CENTER ON BUDGET AND POLICY PRIORITIES

820 First Street, NE, Suite 510, Washington, DC 20002
Tel: 202-408-1080 Fax: 202-408-1056 center@cbpp.org http://www.cbpp.org

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THE IMPORTANT DIFFERENCES BETWEEN THE HOUSE AND SENATE TRANSITIONAL FOOD STAMP PROVISIONS

Studies show that many eligible families lose food stamps at the same time or shortly after they leave welfare for work (or cease to receive welfare because they reach a state or federal welfare time-limit). Both the House and Senate farm bills would allow states to provide six months of transitional food stamps to families that leave welfare, so that low-income families with children would be able to continue receiving food stamp benefits without having to deal with the confusing and sometimes daunting paperwork and other requirements that deter many eligible families from continuing to receive food stamps when they leave welfare for work.

The transitional food stamp provision in the House bill, however, has several serious flaws that would have the unintended effect of reducing work incentives for many families and making many families worse off than under current rules. In a large number of states, families that worked at low wages and received some TANF cash assistance as a wage supplement before leaving TANF altogether would suffer substantial reductions in their food stamp benefits.

Background

Most families that leave TANF cash assistance programs have low incomes and remain eligible for food stamps when they go to work. Many of these eligible families, however, do not stay connected to the food stamp program when they leave TANF. Research by both the Department of Health and Human Services and the Urban Institute has shown that fewer than half of the individuals who leave TANF cash assistance continue to participate in the food stamp program despite earning low wages and, in most cases, remaining eligible for food stamp benefits.

Additional research by the Manpower Demonstration Research Corporation indicates that many families that leave TANF cash assistance are not aware they remain eligible for food stamps. MDRC also has reported that the steps such families must take to continue receiving food stamps often are confusing or difficult for these families to take. MDRC has suggested that if families on cash assistance knew they would continue to be eligible for food stamps (and Medicaid) when they obtained a job — rather than thinking they would lose their food stamps when they went to work — the families might well be more likely to look seriously for employment.

Transitional food stamps are designed to help address these problems. They allow a state to continue a family's food stamps when the family leaves the TANF rolls, based on information the state already has and without requiring the family to come in to the welfare office and submit a new application. Helping families retain food stamps after leaving welfare for work can help make the transition to work more successful and help ensure the families are better off working than on welfare.

Both the House and Senate farm bills would give states the option to provide six months of transitional food stamps to families that cease receiving TANF cash assistance. This option would build upon an existing USDA regulation that gives states the option of providing transitional food stamps for *three* months to families leaving cash assistance, without requiring the family to reapply or submit additional paperwork. The House and Senate bills also would make it easier for states to administer transitional food stamp benefits by allowing a family's recertification for food stamps to be deferred until the end of the transition period.

Yet while the underlying concept of a state option to provide six months of transitional benefits is the same in the House and Senate bills, the House approach regarding how the level of the transitional food stamp benefit would be determined — and how it would be adjusted during the transition period — is highly problematic. The House provision would have the unintended effect of weakening efforts to promote work and would reduce benefits for substantial numbers of working families.

Comparison of House and Senate Provisions

There are three major differences between the House and Senate provisions.

1. *The level of the benefit during the transition period.* Under the Senate approach, when a household ceases to receive welfare its food stamp benefit during the transition period would be set at a level that reflects the amount of income the household has been receiving, except for the TANF cash assistance benefit (which, of course, has ended). Under the House approach, a household's benefit level during the transition period would be frozen at the benefit level it received prior to its TANF case closure, *without any adjustment* to reflect the loss of its TANF income. In other words, under the House bill, the household's food stamp benefit would be set at a level that essentially assumed the household was still receiving TANF cash assistance, even though that would not be the case.

2. *The procedure for a household's benefits to be adjusted during the transition period if the household's circumstances change.* Under the Senate approach, a state using the transitional benefit option would adjust a household's transitional benefit level during the transition period to reflect changes in income and household circumstances during the period that result in an increase in need, if the household reports and verifies these changes. (This would include such changes as the birth of a new child, an elderly relative moving into the household, or a loss of earnings.) Under the House bill, by contrast, a household in such circumstances would *not* be able to have its transitional food stamp benefit adjusted to reflect its change in circumstances unless it filed a new food stamp application, which generally would mean coming into the welfare office (and missing

time from work). Similarly, if a household's income falls when it leaves the TANF rolls — as would occur if a family's TANF "earned income disregard" expired or the family reached a TANF time limit — the family's food stamp benefit would not be adjusted upward to reflect the loss of TANF income unless the family came in and filed a new food stamp application, even though the food stamp office would know — without needing a new application — that the family was no longer receiving a TANF benefit.

- *Which households may receive transitional benefits.* The Senate bill would clarify that transitional food stamps are available to all households that leave cash assistance for reasons other than that they have been sanctioned. A narrow reading of the House bill might deny transitional food stamps to households that remain eligible for TANF cash assistance but want to be independent of welfare and voluntarily choose to leave the program.

Why the Senate Approach is Preferable

The House Version Cuts Food Stamp Benefits Relative to Current Rules. The House bill would freeze a family's food stamp benefits at the benefit level the family was receiving when it was getting cash assistance, even though the income the family has available to buy food may have fallen. In many cases, this would represent a reduction in food stamp benefits compared to either the current rules under which states may provide transitional food stamp benefits for three months or the current rules without transitional benefits. Under both current approaches, a household that has less income after leaving TANF than it did when it received TANF would have its food stamp benefits adjusted to reflect the increased need.

For example, for families that manage to continue receiving food stamps after hitting a TANF time limit, states currently adjust food stamp benefits upward to reflect the loss of TANF income. Similarly, if a family has been working and receiving TANF benefits as a wage supplement but the number of months for which the state provides such a wage supplement runs out and the family ceases receiving a TANF benefit, states now adjust the family's food stamp benefit upward to reflect the loss of TANF income.

The House bill approach could cause hardship for substantial numbers of families that leave TANF. While the House bill would allow a household whose income declines when it leaves TANF to reapply for food stamps and have its benefits computed under the regular food stamp benefit formula, it is unlikely that many families would understand the importance of doing so. Furthermore, many such families would likely have difficulty taking time off from their jobs to follow through with a food stamp reapplication process that can take hours and several visits to the welfare office to complete.

The attached table presents, for each state, the difference in food stamp benefit levels between the House approach on the one hand and the Senate approach and current USDA rules on the other hand. The table shows the difference in benefit levels for two typical families of three — a family that leaves TANF with no earnings (for example, because of a TANF time-limit) and a family that works its way off of TANF and has $500 a month in earnings.

- *Families hitting time-limits would lose benefits in 33 states* — In 32 states and the District of Columbia, households that leave TANF with no earnings would lose an average of $50 per month in food stamp benefits under the House approach, as compared to current rules and the Senate approach.

- *Families that leave TANF with earnings would lose benefits in 40 states* — These families would suffer deeper losses even though they are the principal families the transitional benefit provision is supposed to aid. In more than 40 states, a family of three with $500 of earnings during its last month on TANF would receive lower benefits than under current rules. *In 17 states, these families would lose over $100 a month in food stamps.* These states are: Alaska, California, Connecticut, Delaware, Hawaii, Indiana, Iowa, Maine, Massachusetts, Montana, New Mexico, Ohio, Rhode Island, Utah, Vermont, Virginia, and Washington.

  Studies of families that leave TANF show that roughly half of TANF leavers have some earnings immediately before leaving TANF. Under the House approach, these families would suffer the deepest losses in food stamp benefits during the transition period. (Such families generally live in states that have created the strongest work incentives in their TANF programs, usually by establishing substantial "earned income disregards" that disregard a significant share of a family's earnings for a number of months after the family goes to work.) The House approach could undermine state efforts to ensure that individuals who are working have more total disposable income when they leave the TANF rolls than while they still received TANF. As a consequence, the House approach might slow exits from TANF.

The Senate Version Provides Strong Work Incentives. Under the USDA rules governing the current three-month transitional benefit option, as well as under the Senate approach, some working families that leave TANF could receive higher benefits during the transition period than they would receive under regular food stamp rules. This can occur because increases in earnings they received (over the level of earnings they were receiving while they were still on TANF) would not be counted in determining their transitional benefit level. (This would be done to keep the process simple and avoid requiring the families to miss time from work to come to the welfare office to provide documentation on their new earnings level.)

This should not be considered a weakness of this approach: to the contrary, it boosts work incentives. These families have worked their way off welfare in concert with welfare reform goals. The additional food stamps they would receive during the transition period would constitute a work support during their first six months of new or increased employment. This would be akin to the six to twelve months of transitional Medicaid benefits that are guaranteed to welfare recipients who leave welfare and secure jobs paying wages that otherwise would make them ineligible for Medicaid.

In short, transitional food stamp benefits can encourage these families to remain employed rather than to fall out of employment and go back on welfare during their first few, often difficult, months on the job. Research has shown that many families that move from welfare to work have difficulty in the first few months and may end up back on welfare for a period of time.

States May Want More Options on How to Process Changes During the Transitional Benefit Period. The House and Senate have different approaches on how states should handle changes that occur during the transition period, but neither gives states much flexibility. Some might argue that the Senate approach would be less burdensome administratively for states. Processing full reapplications, as the House provision would require for families whose income has declined or whose family size has increased and who seek to have their benefits adjusted in response, is quite time-consuming for states. Other states may prefer the House approach because they have computer systems that are integrated across several programs. In such states the computer may automatically process a change that is reported for one program in each of the other programs. These states might want to process changes in both directions rather than only changes that increase food stamp benefits, as the Senate would require. An alternative would be for the conferees to give states several options on how to handle changes.

Transitional Food Stamp Benefit Level for Families Ceasing to Receive TANF
Families of Three with Median Shelter Expenses for the State

	HOUSEHOLD WITH NO EARNINGS				*HOUSEHOLD WITH $500 IN EARNINGS IN FINAL MONTH OF TANF RECEIPT*			
		Transitional Food Stamp Benefits				*Transitional Food Stamp Benefits*		
STATE	*TANF benefit*	*House Bill*	*Senate Bill and Current Rules**	***Difference***	*TANF benefit*	*House Bill*	*Senate Bill and Current Rules**	***Difference***
Alabama	$164	$356	$356	**$0**	$0	NA	NA	**NA**
Alaska	$923	$264	$440	**-$176**	$736	$168	$440	**-$272**
Arizona	$347	$331	$356	**-$25**	$60	$280	$307	**-$27**
Arkansas	$204	$356	$356	**$0**	$102	$278	$324	**-$46**
California	$645	$216	$356	**-$140**	$508	$123	$326	**-$203**
Colorado	$356	$356	$356	**$0**	$0	NA	NA	**NA**
Connecticut	$543	$291	$356	**-$65**	$543	$113	$356	**-$243**
Delaware	$338	$351	$356	**-$5**	$252	$210	$323	**-$113**
District of Columbia	$379	$290	$356	**-$66**	$267	$196	$281	**-$85**
Florida	$303	$356	$356	**$0**	$153	$257	$326	**-$69**
Georgia	$280	$356	$356	**$0**	$14	$303	$309	**-$6**
Hawaii	$712	$390	$536	**-$146**	$584	$297	$531	**-$234**
Idaho	$293	$356	$356	**$0**	$75	$289	$323	**-$34**
Illinois	$377	$342	$356	**-$14**	$210	$237	$332	**-$95**
Indiana	$288	$356	$356	**$0**	$288	$189	$311	**-$122**
Iowa	$426	$310	$356	**-$46**	$226	$220	$321	**-$101**
Kansas	$403	$339	$356	**-$17**	$157	$270	$341	**-$71**
Kentucky	$262	$356	$356	**$0**	$64	$271	$300	**-$29**
Louisiana	$240	$356	$356	**$0**	$0	NA	NA	**NA**
Maine	$461	$343	$356	**-$13**	$357	$210	$356	**-$146**
Maryland	$439	$293	$356	**-$63**	$114	$260	$311	**-$51**
Massachusetts	$633	$242	$356	**-$114**	$443	$147	$347	**-$200**
Michigan	$459	$356	$356	**$0**	$219	$285	$356	**-$71**
Mississippi	$170	$356	$356	**$0**	$0	NA	NA	**NA**
Missouri	$292	$356	$356	**$0**	$0	NA	NA	**NA**
Montana	$493	$296	$356	**-$60**	$268	$217	$338	**-$121**
Nebraska	$364	$342	$356	**-$14**	$135	$265	$326	**-$61**
Nevada	$348	$356	$356	**$0**	$0	NA	NA	**NA**
New Hampshire	$600	$322	$356	**-$34**	$350	$271	$356	**-$85**
New Jersey	$424	$316	$356	**-$40**	$174	$248	$326	**-$78**
New Mexico	$439	$304	$356	**-$52**	$264	$203	$322	**-$119**
New York	$577	$329	$356	**-$27**	$356	$275	$356	**-$81**
North Carolina	$272	$356	$356	**$0**	$91	$268	$309	**-$41**
North Dakota	$457	$306	$356	**-$50**	$210	$237	$332	**-$95**
Ohio	$373	$338	$356	**-$18**	$248	$214	$326	**-$112**
Oklahoma	$292	$356	$356	**$0**	$102	$262	$308	**-$46**
Oregon	$460	$307	$356	**-$49**	$210	$239	$334	**-$95**
Pennsylvania	$403	$339	$356	**-$17**	$153	$271	$340	**-$69**
Rhode Island	$554	$257	$356	**-$99**	$389	$159	$327	**-$168**
South Carolina	$203	$356	$356	**$0**	$74	$253	$283	**-$30**
South Dakota	$430	$330	$356	**-$26**	$102	$297	$343	**-$46**
Tennessee	$185	$356	$356	**$0**	$185	$220	$297	**-$77**
Texas	$207	$356	$356	**$0**	$0	NA	NA	**NA**
Utah	$451	$315	$356	**-$41**	$251	$225	$338	**-$113**
Vermont	$631	$258	$356	**-$98**	$369	$196	$356	**-$160**
Virginia	$320	$340	$356	**-$16**	$320	$180	$304	**-$124**
Washington	$546	$291	$356	**-$65**	$296	$224	$356	**-$132**
West Virginia	$453	$292	$356	**-$64**	$153	$247	$316	**-$69**
Wisconsin	$673	$220	$356	**-$136**	$173	$265	$343	**-$78**
Wyoming	$340	$353	$356	**-$3**	$40	$308	$326	**-$18**

Notes:
State TANF benefit levels may not reflect recent changes in TANF programs. All benefits listed are for the 13th month of TANF receipt.
This chart excludes Minnesota because the MFIP program combines food stamp and TANF benefits.
Some columns are marked "NA" because a family of three with $500 in earnings is not eligible for TANF in these states.
* The food stamp benefit under current rules is for a family that leaves TANF but experiences no other changes in circumstances.