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The Honorable Jim Beall
Chair, Assembly Human Services Committee
State Capitol
P.O. Box 942849
Sacramento, Ca 94249

Re: Support for AB 1642 from the Sponsor

Dear Assembly Member Beall,

California Food Policy Advocates is pleased to be sponsoring AB 1642, legislation designed to remove millions of pages of unnecessary paperwork and to increase participation in nutrition programs. This bill would move California to a simplified reporting system for CalWORKS and Food Stamps. In addition, AB 1642 supports the U.S Department of Agriculture's recent efforts in requiring a state plan to move California to a simplified reporting system.

The U.S Department of Agriculture (USDA) estimates that nearly 3 million Californians, or about half of those who are eligible, are not receiving food stamps. As a result, California has one of the worst food stamp participation rates in the country. With nearly 3 million people not receiving the federal assistance that they are eligible for, Californians are losing out on over \$3.7 billion in federal food stamp benefits each year. In times like these, we simply can't afford to lose these valuable resources.

Eligible California families are not the only ones who benefit from food stamps. According to USDA, every \$1 in food stamp benefits generates \$1.84 in economic activity. This economic activity not only helps grocers and growers, but also the state and local governments. Research has shown that increasing the dollar amount of food stamps used in the state increases state and local tax revenue. Thus, the food stamp reporting changes found in AB 1642 would bring millions of dollars in federal funds and increase revenue to the State's General Fund.

Forty eight other states can't be wrong when it comes to reducing paperwork. To date, California and Wyoming are the only states that have not adopted simplified reporting for the

Supplemental Nutrition Assistance Program (SNAP), the federal name for the California Food Stamp Program. Those states that have implemented simplified reporting have seen increased participation, have reduced the enormous paperwork burden for recipients and administrators, and have reduced food stamp payment error rates, which helps states avoid costly federal penalties. Increasing participation in food stamps would also help more low-income children get free meals at school, thanks to AB 1385, successful legislation authored by Assembly Member John Laird in 2005. AB 1385 implemented a computerized matching system that directly certifies children receiving food stamp benefits for free or reduced price meals. Thus AB 1642 would not only draw in more federal food stamp resources, but also federal child nutrition resources.

Changing our reporting system in California is a challenging task, but because the federal government and so many other states have significant experience in this area, there are answers to many of the questions our state must grapple with:

1. *How does AB 1642 support recent USDA efforts requiring that a State plan to move California to simplified reporting be drafted?*

In September of 2009 USDA denied the state's request to extend the current system of food stamp reporting in California. The waiver denial included a requirement that the State draft a plan to implement simplified reporting by February 15, 2010. The California Department of Social Services (CDSS) has drafted such a plan and has set a proposed timeline for implementation. The plan calls for a state statutory change, associated costs, and other implementation requirements. AB 1642 was designed as the legislative vehicle to implement this change and falls within the guidelines recommended by USDA. Though USDA has yet to approve the CDSS plan, in order to meet the proposed timeline, a plan should be enacted within the 2010-2011 session.

2. *How will the state manage the cost of system re-programming?*

CFPA believes a portion of the recent federal allocation of \$30 million dollars, intended as a supplement to help relieve the growing strain on existing resources related to administering the program, should be used to cover the system re-programming costs associated with implementing simplified annual reporting. The Department of Defense Appropriations Act of 2010 (Section 1002 of Pub. L. 111-118) appropriated \$400 million to be allocated to State agencies for the cost associated with administering the Supplemental Nutrition Assistance Program (SNAP), the federal name for the California Food Stamp Program. These are 100% federal funds and do not require a state match. Of these funds, California received \$30 million and is encouraged to obligate these funds in FY2010, but must obligate them by September 30, 2011.

3. *What information should be required within the 6-month reporting period?*

The Bush administration and Congress agreed on a simple 6-month reporting system in which families had to report an income change only if the change makes them ineligible

for the Food Stamp Program. This simplicity has greatly reduced paperwork and led to administrative savings and fewer errors. A 6-month period free of additional reporting burdens appears to be the most promising and effective approach. AB 1642 follows this approach for food stamps. However, for CalWORKs, families would be required to report during the 6-month period when their income exceeds the amount likely to render the recipient ineligible for CalWORKs or if the recipient's income increases by three-quarters of the monthly income of a family of three at the federal poverty level (roughly \$900) plus the amount of income last used to calculate the recipient's monthly benefits.

4. *How should benefit costs be managed?*

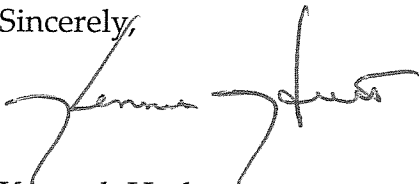
Food stamp benefits are paid 100% by the federal government, but some administrative food stamp costs and CalWORKs benefit costs are left to the state. Therefore, the state needed a mechanism for managing benefit costs likely to result from participation increases. The food stamp reporting requirement discussed above helps by terminating benefits for people whose income rises above the food stamp eligibility limit within the 6-month reporting period. Similarly, because the state of California pays CalWORKs benefit costs, an income reporting threshold would help manage the state costs. The CalWORKs threshold described above (the three-quarter-poverty-level requirement) would yield significant CalWORKs administrative savings based on estimates from the Department of Social Services.

5. *How does simplified reporting impact fraud?*

When changes are made to welfare or to food stamps questions about fraud may arise. The Obama administration, similarly to the previous Bush Administration, states that there is no known correlation between simplified reporting and fraud rates, and has managed to keep the issue from distracting from the substantial benefits of simplified reporting.

Based on the experiences in 48 other states and USDA guidance to implement simplified reporting, we are certain AB 1642 is worthy of support. We urge you and your fellow members of the Assembly Human Services committee to vote "yes" on AB 1642. California can't continue to lose out on valuable federal nutrition resources when far too many families are struggling to put food on the table.

Sincerely,



Kenneth Hecht

Executive Director, California Food Policy Advocates