Food Stamp Policy Options:
Strategies to Help Working Families

EASY CHOICES IN TOUGH TIMES

Food Stamp Policy Options to Help Working Families, Maximize Federal Funding, and Stimulate the District's Economy

During this terrible recession, the District must act to adopt reasonable policies that will help low-income families readily access the highest food stamp benefit level possible. While the District has done a commendable job connecting more needy households to the benefits of food stamps during this economic downturn, more work is needed, particularly related to low-income wage earners. Based on a USDA report for 2007, while D.C. ranks ninth of the 51 states in participation of eligible residents, it ranks almost last—49th—in participation of eligible working poor residents. To help support low-income working families, the Income Maintenance Administration should adopt two key Food Stamp Program[1] policy options:

- *Transitional benefits for families leaving Temporary Assistance for Needy Families (TANF).* Transitional benefits are an automatic five-month continuation of food stamp benefits, adjusted for the loss of TANF income.
- *A standardized self-employment deduction.* A standardized deduction eliminates the need for self-employed applicants to verify the numerous costs associated with being self-employed, guaranteeing an appropriate benefit level for these participants through a simplified application process.

If adopted, these food stamp policies will:

- Feed hungry people, especially children, in working female-headed households
- Bring federal funds to the District
- Boost District business (e.g., grocery stores) and economic growth
- Have zero or very small cost to the District government
- Simplify the process for customers and caseworkers

Implementing these permissible policy options will provide assistance to needy families, help the economy, and simplify the food stamp process. Food stamp benefits are 100 percent federally funded, with states bearing about 50 percent of administrative costs. Economists estimate that each dollar of federal food stamp benefits flowing into a local economy generates about $1.73 in economic activity.[2] These policies—by creating a standard process for families leaving TANF or providing a standard self-employment deduction (not subject to mathematical error)—will help streamline the process and improve program accuracy while bringing federal dollars into the District. The minimal costs associated with adopting these policy options—the costs of updating manuals, forms, and computer programs—could be more than offset by the two bonus awards, totaling $800,000, recently awarded to the Income Maintenance Administration for its timely processing of SNAP/Food Stamp applications and for best program access.

These two suggested policy options, explained in detail below, are permissible state options under existing federal food stamp statutes and regulations.

[1] The nutrition title of the 2008 Farm Bill renamed the Food Stamp Program the Supplemental Nutrition Assistance Program, or SNAP. States have the option of choosing their own name for the program. The name "food stamps" is still used in D.C.
[2] Mark Zandi from Moody's Economy.com, 2008.

D.C. Hunger Solutions
Ending hunger in the nation's capital

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Suggested Food Stamp Policy Option 1:
Transitional Food Stamp Benefits for Families Leaving Temporary Assistance for Needy Families (TANF)[3]

Overview

To increase support for a vulnerable population and improve program accuracy, the District should provide transitional food stamp benefits for families leaving TANF cash assistance. These transitional benefits would be 100 percent federally funded. Currently, 16,000 households in the District receive TANF assistance.[4] Transitional benefits will help those leaving this program continue to receive food stamp benefits, in most cases provide a larger food stamp benefit amount for these continuing families, and support a difficult transition away from TANF cash assistance. Moreover, providing transitional benefits will increase program accuracy by allowing easy and nearly error-proof determinations for TANF leavers.

Transitional benefits are an automatic continuation of food stamp benefits, equal to the amount received by a household prior to leaving TANF, but adjusted for the loss of TANF income. Federal law currently allows states to provide up to five months of transitional benefits for families leaving TANF cash assistance. Additionally, states can extend certification periods for transitional benefits through the entire five-month period, meaning no agency action is necessary after initially certifying that a family qualifies for transitional benefits.

Providing transitional benefits would also improve the District's food stamp program accuracy, by replacing an error-prone group with highly fluctuating income with a nearly error-proof group of stable, high-benefit recipients.

Which States Take Advantage of This Option?

Currently, 19 states, including Virginia and Maryland, provide transitional benefits to support families as they move off TANF cash assistance. All of these states also have implemented additional policies that improve upon the basic grant of transitional benefits, such as extending certification through the entire transitional period, or also providing transitional benefits for households leaving non-TANF, state-funded programs.

Why the District Should Provide Transitional Benefits.

- **Support families leaving public assistance:** Statistically, many families leaving TANF assistance will end up pursuing financial independence without the support that food stamps can provide, but many will end up being forced to return to TANF assistance. Providing transitional benefits will have a positive impact on the chances of families leaving TANF by providing a high amount of support to cover food costs while a family stabilizes.

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[3] Transitional benefits should be provided to households leaving both the federal TANF program and D.C.'s TANF program.
[4] From *Voices for Change: Perspectives on Strengthening Welfare-to-Work from DC TANF Participants* by Katie Kerstetter and Joni Podschun, 2009. http://dcfpi.org/wp-content/uploads/2009/11/11-12-09TANFreport.pdf. Note: D.C. Hunger Solutions has not been able to obtain data on the number of households leaving TANF each month.

In many cases, transitional benefits would also provide even more nutritional support than the families received before leaving TANF. After adjusted for the loss of TANF income, food stamp benefits for this population will likely approach the household's maximum allotment.

- **Retain eligible recipients:** Families leaving TANF generally do not stay connected to food stamps, even though most are likely still eligible for benefits. For a variety of reasons, such as unawareness of their continuing eligibility or challenges accessing food stamps while working, families leaving TANF lose valuable food stamp support. Providing transitional benefits will automatically keep these families enrolled without any additional requirements or contact, and prevent the loss of eligible recipients.

- **Improve program accuracy:** By design, the transitional benefit option uses an easy determination process that does not require, and in fact prohibits, any additional contact or recertification requirement. A food stamp agency merely adjusts a family's income for the loss of TANF income and automatically authorizes the resulting benefit for up to five months. According to the terms of this option, the correct benefit level remains this initial transitional benefit amount, regardless of the likely fluctuations in a family's income or even eligibility. If no error is made in this easy initial determination, no error is possible throughout the five-month period.

  Additionally, the option's design even corrects previous errors. When using this option, error determinations for TANF-leaver households are limited to inquiring about whether, given the reported income and benefit level at the time of transition, the food stamp agency correctly adjusted the benefit for the loss of TANF income. Any previous error, affecting benefit levels before that point, is no longer counted against the agency.[5] As a result, the option provides a clean slate for a nearly error-proof and high-benefit population.

- **Receive millions of dollars in additional federal funding:** Thousands of households leave TANF every year. With transitional benefits, households that would have left the food stamp program entirely will be retained at high benefit levels, and other households will receive a much larger benefit than they otherwise would. The increased benefits are fully reimbursed by the federal government, and transitional benefits could amount to millions of dollars per year in additional federal funds coming into the District.

- **Stimulate the local economy:** Putting more resources into the hands of the people most likely to quickly turn around and spend it would provide an important boost to the D.C. economy. Moreover, supporting families leaving TANF and enabling a successful transition will stimulate the local economy. Families who successfully pursue employment and leave TANF will add to the tax base of the District, draw on fewer of the District's resources, and become productively integrated into the economy.

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[5] See Stacy Dean and Dorothy Rosenbaum, Center on Budget and Policy Priorities, Implementing New Changes to the Food Stamp Program: A Provision by Provision Analysis of the Farm Bill (2002) at 64; Food Stamp Program Quality Control Review Handbook, Food and Nutrition Service 7-21 (2003).

What are the next steps for the District?

To begin providing transitional benefits, the District will have to decide what types of TANF leavers to make eligible, and whether to extend the certification period through the entire five month period. Following the leads of other states, to get the full benefit of the option, the District should make eligibility for transitional benefits as expansive as possible and extend certification through the entire transition period.

The District would also have to update manuals, forms, and computer programs in order to implement the option.

Suggested Food Stamp Policy Option 2:
Standardized Self-Employment Deduction

Overview

To improve the efficiency and accuracy of the District's food stamp program and to guarantee appropriate benefit levels for the self-employed, the District should develop a standard deduction for the costs of self-employment.

Providing a standard deduction for the costs of self-employment is the easiest way to guarantee that self-employment expenses are fairly represented in the food stamp benefits calculation. A standard deduction policy recognizes that the self-employed have costs associated with producing income, and allows such a person to easily claim a set deduction without excessive accounting and verification requirements. Since food stamp benefits are calculated based on net income, this deduction could significantly increase benefit levels for these customers.

Currently, the District requires the self-employed to verify all of their costs of self-employment, which requires worker and applicant documentation of all of the distinct costs of doing business. The District's IMA manual currently identifies 12 categories of deductible costs and eight categories of non-deductible costs, and provides accounting rules for how these costs are to be attributed to a given period.[6] This complicated process can prove an insurmountable barrier to a family in need of nutrition support, and require excessive agency time to explain and verify.

However, by implementing a standardized deduction method for the self-employed, families could more readily access food stamps. The use of a flat percentage-based approach would allow a worker to simply deduct a given percentage from an applicant's gross income as an approximation of self-employment costs. A state need only develop a method, here a percentage, which more or less approximates self-employment costs. Additionally, a state can allow the deduction of actual costs if actual costs are in excess of the standard deduction.

Which States Take Advantage of this Policy?

Currently, 16 states, including Maryland, use some form of standardized deduction for the costs of self-employment. Of these, 14 states use a percentage-based approach, where a flat

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[6] The Income Maintenance Administration's Policy Manual details the self-employment reporting process: http://dhs.dc.gov/dhs/cwp/view,a,1345,q,605566,dhsNav_GID,1728,.asp#4-40

percentage is deducted from gross income, ranging from 25% to 51%. Other approaches, such as Michigan's, distinguish between types of employment and provide different percentages for different types of self-employment.

Why the District Should Provide a Standardized Self-Employment Deduction.

- **Provide more accurate and appropriate benefit levels for the self-employed:** Currently, it is difficult for applicants to identify, claim, and prove all of the myriad costs of self-employment. As a result, self-employed food stamps recipients frequently receive significantly lower benefits than they otherwise would, simply because of the difficulty of providing a complete picture of the costs of self-employment. A higher benefit level could provide much assistance to these working clients who provide important goods and services to the community, such as operators of a home-based daycare.

- **Streamline eligibility processes and save administrative costs:** While there will be initial minimal administrative costs in making the change, use of a standardized income deduction for the self-employed will save costs in the long term. When using the standardized deduction, applicants will not have to detail and prove every cost of earning self-employment income, and eligibility workers will not have to collect, verify, and properly deduct the many possible types of costs, greatly reducing their workload.

- **Improve program accuracy:** With a standardized income deduction for the self-employed, eligibility workers will not have to collect and verify the costs of self-employment which, if done incorrectly, can result in significant error. This type of error could mean that a household receives an improperly low benefit level or even no benefits at all.

  Currently, to ensure an error-free determination, an eligibility worker must ask about numerous possible costs, with every profession and person having a possibly unique or overlooked cost. Smaller costs may be forgotten, even if they add up, and more unusual costs may not always occur to an eligibility worker or applicant.

What are the next steps for the District?

Per 7 C.F.R. § 273.11(b)(3), adopting a percentage-based standard deduction for the costs of self-employment requires that the District's Income Maintenance Administration make a determination about what percentage would be objective and justifiable. The District should implement a model similar to that of Delaware, which uses a flat rate of 51%, with the option of itemizing costs if they total more than this rate.

The IMA would also have to update manuals, forms, and computer programs to reflect the adoption of a standardized deduction.

These Policies Will Benefit Working Families

New data released in U.S. Department of Agriculture's (USDA) annual report show a dramatic increase in the number of people struggling with hunger in America.[7] Nationally, more than 49.1 million people lived in households that were food insecure in 2008 – up from 36.2 million in 2007 and 33.2 million in 2000. Locally, an average of 12.4 percent of D.C. households – one in eight –was food insecure between 2006 and 2008. Of these, 4.2 percent were considered to have "very low food security", meaning these households had more severe problems experiencing hunger and cutting back or skipping meals on a more frequent basis for both adults and children. Given the current ongoing recession, the number of hungry people today is likely even higher.

With the economic downturn, low-income families are teetering on the brink of disaster, and concerns about hunger are intensifying. It is time to take further action against hunger in the District. Providing transitional benefits for TANF leavers and implementing a standardized self-employment deduction is a win-win solution: the District's Food Stamp Program would reach additional struggling working households with a more robust 100 percent federally-funded benefit amount, and the increase in benefits would stimulate the local economy as people use their food stamp EBT cards immediately to purchase food.

For more information on these Food Stamp Policy Options, please contact:

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D.C. Hunger Solutions, an initiative of the Food Research and Action Center, works to end hunger in our nation's capital and promote the nutrition, health, economic security, and well-being of low-income families.

[7] *Reaching Those in Need: State Supplemental Nutrition Assistance Program Participation Rates in 2007*, USDA Food and Nutrition Service. Full report: http://www.fns.usda.gov/ora/MENU/Published/snap/FILES/Participation/Reaching2007.pdf