



MEMO TO: Sonny Perdue, Secretary
US Department of Agriculture
Washington DC

FROM: Jason Turner
Executive Director, Secretaries' Innovation Group

DATE: August 13, 2017

SUBJECT: SNAP Recommendations

COPY: Paul Ryan, Speaker of the House
Mitch McConnell, Senate Majority Leader
Scott Walker, Chair Republican Governors' Association
Paul Winfree, Deputy Director, Domestic Policy Council
Jennifer Tiller, House Agriculture Committee
Julian Baer, Senate Agriculture Committee

COPY SIG SECRETARY PARTICIPANTS 7/18 - 21:

Human Services Secretaries/Deputies from states:
TX, FL, OH, MA, WI, MD, IN, AL, MS, KS, UT, AR, ID

Workforce Directors/Deputies from states:
TX, FL, OH, IL, WI, MD, SC, KS, UT, AR, NV, ID, IA, NE, VT

Secretaries' Innovation Group recommendations:

General principles:

This proposal from the Secretaries' Innovation Group re-orientes the program away from FNS policy since 2001 which favors expansion of coverage and a lowering of the expectation that working families provide for their own food needs if they have assets and income to do so. Instead, we look to help put families with working age adults in a position to meet their own food and nutritional needs from earned income, much as the TANF program focuses its efforts on family economic self-sufficiency. In our recommendations below, SIG state human services secretary members met July 19 and took as a base template the Lee/Jordan Upward Mobility Act.

Our proposal expands the up-front job search expectations of both applicants and new enrollees for the first three months. State human services directors have learned from twenty years' TANF experience the power of "meeting the applicant at the door" and helping him or her find the best possible employment solution now. A second learned principle applied here is that training and other interventions used as a single input is less effective than ongoing long term expectations of participation in self-help activities. Rather than thinking of social policy as a series of time limited interventions for recipients who remain passive, policy must provide structures which emphasize activation and enforcement, and are open ended. This approach is sometimes termed "universal activation", and it forms part of the basis of Speaker Ryan's *Better Way* proposal.

A third critical aspect of work program design has to do with the connection between benefits and program attendance. Satisfactory participation should be a condition of receiving the entire household benefit, not just part. Experience shows that such a provision substantially increases program participation and results in faster movement to employment - - or, for those who have concealed income, case closure.

Fourth, there has recently been a concerted effort to expand eligibility, both through legislation e.g. during the recession, and through exceptions which avoid the asset test. More than 90% of applications are now approved on the basis of categorical eligibility, of which only 22% have cash benefits from TANF, SSI or GA. Proper income and asset tests should be applied so that taxpayers are assured that applicants are using their own available resources before appealing to other citizens for food assistance. For similar reasons, simplified reporting options should be narrowed.

Fifth, SIG members have devoted substantial consideration to the problem of eligibility verification and fraud (see below). Our members would welcome FNS' attention to this matter along with legislative change which would permit states to fund greater efforts with benefit savings from recovery.

Finally, in order to provide for the SIG recommended state obligations to engage applicants and recipients in work activity, the current financing structure is inadequate. SIG members have not made specific recommendations regarding SNAP state/federal funding, which is the purview members' respective governors and state budget offices. However we note the current arrangement, in which states pick up half the cost of administration including work programs, yet derive no offsetting revenue from reduced benefit payments resulting from improved eligibility determinations and movement to work, is not functional to achieve a large scale increase in state level of effort.

Side by side SIG recommendations with Lee/Jordan Welfare Reform and Upward Mobility Act, July 6 2017

	Current Law	Lee/Jordan Welfare Reform and Upward Mobility Act	Secretaries' Innovation Group recommendation
1	<i>Job Search</i> Required applicant job search is not prohibited under current law but practice has been rejected under prior FNS guidance. After enrollment job search permitted under FSET rules.	No provision.	<i>Permit job search during application period and require it or other activities for first three months</i> of enrollment for at least 20 hours per week for non-disabled parents and singles. See exception in #7 below.
2	<i>ABWODs</i> must meet work requirement after receiving SNAP for 3 months in a 36 month period.	<i>ABWODs</i> Reduces the amount of time an ABAWD can receive SNAP without satisfying the work requirement to 1 month from 3 months in a 36 month period.	Job search should be required of ABWODs per #1 above for application period and first 3 months, then work requirements per #9 should be mandatory on an ongoing basis. SIG members say there is no good reason for able bodied singles to receive benefits without work obligations.
3	<i>ABWODs</i> No specific mention of supervised job search as meeting work requirement. Current law allows job search to be included in state employment and training program. Also allows WIOA programs and an “employment and training” program authorized by the Governor.	<i>ABWODs</i> Adds supervised job search for 8 hours a week to the list of activities that satisfies the ABWOD requirement.	No SIG position, already permitted in current law.
4	<i>ABWOD exemptions</i> 15 percent of those determined to be an ABWOD (meaning not exempt for disability or dependents) can be exempted from the work requirement.	<i>ABWOD exemptions</i> Reduces the percent of the ABAWD caseload that can be exempted from work requirements from 15 percent to 5 percent of SNAP recipients who have not been exempted from ABAWD requirement for other reasons, such as SSI receipt).	SIG recommends the ending of the ABWOD general exemption. See #2 above. SIG members say there is no good reason for able bodied singles to receive benefits without work obligations.

5	<p><i>Supervised job search</i> No definition of supervised job search in current law. Includes job search in list of activities that can be part of a state employment and training program, but not the level of detail provided in Lee bill.</p>	<p><i>Supervised job search</i> Defines supervised job search to include only job search at an official site, supervised by staff, where attendance can be verified. Hours must be recorded to be in compliance with reporting requirements. (does not allow for remote or self-directed job search)</p>	<p>SIG supports. Reduces gaming of job search requirement and more likely assures that participants are seriously searching for employment.</p>
6	<p><i>Parents</i> States are required to register for work parents of children over 6. States are allowed at their discretion to develop an employment and training program. If they develop one and require it of parents, hours cannot exceed 120 per month.</p>	<p><i>Definition of SNAP parent recipient for Work Activation Program:</i> Parent age 19 to 55 who has a dependent child in the household, receives SNAP for 3 months or more in the year, and works fewer than 100 hours in the month.</p>	<p>SIG supports, however sufficient child care is required. CCDF 2016 reauthorization expanded child care beyond that of a work support, and eligibility departs from actual hours of need. With limited funds for more essential child care to allow work, this policy change should be reversed.</p>
7	<p><i>No interim work program</i></p>	<p><i>“Interim” work activation for applicants who have not received food stamps for the prior three years:</i></p> <p>Enrollee must participate in 6 hours per week of supervised job search and additional activities at state option.</p> <p>Recipient can only qualify as interim for 3 months in each year, after which he or she must engage in full work activation or be employed 100 hours per month.</p> <p>This provision is intended to help those who are not recent long term SNAP recipients to get quick job search assistance at low cost, so the state can concentrate greater resources on others.</p>	<p>SIG supports.</p>

8	<p>Work activation No work activation program is required of parents. States have discretion to design a program and require it for parents of children over 6.</p>	<p>Full work activation: Recipient must participate in 100 hours of work activities per month (roughly 25 per week). Only 20 hours per month required if household has a child under age 6. At least 10 percent of full work activation caseload must participate in workfare or community service.</p>	<p>SIG supports. The reason for the Lee/Jordan minimum requirement for workfare or community services is to assure fallback capacity where job search has been completed and other activities are not appropriate or available.</p>
9	<p>Work activities No specific work activities are specified in current law. Allows WIOA programs and programs authorized by the Governor.</p>	<p>Work activities Same as defined in TANF, but adds supervised job search without time limit. At least 20 hours per week must be in activities not related to education. Funds available for TANF, WIOA and FSET are eligible for use in program.</p>	<p>SIG supports.</p>
10	<p>Sanctions for non-participation without good cause Not included.</p>	<p>Sanctions for non-participation without good cause Pro rata reduction in benefits, or termination until satisfactory participation resumes .</p>	<p>SIG supports.</p>
11	<p>Not included, but similar to TANF.</p>	<p>Special condition Only 30% of eligible caseload can be counted in education to satisfy the work requirement.</p>	<p>SIG supports.</p>
12	<p>No under 20 provision specifically included, but similar to TANF. Education activities are listed as part of what a state can design.</p>	<p>Special condition Under age 20 and a parent: can participate in school or education directly related to work to satisfy work requirement (the 20 hour requirement for non-education activities does not apply).</p>	<p>SIG supports.</p>

13	Parents of children under 6 are not required to be registered for work.	Special condition Parents of children under 6 can be required to participate if appropriate child care is available. States may exclude parents with a child under 1.	SIG supports.
14	Max hours Same as at right.	Max hours Workfare and community service hours cannot exceed total grant divided by minimum wage.	SIG supports.
15	State participation rates No provision	State participation rates States must achieve a participation rate, which gradually increases to 80% of the non-employed (under 100 hours of private employment) by 2023. Individuals in sanction status are counted as participating. <ul style="list-style-type: none"> • 20% 2017 • 35% 2018 • 50% 2019 • 65% 2020 • 80% 2021 Participation rate denominator is average number of eligible participants in a given month. Required state rate is reduced if US unemployment exceeds 8%.	State participation rates SIG opposes participation rates at left as too high and not realistically achievable on a large scale. A better option is to require states to mandate participation among ABWODs and adult parents, subject to availability of Federal funds for program and child care. State performance should be measured against reductions in SNAP benefit expenditures resulting from increased self- sufficiency though earned income and other factors. The Secretary will propose such measurements through consultation with states so as to achieve these objectives.
17	Penalties No provision.	State implementation and participation rate in work program are required to avoid penalties Funding for the state allotment will be reduced by 10% if the state fails to	SIG opposes. Federal financial incentives to states for expanded work participation will be more effective than penalties (e.g. which have been

		implement the work requirement. If state falls short of participation rate, state received reduced amount in proportion to shortfall.	inconsistently applied under the TANF program). Penalties create friction and encourage gaming. Financial incentives for expanded participation and employment outcomes encourage positive and cooperative action.
18	Purpose language Stated purpose focuses on improving nutrition among low-income households.	Purpose language Adds to the purpose of SNAP, to include “to increase employment, to encourage healthy marriage, and to promote prosperous self-sufficiency”.	SIG supports.
19	Categorical eligibility Extensively applied under current law and state practice.	No provision	Eliminate broad based categorical eligibility. All applicants and enrollees should be subject to SNAP income and asset tests under current law (exception for elderly and disabled).
20		No provision	Narrow simplified reporting options Participants who are no longer eligible due to employment or for other reasons are not being identified in a timely way.
21	Permissible food items All food or food products meant for home consumption, except alcohol, tobacco, and hot prepared foods are allowed. Nothing in current law places restrictions on what is determined “essential”.	Secretary can narrow permissible food items for purchase The Secretary may determine the definition of essential. Specific language: “except that a food shall be considered a food if it is essential as determined by the Secretary.”	SIG supports.

OTHER SIG RECOMMENDATIONS:

1) Allow states to restrict the purchase of soda, candy and other non-nutritional products

PROBLEM: The Supplemental Nutrition Assistance Program is intended to subsidize nutrition for needy families. However, too many recipients are utilizing their benefit to purchase items that are not only void of nutrition, they are damaging to their health. More than one-

third of adults and 17% of youth in the United States are obese, according to the Journal of the American Medical Association.¹ According to a Health Affairs study, the medical costs associated with Obesity are an estimated \$147 billion in 2008.² This massive spending certainly includes state's Medicaid programs, which is a major cost driver in state and federal budgets. Secretary Price has made childhood obesity one of his top three priorities.

SOLUTION A: Recommend that allowable SNAP purchases be based on guidelines in the Women, Infants and Children (WIC) program. SNAP purchases should be healthy and nutritious choices.

SOLUTION B: Add to list of ineligible purchases harmful products with no nutritional value as determined by the Secretary.

SOLUTION C: Establish a pilot project with up to 10 states for a waiver that would allow for nutrition controls on SNAP purchases. These pilot waivers would require an evaluation of measurable outcomes (e.g. healthy changes in food consumption patterns).

2) Key SNAP purchase data is not available to States

PROBLEM: Micro-level transaction data which shows how SNAP benefits are being spent is not available to the States because the United States Department of Agriculture (USDA) Food and Nutrition Service (FNS) does not allow its capture or dissemination. This data would provide an objective, measurable picture of where reforms are needed to ensure the program is effective in providing essential nutrition for those in need.

SOLUTION: Require FNS and SNAP-EBT vendors to capture all SNAP transaction-level data and make it available to States. Transparency on how SNAP dollars are spent is important to inform program officials, legislators and the public on what changes are needed in the program to ensure its effectiveness.

3) EBT card traffickers can easily avoid prosecution

PROBLEM: Electronic Benefit Transfer (EBT) cards are regularly trafficked for cash and illegal drugs. A suspected trafficker encountered by Law Enforcement might have multiple EBT cards on them, or a card that does not have their name or picture. The potential trafficker can claim they are authorized by the household to use the card and if the Law Enforcement agent cannot contact the household the card was issued to, there is nothing else they can do. This issue is often cited by Law Enforcement and Fraud Investigators as the number one reason EBT/SNAP traffickers avoid prosecution.

¹ <http://jama.jamanetwork.com/article.aspx?articleid=1832542>

² <http://content.healthaffairs.org/content/28/5/w822.full.pdf+html>

SOLUTION: Amend 7 CFR 273.2(3) to allow only individuals who have been certified in writing as an “Authorized Representative” to possess and use the EBT card for purchases. States will collect and retain information on the authorized representative(s) for the case and can verify if possession of the EBT card is legitimate. In addition, the number of “authorized representatives,” that are not part of the household, should be limited to no more than two individuals.

4) There are insufficient requirements for positive identification and verification

PROBLEM: Photo ID is permitted by law but has been discouraged by restrictive federal rules and in practice by FNS. The transition to online applications facilitates fraud.

SOLUTION: Require in-person applications with a valid photo ID. Second, require photos on EBT cards to deter potential criminal activity, allow checks of card ownership by law enforcement, and protect legitimate users against theft. Third, reverse previous FNS guidance opposing biometric positive identification such as finger imaging to deter multiple fraudulent applications, and provide 100% FFP for this purpose.

5) Unlimited replacement cards encourage EBT card trafficking

PROBLEM: Where an EBT card containing a SNAP benefit is compromised, the owner often requests a replacement card in order to facilitate a new illicit transaction the next month when the benefits are loaded back on the account. Card replacements are a top red-flag indicator of fraud. While states can monitor excessive card replacements, there is no restriction on total number of cards issued in a given time period. In addition, federal rules do not allow states to charge an individual more than the actual cost of producing a replacement EBT card. This doesn't allow states to discourage trafficking or losing EBT cards through financial penalty.

SOLUTION: Restrict to two the number of replacement cards an individual can request in a twelve-month period. After any request for a replacement card, recipient must come to office to have a face-to-face interview with an eligibility specialist. During a second replacement card request, a fraud investigator must be present. Limit the number of authorized representatives to two and print their names on the reverse of the EBT card. Permit states to charge recipients for replacement cards.

6) Convenience stores need more stringent requirements to participate in SNAP

PROBLEM: The convenience store category of EBT retailers is of particular concern. The majority of EBT trafficking occurs in these venues.

These establishments typically do not stock the type of eligible food products that satisfy the original intent of the SNAP program. EBT redemptions typically far exceed eligible food inventory at these locations.

SOLUTION A: Amend 7 CFR 278.1(8) - Increase the minimum eligible food inventory requirements of the four major food groups to be stocked for sale at convenience store category retailers. Current federal requirements of 3 items of each of the four major food groups are too minimal. Increasing daily food inventory requirements will require convenience store retailers to make an inventory investment to become authorized for EBT redemptions. Currently, convenience stores have minimal requirements and investment to become authorized.

SOLUTION B: Increase financial assurance requirements to participate as an EBT Retailer.

SOLUTION C: Increase penalties for non-compliance with retailer requirements (monetary penalties).

SOLUTION D: Increase the frequency of compliance inspections at convenience store category retailers.

7) States are unable to prosecute retailer fraud and remove retailers from SNAP

PROBLEM: The USDA's Office of Inspector General (OIG) has sole responsibility and authority over retailer fraud investigations and enforcement in all states. There are very few agents assigned to perform this extremely important task. For example, there are just two agents covering New England and only four in the state of Michigan. Additionally, the USDA OIG agents tend to focus on larger and more high profile cases, limiting state ability to shut down smaller, convenience store type locations with fraudulent activity.

SOLUTION: Allow States the opportunity to utilize state OIG's and state fraud investigatory entities to investigate and enforce violations on retailer fraud. For instance, Michigan's DHS OIG has 133 agents throughout Michigan who work closely with Law Enforcement and the Michigan Attorney General's Office. This type of state-based unit is better positioned to investigate and enforce EBT retailer trafficking violations in the SNAP program.

8) Cooperation with fraud investigators is not mandated by federal regulation

PROBLEM: Recipients suspected of trafficking typically fail to appear for OIG and fraud investigation interviews. Time and resources are wasted in attempts to locate these individuals. EBT has allowed recipients mobility without notifying the department of address changes, as the EBT benefits are electronically loaded on their EBT card monthly. Their location is irrelevant.

SOLUTION A: Federal requirement that when an individual fails to cooperate with a fraud investigation (definition of “cooperate” to be determined), the result is immediate case closure and termination of benefits, with potential penalty commensurate with actual fraud determination (e.g. suspension of any eligibility for a period of time).

SOLUTION B: Disallow out-of-state EBT redemptions, OR create limited time period exceptions for out-of-state redemptions. Residency requirements are questionable for extended periods for out-of-state EBT redemptions.

9) The definition of “Household” is weak and allows for duplicate benefits

10)

PROBLEM: Federal rule allows two individuals, living in the same household, to be defined as separate “households” if they “purchase and prepare” food separately. This can easily be manipulated to produce a dual benefit for a household.

SOLUTION: Revise language in 7 CFR 273.1 to eliminate the option for separate “purchase and prepare” within one household.

11) Simplified Reporting allows for gaps in program integrity

PROBLEM: Federal rules allow for simplified reporting which give states the option to only require individuals on SNAP to report household or income changes at intervals (monthly, semi-annually, annually). The intent is to make administration easier, but it creates the condition that individuals do not timely report changes that could affect or reduce their benefits.

SOLUTION: Change federal rules to eliminate the simplified reporting option instead require individuals to report changes in household or income as it occurs to ensure accurate and up-to-date information related to their case.

12) SNAP Education funds would be better utilized for employment and training

PROBLEM: SNAP-Education (SNAP-ED) funds are duplicative of many separate similar federal, state and local nutrition efforts and are generally ineffective at changing food consumption patterns. These funds should be re-allocated to employment and training.

SOLUTION: Reallocate federal SNAP-ED funds for employment and training.

13) Increase financial incentives for States to pursue fraud, waste, and abuse

PROBLEM: States are only able to retain 35% of funds collected from intentional program violations (IPVs) or fraud to reinvest in program integrity efforts.

SOLUTION: Allow States to retain at 75% of funds collected from IPVs or fraud to reinvest in program integrity efforts.

14) Illegal non-citizens receive an increased benefit due to unreported income

PROBLEM: Illegal alien families with citizen children obtain a higher benefit than they should be eligible for because unreported income of the parent/adult is not counted. In a family where all members are citizens, all income is required to be reported and counted.

SOLUTION: Federal Food Stamp amount for these families should be set at the same level as for comparable child-only cases from among citizen families.. As a minimum, the greater of the stated income or imputed income from employment should be applied when calculating the benefit.