Food Stamp Rules Could Reduce Payment Errors and Administrative Costs

Food stamp officials in all 28 states we contacted called for simplifying complex Food Stamp Program rules, and most of these states would like to see FNS involved in advocating simplification. In supporting simplification, the state officials generally cited caseworkers' difficulty in correctly applying food stamp rules to determine eligibility and calculate benefits. For example, Maryland's online manual for determining a household's food stamp benefits is more than 300 pages long. Specifically, the state officials cited the need to simplify requirements for (1) determining a household's deduction for excess shelter costs and (2) calculating a household's earned and unearned income.[9]

Food stamp officials in 20 of the 28 states we contacted said simplifying the rules for determining a household's allowable shelter deduction would be one of the best ways to reduce payment errors.[10] The Food Stamp Program

[9]The states also cited the need to simplify food stamp rules for determining the valuation of vehicles. The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act for fiscal year 2001 (P.L. 106-387) revised the Food Stamp Act of 1977 to allow the states to use the same vehicle valuation rules that they use for their Temporary Assistance for Needy Families program, if these rules would result in a lower attribution of resources to the household.

[10]While Agriculture's appropriations act for fiscal year 2001 increased the amount of the shelter deduction for food stamp households, it did not change the way that the deduction is calculated.

generally provides for a shelter deduction when a household's monthly shelter costs exceed 50 percent of income after other deductions have been allowed. Allowable deductions include rent or mortgage payments, property taxes, homeowner's insurance, and utility expenses. Several state officials told us that determining a household's shelter deduction is prone to errors because, for example, caseworkers often need to (1) determine whether to pro-rate the shelter deduction if members of a food stamp household share expenses with others, (2) determine whether to use a standard utility allowance rather than actual expenses, and (3) verify shelter expenses, even though landlords may refuse to provide required documentation.

Food stamp officials in 18 states told us that simplifying the rules for earned income would be one of the best options for reducing payment errors because earned income is both the most common and the costliest source of payment errors. Generally, determining earned income is prone to errors because caseworkers must use current earnings as a predictor of future earnings and the working poor do not have consistent employment and earnings.[11] Similarly, officials in six states told us that simplifying the rules for unearned income would help reduce payment errors. In particular, state officials cited the difficulty caseworkers have in estimating child support payments that will be received during the certification period because payments are often intermittent and unpredictable. Because households are responsible for reporting changes in unearned income of $25 or more, differences between estimated and actual child support payments often result in a payment error.

FNS officials and advocates for food stamp participants, however, have expressed concern about some possible options for simplifying the rules for determining eligibility and calculating benefits. For example, in determining a household's allowable shelter deduction, if a single standard deduction were used for an entire state, households in rural areas would likely receive greater benefits than they would have using actual expenses, while households in urban areas would likely receive smaller benefits. In this case, simplification may reduce FNS' ability to precisely target benefits to each individual household's needs. FNS officials also pointed out that likely reductions in states' payment error rates would reflect changes to the

[11]A Pennsylvania official noted that once a payment error occurs, it can be exacerbated because benefits are sensitive to income fluctuations—generally a $3 change in monthly income results in a $1 change in food stamp benefits.

rules for calculating food stamp benefits rather than improved performance by the states.

FNS has begun to examine alternatives for improving the Food Stamp Program, including options for simplifying requirements for determining benefits, as part of its preparations for the program's upcoming reauthorization. More specifically, FNS hosted a series of public forums, known as the National Food Stamp Conversation 2000, in seven cities attended by program participants, caseworkers, elected officials, antihunger advocates, emergency food providers, health and nutrition specialists, food retailers, law enforcement officials, and researchers. Simplification of the Food Stamp Program was one of the issues discussed at these sessions as part of a broad-based dialogue among stakeholders about aspects of the program that have contributed to its success and features that should be strengthened to better achieve program goals. FNS is currently developing a variety of background materials that will integrate the issues and options raised in these forums. FNS has not yet begun to develop proposed legislation for congressional consideration in reauthorizing the Food Stamp Program.

Conclusions

FNS and the states have taken actions aimed at reducing food stamp payment errors, which currently stand at about 10 percent of the program's total benefits. Financial sanctions and enhanced funding have been at least partially successful in focusing states' attention on minimizing errors. However, this "carrot and stick" approach can only accomplish so much, because food stamp regulations for determining eligibility and benefits are extremely complex and their application inherently error-prone and costly to administer. Furthermore, this approach, carried to extremes, can create incentives for states to take actions that may inhibit achievement of one of the agency's basic missions—providing food assistance to those who are in need. For example, increasing the frequency that recipients must report income changes could decrease errors, but it could also have the unintended effect of discouraging participation by the eligible working poor. This would run counter not only to FNS' basic mission but also to an overall objective of welfare reform—helping people move successfully from public assistance into the workforce.

Simplifying the Food Stamp Program's rules and regulations offers an opportunity to, among other things, reduce payment error rates and promote program participation by eligible recipients. FNS has taken initial steps in examining options for simplification through its forums with stakeholders. However, it is unclear the extent to which FNS will build on these ideas to (1) systematically develop and analyze the advantages and disadvantages of various simplification options, and (2) if warranted, submit the legislative changes needed to implement simplification proposals.

Recommendations

To help ease program administration and potentially reduce payment errors, we recommend that the Secretary of Agriculture direct the Administrator of the Food and Nutrition Service to (1) develop and analyze options for simplifying requirements for determining program eligibility and benefits; (2) discuss the strengths and weaknesses of these options with representatives of the congressional authorizing committees; and (3) if warranted, submit legislative proposals to simplify the program. The analysis of these options should include, among other things, estimating expected program costs, effects on program participation, and the extent to which the distribution of benefits among recipients could change.

Agency Comments and Our Evaluation

We provided the U.S. Department of Agriculture with a draft of this report for review and comment. We met with Agriculture officials, including the Director of the Program Development Division within the Food and Nutrition Service's Food Stamp Program. Department officials generally agreed with the information presented in the report and provided technical clarifications, which we incorporated as appropriate. Department officials also agreed with the thrust of our recommendations. However, they expressed reservations about the mechanics of implementing our recommendation that they discuss simplification options with representatives of the congressional authorizing committees. In particular, they noted the importance of integrating consultation on policy options with the process for developing the President's annual budget request. In addition, they urged a broader emphasis on consideration of policy options that meet the full range of program objectives, including, for example, ending hunger, improving nutrition, and supporting work. We agree that simplification options should be discussed in the larger context of achieving program objectives. However, we believe that an early dialogue about the advantages and disadvantages of simplification options will facilitate the congressional debate on one of the most important and controversial issues for reauthorizing the Food Stamp Program.

Copies of this report will be sent to the congressional committees and subcommittees responsible for the Food Stamp Program; the Honorable Jacob Lew, Director, Office of Management and Budget; and other interested parties. We will also make copies available upon request.

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

Sincerely yours,

Robert E. Robertson
Director, Education, Workforce, and
Income Security Issues

Scope and Methodology

To examine states' efforts to minimize food stamp payment errors, we analyzed information obtained through structured telephone interviews with state food stamp officials in 28 states. We selected the 28 states to include states with the lowest payment error rates, states with the highest error rates, and the 10 states with the most food stamp participants in fiscal year 1999. Overall, the states we interviewed included 14 states with payment error rates below the national average and 14 states with error rates above the national average. They delivered about 74 percent of all food stamp benefits in fiscal year 1999. We supplemented the structured interviews with information obtained from visits to Maryland, Massachusetts, Michigan, and Texas.

To examine what the Department of Agriculture's Food and Nutrition Service (FNS) has done and could do to help states reduce food stamp payment errors, we relied in part on information obtained from our telephone interviews, as well as with information obtained from discussions with officials at FNS' headquarters and each of its seven regional offices. We also analyzed FNS documents and data from its quality control system.

States' Payment Error Rates and Efforts to Collect Overpayments

Table 1: Food Stamp Combined Payment Error Rates by State, Fiscal Years 1993 to 1999
Percent

State	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
Alabama	8.1	5.8	7.0	5.8	8.7	7.7	11.3
Alaska	4.6	9.2	5.1	7.5	11.8	14.2	15.9
Arizona	12.1	15.3	13.5	8.4	7.4	5.9	6.9
Arkansas	6.4	5.4	5.7	4.5	5.2	6.0	4.5
California	9.1	10.5	9.5	9.3	9.9	12.5	11.3
Colorado	7.5	7.4	6.4	7.7	8.6	10.7	9.0
Connecticut	7.9	7.8	8.5	10.7	9.7	13.1	13.9
Delaware	7.6	10.1	9.4	8.7	12.7	12.5	16.9
District of Columbia	9.0	9.6	9.3	6.8	7.5	10.7	12.1
Florida	17.0	13.6	11.1	9.7	10.3	12.9	9.4
Georgia	11.1	11.5	11.0	10.3	12.0	13.7	10.9
Guam	12.3	9.9	7.5	9.6	7.0	10.3	10.1
Hawaii	3.8	4.7	3.8	4.0	4.5	4.8	6.8
Idaho	8.5	10.6	6.7	6.3	7.4	10.5	10.9
Illinois	10.2	9.5	11.7	12.4	14.3	14.0	14.8
Indiana	16.6	17.7	16.4	9.7	9.3	6.8	8.1
Iowa	10.2	11.4	11.6	12.2	9.8	13.4	9.3
Kansas	7.6	7.6	8.1	7.5	7.5	11.1	9.0
Kentucky	5.2	5.5	4.7	5.3	5.8	7.4	7.7
Louisiana	9.3	5.6	7.2	6.0	5.6	7.7	7.4
Maine	7.5	7.5	6.5	7.4	7.2	10.2	8.8
Maryland	10.7	11.2	12.1	11.3	12.8	15.4	13.6
Massachusetts	6.0	5.8	5.0	4.7	8.2	7.5	9.3
Michigan	8.6	8.7	9.6	11.2	11.9	17.7	17.6
Minnesota	9.5	8.8	6.6	7.0	7.0	5.2	6.7
Mississippi	10.0	9.2	10.0	10.0	7.0	6.0	4.9
Missouri	11.2	11.2	13.0	13.4	12.9	8.3	8.6
Montana	7.7	6.9	8.2	8.7	9.2	7.3	8.1
Nebraska	11.0	12.0	8.7	10.5	12.0	16.7	14.2
Nevada	9.0	6.9	9.4	10.6	12.2	8.9	8.1
New Hampshire	12.4	14.7	10.3	9.4	10.1	10.2	12.9
New Jersey	8.3	8.8	8.7	8.7	9.0	11.9	12.9
New Mexico	10.5	8.9	7.6	8.0	7.5	10.6	10.4
New York	12.4	10.1	9.5	8.9	10.1	12.9	10.5

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State	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
North Carolina	9.9	9.5	8.1	10.0	10.7	10.8	9.3
North Dakota	8.0	6.0	6.0	6.1	11.0	9.4	8.0
Ohio	14.4	14.5	14.6	12.6	11.2	9.3	8.4
Oklahoma	10.0	10.8	11.1	10.2	8.1	10.9	11.9
Oregon	9.4	9.9	9.0	11.2	13.0	13.5	10.5
Pennsylvania	9.1	8.4	9.0	9.2	8.7	9.9	10.8
Rhode Island	5.6	7.0	5.2	6.7	7.1	7.0	7.1
South Carolina	10.9	5.1	6.2	6.3	6.3	8.1	5.8
South Dakota	3.8	3.2	3.6	3.5	3.0	2.1	2.2
Tennessee	16.7	9.9	10.6	9.0	12.1	8.7	8.6
Texas	11.4	12.5	8.7	6.5	6.8	5.3	4.6
Utah	7.2	8.6	8.0	9.6	7.6	9.7	12.6
Vermont	11.4	6.3	9.1	10.9	9.7	13.3	12.1
Virgin Islands	5.2	5.9	5.4	8.8	7.4	6.6	5.9
Virginia	10.8	11.6	13.4	14.0	13.0	11.1	11.9
Washington	9.3	9.7	8.5	11.3	14.6	15.2	8.6
West Virginia	13.6	13.9	11.1	12.4	11.2	11.4	8.9
Wisconsin	9.5	10.5	12.2	11.4	13.7	14.6	13.4
Wyoming	7.0	8.9	7.6	7.4	9.1	4.8	2.9
National average	**10.8**	**10.3**	**9.7**	**9.2**	**9.8**	**10.7**	**9.9**

Source: FNS

Table 2: Food Stamp Dollar Error and Payment Error Rates by State, Fiscal Year 1999

State	Annual issuance (thousands)	Dollars overissued (thousands)	Dollars underissued (thousands)	Total payment errors (thousands)	Overpayment error rate (percent)	Underpayment error rate (percent)	Combined error rate (percent)
Alabama	$346,450	$33,225	$5,890	$39,115	9.6	1.7	11.3
Alaska	48,890	5,779	2,019	7,798	11.8	4.1	15.9
Arizona	232,827	11,362	4,773	16,135	4.9	2.1	6.9
Arkansas	209,874	7,744	1,784	9,528	3.7	0.9	4.5
California	1,805,881	143,026	61,942	204,968	7.9	3.4	11.3
Colorado	144,721	9,103	3,951	13,054	6.3	2.7	9.0
Connecticut	149,596	16,306	4,488	20,794	10.9	3.0	13.9
Delaware	32,314	3,593	1,871	5,464	11.1	5.8	16.9
District of Columbia	80,181	7,625	2,093	9,718	9.5	2.6	12.1
Florida	819,257	47,435	29,821	77,256	5.8	3.6	9.4
Georgia	513,637	40,269	15,563	55,832	7.8	3.0	10.9
Guam	31,221	2,488	678	3,166	8.0	2.2	10.1
Hawaii	179,885	9,660	2,608	12,268	5.4	1.5	6.8
Idaho	45,308	3,063	1,894	4,957	6.8	4.2	10.9
Illinois	767,080	84,379	29,072	113,451	11.0	3.8	14.8
Indiana	255,421	14,814	5,926	20,740	5.8	2.3	8.1
Iowa	103,388	6,513	3,071	9,584	6.3	3.0	9.3
Kansas	80,360	5,320	1,897	7,217	6.6	2.4	9.0
Kentucky	336,772	18,758	7,241	25,999	5.6	2.2	7.7
Louisiana	462,648	23,780	10,178	33,958	5.1	2.2	7.4
Maine	89,118	6,033	1,800	7,833	6.8	2.0	8.8
Maryland	237,311	23,897	8,401	32,298	10.1	3.5	13.6
Massachusetts	205,052	14,272	4,880	19,152	7.0	2.4	9.3
Michigan	514,831	63,736	26,823	90,559	12.4	5.2	17.6
Minnesota	170,672	7,783	3,618	11,401	4.6	2.1	6.7
Mississippi	231,740	7,763	3,615	11,378	3.4	1.6	4.9
Missouri	348,113	22,210	7,624	29,834	6.4	2.2	8.6
Montana	52,398	2,971	1,273	4,244	5.7	2.4	8.1
Nebraska	66,150	7,230	2,176	9,406	10.9	3.3	14.2
Nevada	56,060	3,134	1,430	4,564	5.6	2.6	8.1
New Hampshire	30,746	3,062	892	3,954	10.0	2.9	12.9
New Jersey	345,707	33,603	11,097	44,700	9.7	3.2	12.9
New Mexico	144,188	11,521	3,475	14,996	8.0	2.4	10.4

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State	Annual issuance (thousands)	Dollars overissued (thousands)	Dollars underissued (thousands)	Total payment errors (thousands)	Overpayment error rate (percent)	Underpayment error rate (percent)	Combined error rate (percent)
New York	1,464,474	93,873	59,311	153,184	6.4	4.1	10.5
North Carolina	434,765	27,608	12,608	40,216	6.4	2.9	9.3
North Dakota	25,690	1,588	473	2,061	6.2	1.8	8.0
Ohio	536,385	34,007	11,210	45,217	6.3	2.1	8.4
Oklahoma	221,448	20,041	6,267	26,308	9.1	2.8	11.9
Oregon	190,451	15,503	4,495	19,998	8.1	2.4	10.5
Pennsylvania	704,175	54,574	21,407	75,981	7.8	3.0	10.8
Rhode Island	61,300	2,716	1,600	4,316	4.4	2.6	7.1
South Carolina	251,171	10,851	3,667	14,518	4.3	1.5	5.8
South Dakota	36,974	717	92	809	1.9	0.3	2.2
Tennessee	424,614	29,129	7,601	36,730	6.9	1.8	8.6
Texas	1,255,473	40,677	16,447	57,124	3.2	1.3	4.6
Utah	73,203	5,893	3,294	9,187	8.1	4.5	12.6
Vermont	34,293	3,368	778	4,146	9.8	2.3	12.1
Virgin Islands	22,193	925	375	1,300	4.2	1.7	5.9
Virginia	282,345	22,446	11,011	33,457	8.0	3.9	11.9
Washington	260,240	15,745	6,506	22,251	6.1	2.5	8.6
West Virginia	208,103	14,650	3,829	18,479	7.0	1.8	8.9
Wisconsin	123,795	11,872	4,741	16,613	9.6	3.8	13.4
Wyoming	19,468	343	224	567	1.8	1.2	2.9
Total	**$15,768,357**	**$1,107,980**	**$449,799**	**$1,557,779**	**7.0**	**2.9**	**9.9**

Table 3: States' Collection of Food Stamp Overpayments by Collection Method, Fiscal Year 1999
Dollars in Thousands

State	Recoupment[a]	U.S. Treasury offset program and other federal collections[b]	Other[c]	Total
Alabama	$990	$1,053	$562	$2,604
Alaska	155	12	131	298
Arizona	1,228	421	975	2,624
Arkansas	238	318	295	850
California	11,694	6,968	6,851	25,513
Colorado	773	1,693	933	3,398
Connecticut	681	241	385	1,308
Delaware	195	331	170	695
District of Columbia	376	290	11	676
Florida	3,048	4,461	652	8,162
Georgia	3,104	2,633	1,792	7,529
Guam	128	0	52	181
Hawaii	1,324	40	412	1,776
Idaho	122	204	127	454
Illinois	5,317	9,858	1,000	16,175
Indiana	686	1,936	431	3,053
Iowa	266	438	357	1,061
Kansas	704	921	196	1,821
Kentucky	427	412	644	1,482
Louisiana	2,346	1,680	538	4,563
Maine	336	34	214	585
Maryland	1,216	905	306	2,427
Massachusetts	103	150	1,557	1,810
Michigan	3,178	3,759	-331	6,607
Minnesota	1,745	1,746	1,671	5,163
Mississippi	1,661	1,872	720	4,253
Missouri	1,272	1,476	[d]	1,729
Montana	260	195	89	544
Nebraska	383	153	46	583
Nevada	189	187	90	465
New Hampshire	84	101	115	300
New Jersey	5,748	4,122	1,266	11,137
New Mexico	1,310	1,020	97	2,427
New York	7,927	5,624	1,433	14,984

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State	Recoupment[a]	U.S. Treasury offset program and other federal collections[b]	Other[c]	Total
North Carolina	759	1,380	1,039	3,178
North Dakota	200	222	115	537
Ohio	2,409	5,471	1,661	9,541
Oklahoma	626	419	151	1,196
Oregon	1,121	1,456	846	3,422
Pennsylvania	6,623	4,424	2,537	13,584
Rhode Island	53	53	104	210
South Carolina	1,869	493	619	2,981
South Dakota	118	23	62	203
Tennessee	2,128	2,267	863	5,258
Texas	5,198	12,924	6,836	24,957
Utah	116	213	254	583
Vermont	161	180	40	381
Virgin Islands	77	0	35	112
Virginia	529	949	681	2,159
Washington	852	1,783	156	2,792
West Virginia	908	528	447	1,883
Wisconsin	661	1,180	848	2,690
Wyoming	73	127	25	225
Total	**$83,696**	**$89,348**	**$40,086**	**$213,130**

[a]When a claim is established against a household still actively participating in the Food Stamp Program, the state may reduce the household's monthly benefits until the overpayment has been collected, provided the household does not make other payment arrangements.

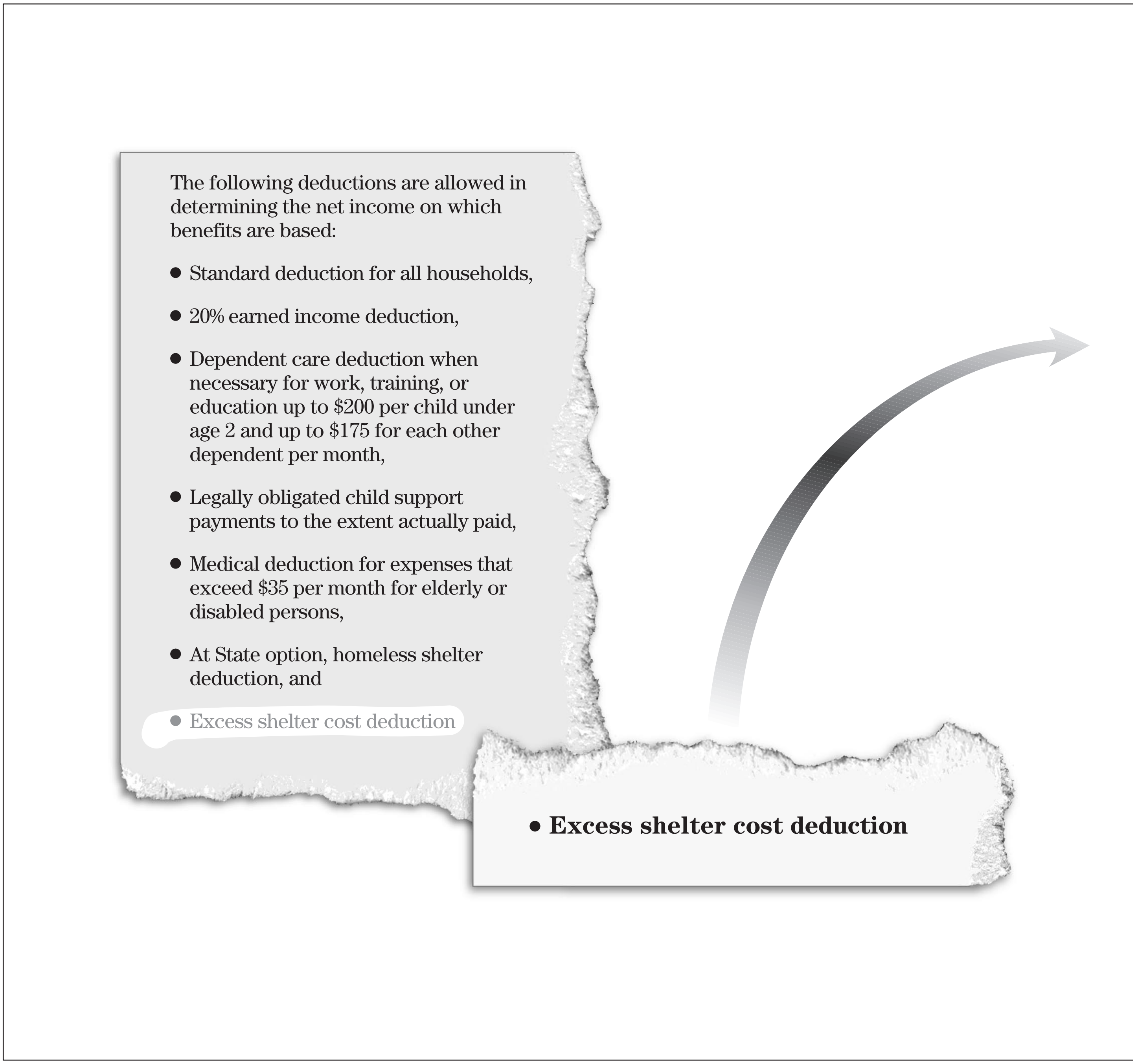
[b]When claims against households no longer participating in the program have gone uncollected, states may submit them to the U.S. Department of the Treasury Offset Program. Figures include collections through offset and voluntary payments made by the household.

[c]Includes all state methods except for recoupment and federal collections through the Treasury Offset Program. Households that are financially able to pay the claim at one time, for example, may make a lump sum cash payment. The state agency is responsible for establishing a payment schedule for households that are unable to pay the entire amount of the claim at one time.

[d]Data on other state collections were not available for Missouri.

Source: FNS.

Factors in Calculating the Excess Shelter Cost Deduction



Source: FNS' 1997 Food Stamp Desk Reference Guides

Federal Policy	Procedures	Verification	Documentation
A shelter deduction is allowed when monthly shelter costs exceed 50% of income after the other deductions have been allowed (unless the household has been allowed a homeless shelter deduction). The shelter deduction may not exceed a certain limit unless there is an elderly or disabled member in the household. **Allowable Costs Include:** • Continuing shelter costs such as rent and mortgage payments; • Property taxes and insurance on the structure but not furniture or personal belongings; • Utilities: Charges for heating, cooling, cooking, garbage, fuel, electricity, water, basic fee for one telephone (but not one-time deposits); • Fees charged for initial installation of utilities; • Expenses for some unoccupied homes (See manual.); and • Costs of repairing a home damaged by a casualty or natural disaster. **Standard Utility Allowance (SUA):** A household may claim the SUA instead of actual utility costs if: • The household has out-of-pocket primary heating or cooling costs, actual usage is determined through individual metering, and the costs are recurring or • It receives a Low Income Home Energy Assistance Act payment. Households not eligible for the SUA and those that have higher costs may claim actual costs. Note: Some State agencies mandate use of SUA's. Households in rental housing which has central meters and charges the households only for excess costs are not entitled to the SUA. If the State agency has an annual SUA, households may switch between the annual SUA and actual costs at the time of recertification. If more than one household lives together and they are entitled to the SUA, prorate the SUA among the households entitled to the SUA. Note: A homeless household which is not receiving free shelter throughout the month may use the homeless shelter deduction if the State has one, the SUA if eligible for it, or higher actual costs.	Determine if the household is entitled to the SUA or homeless shelter estimate. Prorate the SUA if households are living together. Add the SUA or actual utility costs to other allowable shelter costs. Include expenses of an intentional program violation or work disqualified member. Prorate expenses of a social security number of a disqualified member or an ineligible alien. Do not allow expenses paid by other nonhousehold members such as ineligible students. Do not allow expenses covered by payments that have been excluded from income except Low Income Home Energy Assistance Act payments.	**Requirement:** Verify utility expenses if actual expenses are claimed. Verify entitlement to SUA or homeless estimate if questionable. Verify other expenses if questionable. **When:** Verify actual utility costs at initial certification, when there is a change of more than $25, and when the information becomes questionable. Verify other information when questionable. **Method:** See Chart C-8 for sources.	File copies of documents used for verification. If documents are not available, record type of verification used, date seen, and information provided. For collateral contacts, record name and telephone number of contact, date contacted, and the information provided.

FNS' Financial Sanctions and Enhanced Funding

Table 4: FNS' Financial Sanctions of States, Fiscal Years 1995 to 1999
Dollars in Thousands

State	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
Alabama	$0	$0	$0	$0	$219
Alaska	0	0	199	570	980
Arizona	6,029	0	0	0	0
California	0	28	0.2	6,381	0
Connecticut	0	389	0	898	1,145
Delaware	0	0	321	97	653
District of Columbia	0	0	0	0	61
Florida	2,451	324	155	4,003	0
Georgia	1,162	825	2,589	4,412	0
Guam	0	5	0	0	0
Illinois	4,261	11,556	18,539	8,861	3,861
Indiana	17,277	76	0	0	0
Iowa	531	1,359	0	735	0
Kansas	0	0	0	13	0
Maryland	2,110	1,632	2,776	5,847	1,019
Michigan	0	3,389	2,771	26,820	19,773
Mississippi	29	254	0	0	0
Missouri	5,271	9,003	3,675	0	0
Nebraska	0	146	331	2,281	529
Nevada	0	197	413	0	0
New Hampshire	13	1	2	0	96
New Jersey	0	0	0	534	1,303
New York	0	0	79	6,981	0
North Carolina	0	361	294	3	0
North Dakota	0	0	39	0	0
Ohio	24,609	11,783	1,224	0	0
Oklahoma	644	314	0	7	119
Oregon	0	1,070	2,126	1,409	0
Tennessee	442	0	2,262	0	0
Utah	0	16	0	0	141
Vermont	0	129	0	207	69
Virginia	6,174	10,909	3,667	56	50
Washington	0	2,076	8,541	6,104	0
West Virginia	517	2,762	390	103	0

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State	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
Wisconsin	1,383	1,019	2,340	1,842	606
Total	**$72,386**	**$59,623**	**$52,733**	**$78,164**	**$30,624[a]**

Note: As required by law, FNS imposes financial sanctions on states whose combined error rate exceeds the national average. States are required to pay the sanction or provide additional state funds, beyond their normal share of administrative costs, for reinvestment in error reduction efforts.

[a]FNS adjusted financial sanctions for fiscal year 1999 to take into account states that had high proportions of households with earned income and/or immigrants.

Source: FNS.

Table 5: FNS' Enhanced Funding for States With Low Error Rates, Fiscal Years 1995 to 1999
Dollars in Thousands

State	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
Alabama	$0	$1,070	$0	$0	$0
Alaska	1,096	0	0	0	0
Arizona	0	0	0	298	0
Arkansas	809	3,165	2,709	0	4,099
Hawaii	1,624	1,520	1,884	1,700	0
Kentucky	5,084	3,045	1,012	0	0
Louisiana	0	0	3,095	0	0
Massachusetts	5,558	5,789	0	0	0
Minnesota	0	0	0	4,495	0
Mississippi	0	0	0	0	5,161
Rhode Island	845	0	0	0	0
South Carolina	0	0	0	0	758
South Dakota	613	700	704	653	714
Texas	0	0	0	19,742	27,941
Virgin Islands	255	0	0	0	0
West Virginia	517	0	0	0	0
Wyoming	0	0	0	557	549
Total	**$16,401**	**$15,289**	**$9,404**	**$27,445**	**$39,222**

Note: States qualify for enhanced funding if (1) their combined payment error rate is less than or equal to 5.9 percent, and (2) their negative case error rate—which measures the frequency with which states improperly denied food stamp benefits to qualified applicants—is below the national weighted average for the prior fiscal year.

Source: FNS.

States' Use of Reporting Waivers

State	$80 or $100 [a]	Status [b]	Quarterly [c]	Five-Hour [d]	No Waivers
Alabama			✓		
Alaska					✓
Arizona	✓				
Arkansas			✓		
California			✓		
Colorado	✓				
Connecticut					✓
Delaware		✓			
District of Columbia	✓				
Florida		✓			
Georgia		✓			
Guam					✓
Hawaii					✓
Idaho		✓			
Illinois	✓		✓		
Indiana	✓	✓			
Iowa	✓				
Kansas	✓				
Kentucky	✓				
Louisiana	✓		✓		
Maine					✓
Maryland	✓			✓	
Massachusetts	✓		✓		
Michigan				✓	
Minnesota					✓
Mississippi					✓
Missouri		✓			
Montana					✓
Nebraska		✓			
Nevada		✓			
New Hampshire		✓			
New Jersey		✓			
New Mexico		✓	✓		
New York	✓		✓		
North Carolina	✓				
North Dakota	✓				
Ohio	✓	✓			
Oklahoma	✓				
Oregon	✓			✓	
Pennsylvania					✓
Rhode Island	✓				
South Carolina		✓	✓		
South Dakota					✓
Tennessee		✓	✓		
Texas		✓			
Utah		✓			
Vermont		✓		✓	
Virgin Islands	✓				
Virginia		✓			
Washington		✓			
West Virginia	✓	✓			
Wisconsin		✓			
Wyoming		✓	✓		

Note: Some states have more than one reporting waiver in place. In November 2000, FNS promulgated regulations that gave the states the option to require households with earned income to report semiannually, unless a household has changes that result in its gross monthly income exceeding 130 percent of the monthly poverty income guideline for its household size. To qualify for this option, a state must have a certification period of 6 months or more.

[a]The threshold reporting waiver raises the earned income changes that households must report to more than $100 per month. (Households still must report if a member gains or loses a job.) Without this waiver, households would be required to report any wage or salary change of $25 or more per month.

[b]The status reporting waiver limits the income changes that households must report to three key events: (1) gaining or losing a job, (2) moving from part-time to full-time employment or vice versa, and (3) a change in the wage rate or salary.

[c]The quarterly reporting waiver eliminates the need for households with earned income to report any changes during a 3-month period, provided the household provides required documentation at the end of the period.

[d]The 5-hour reporting waiver limits changes that households must report to three key events: (1) gaining or losing a job; (2) a change in wage rate or salary; and (3) a change in hours worked of more than 5 hours per week, if this change is expected to continue for more than a month.

Source: FNS.

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