ADVANCED POLICY ANALYSIS

The (Under) Utilization of Income Deductions in the Food Stamp Program in California

An Analysis Conducted for the

California Food Policy Advocates

Oakland, California

By

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Contents

Figures

Tables

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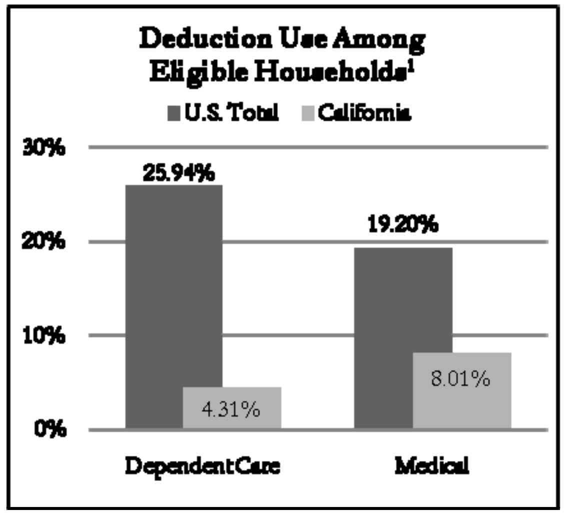
Executive Summary



The Food Stamp Program (FSP) dependent care and medical deductions are underutilized in California. The FSP was designed specifically to help families maintain an adequate level of nutrition, and the program's complexity allows it to tailor benefits to those with a greater need. Families with high costs associated with housing, child care and medical expenses can deduct qualifying costs, allowing the expenses to be offset in part by higher food stamp benefits. As a rule of thumb, for every $3 in deductible expenses, food stamp benefits increase by roughly $1, up to the maximum benefits allotment for the household. This report assesses potential changes to California's approach to the FSP's dependent care and medical deductions as a means of maximizing nutrition resources available to the state's low-income individuals.

The Food Stamp Program at a Glance

The Food Stamp Program (FSP) is the centerpiece of the nation's nutrition safety net, providing millions of Americans with the means to purchase food for a healthy diet. The Food and Nutrition Service (FNS) at the United States Department of Agriculture (USDA) administers the program at the federal level and the California Department of Social Services (CDSS) manages the program in California. Designed to respond to fluctuations in economic conditions, the program has seen a

[1] The dependent care deduction shows use among households with preschool children where all adults have earnings; the medical deduction shows use among household with elderly or disabled members. Due to a small pre-weighted sample size, the medical deduction data represents a three year average from 2005-2007. Source: author's analysis of the Fiscal Year 2005-2007 Food Stamp Program Quality Control sample.

sharp increase in participation during the current economic downturn. Since March 2008, the California caseload has increased more than 20 percent, reaching 2,653,014 individuals – approximately 1 in 15 Californians – and paying out over $338 million in benefits in March 2009.

These food stamp dollars impact everyone. Food stamp benefits have a positive impact on recipient households (increased food), retailers and growers (increased demand for food-related products and services), local and state economies ("multiplier effect" of food stamp dollars) and local and state budgets (increased sales tax revenue).

One way of evaluating the food stamp program involves determining how well recipients are able to access the full benefits to which they are entitled under the rules governing the program. This is a difficult task. The food stamp program, by design, is complicated. It reflects the diversity of social and economic situations in which food stamp recipients live.

Why the Dependent Care and Medical Deductions Need Reform

Deductions are an important part of the FSP. They reflect the fact that not all of a household's income is available for purchasing food; some must be used to meet other needs. From the household's gross monthly income, the FSP allows deductions to arrive at the net monthly income used for determining benefit allotment. Food stamp benefits are higher when the household's net income is lower. Deductions, therefore, can provide assistance to low-income households by way of an increase in current benefits. They can also provide incentives to attract eligible individuals not currently participating.

Despite their potential, the dependent care and medical expense deductions are claimed by very small percentage of the California food stamp households likely to be eligible. These two deductions are unique, requiring documentation of often irregular out-of-pocket expenses. This is difficult for clients and leads to administrative burdens on case workers.

CDSS should streamline the application and verification process for these deductions to maximize food stamp benefit amounts for families in California. To that end, CDSS, county welfare departments and outreach partners should consider the following recommendations:

- **Recommendation #1: California Should Expand the Scope of Allowable Dependent Care and Medical Expenses.** Federal regulations give flexibility to states to define the scope of allowable dependent care and medical expenses. This recommendation would increase the types of expenses that can be claimed as deductions, thereby increasing recipients' benefits. It would also help increase administrative accuracy.

- **Recommendation #2: California Should Conduct Targeted Outreach Around the Dependent Care and Medical Deductions.** This recommendation builds on the first and should target both current recipients and eligible non-participants. An increase in awareness of these deductions and their benefit will help realize their full potential.

- **Recommendation #3: California Should Allow Self-Declaration of Dependent Care Expenses.** This recommendation will reduce administrative time for case workers and ease the burden on participants.

- **Recommendation #4: California Should Explore the Feasibility of a Standard Medical Deduction Demonstration Project.** A standard medical deduction demonstration project has potential to help elderly and disabled households in California by easing the burden of verifying medical expenses while raising benefits. CDSS and its partners should explore the possibility of implementing a standard medical deduction along with an opt-out provision for households with high expenses. The cost neutrality proposal should be created in such a way that would not reduce actual benefits for any household.

Conclusion

This report analyzes the use of the dependent care and medical deductions in the food stamp program in California. Because of their importance to low-income households, California should consider ways to improve their use. Implementing recommendations in this report would help food stamp households access the full benefits to which they are entitled.

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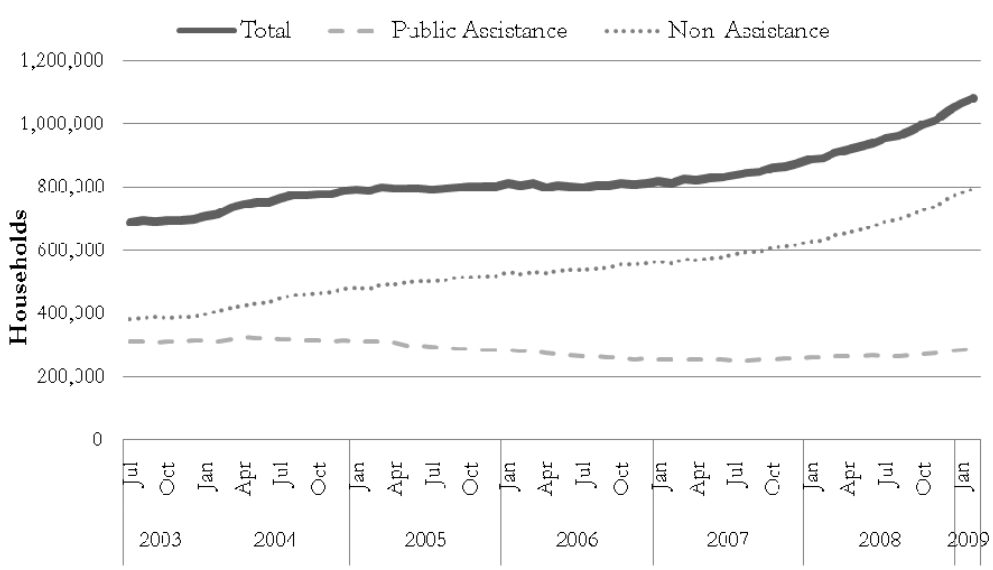
The Food Stamp Program

The Food Stamp Program (FSP) is the core of the nation's nutrition safety net.[2] It is the largest domestic food and nutrition assistance program administered by the United States Department of Agriculture's Food and Nutrition Service (FNS), providing millions of Americans with the means to purchase food for a healthy diet. Of the $60.1 billion federal budget for food assistance to low-income families in 2007, well over half was dedicated to the FSP. California received approximately 9% of the nation's FSP budget, or $2.6 billion in federal benefits. That year, an average of two million Californians living in 830,000 households received food stamp assistance each month.

The characteristics of food stamp households and the level of participation in the program change over time. As a means-tested program, the FSP is designed to respond to fluctuations in economic

Figure 1. Food Stamp Program Participation in California



[2] On October 1, 2008, the Food Stamp Program changed its name to the Supplementary Nutrition Assistance Program (SNAP). The new name reflects the program's mission to not only provide food assistance, but also to increase nutrition to improve the health and well being of low-income people. California, for the near future, chose to maintain the old name of the program. A California law passed in 2008 (Assembly Bill 433) requires the California Department of Social Services to decide on a new name for the program; this will likely take place in late 2009. Since California still uses the name "Food Stamp Program" and since this report uses data mostly from prior to the federal name change, the term "Food Stamp Program" is used throughout this report.

conditions that affect households. The current economic crisis is no exception; caseloads have skyrocketed to record levels across the country and near-record levels in California. In January, 2009, Food Stamp participation reached the highest participation level on record at 32,204,859 people. Since March 2008, the California caseload has increased more than 20 percent, reaching 2,653,014 individuals – approximately 1 in 15 Californians – and paying out over $338 million in benefits in March 2009. Additionally, the share of California food stamp households who receive other types of public assistance has been steadily declining. More and more households seeking public assistance for the first time, turning to the food stamp program to help make ends meet.

This report assesses potential changes to the food stamp program related to the use of income deductions in expanding benefits to low-income households. The current section reviews the history and mechanics of the FSP, the unique qualities of California's program, and why the dependent care and medical deductions warrant reform. Next, the analysis turns to the dependent care deduction, analyzing its use, assessing opportunities to increase takeup among working households, and making recommendations for improvement. The final section considers the medical deduction, assessing the viability of a standard medical deduction and recommending steps to move toward that goal. All recommendations for action intend to promote a strong food stamp program that best serves low-income Californians.

A Brief History of the Food Stamp Program

The Food Stamp Program provides a basic safety net to millions of people. The idea for the program emerged in the 1930's, and is typically credited to Secretary of Agriculture Henry A.

Wallace and the program's first Administrator, Milo Perkins. A limited program operated from 1939 to 1943. Of the program, Milo Perkins said:[3]

> *"We got a picture of a gorge, with farm surpluses on one cliff and under-nourished city folks with outstretched hands on the other. We set out to find a practical way to build a bridge across that chasm." -Milo Perkins*

Although short-lived, the early program bridged that chasm by providing relief to over 20 million people in the closing years of the Great Depression and helping to create a market for food surpluses. With the onset of World War II and the success of President Franklin Roosevelt's New Deal legislation in providing jobs to the unemployed, the demand for the program waned.

With his first Executive Order, President John F. Kennedy revived the program as a pilot in 1961. Leaders saw food stamps as an answer to the widespread poverty that was gripping the country during the mid 1960s.[4] In 1964, President Johnson's domestic policy initiatives known as the Great Society helped make the program permanent. Among the official purposes of the Food Stamp Act of 1964 were strengthening the agricultural economy and providing improved levels of nutrition among low-income households; however, the practical purpose was to bring the pilot FSP under Congressional control and enact the regulations into law.[5]

The program began operating nationwide in 1974. With the Food Stamp Act of 1977, the current program structure was put into place. Federal authority to operate the program is typically renewed every four years when Congress must "reauthorize" the program – updating provisions to reflect current demographic, social, economic and political trends. The most recent changes took shape through the Food, Conservation, and Energy Act of 2008 (more commonly known as the 2008

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[3] "About SNAP," *USDA, Food and Nutrition Service*, http://www.fns.usda.gov/fsp/rules/Legislation/about.htm.
[4] Robert Coles, *Still Hungry in America* (World Publishing Co., 1969); Harvey A. Levenstein, *Paradox of Plenty: A Social History of Eating in Modern America* (University of California Press, 2003).
[5] "About SNAP."

Farm Bill). The policy declaration in the law mirrors that of 1977, still capturing the essence of the program:

> *It is hereby declared to be the policy of Congress, in order to promote the general welfare, to safeguard the health and well-being of the Nation's population by raising levels of nutrition among low-income households. Congress hereby finds that the limited food purchasing power of low-income households contributes to hunger and malnutrition among members of such households. Congress further finds that increased utilization of food in establishing and maintaining adequate national levels of nutrition will promote the distribution in a beneficial manner of the Nation's agricultural abundance and will strengthen the Nation's agricultural economy, as well as result in more orderly marketing and distribution of foods. To alleviate such hunger and malnutrition, a supplemental nutrition assistance program is herein authorized which will permit low-income households to obtain a more nutritious diet through normal channels of trade by increasing food purchasing power for all eligible households who apply for participation.*[6]

The Food Stamp Program in California

The California Department of Social Services (CDSS) is in charge of implementing the Food Stamp Program in California. While the Food Stamp Program is a federal program, states are given a number of policy-making options that influence program access and participation. State administrative agencies often can exercise these options without state legislation. In California, some of these options are passed along for decision at the county level. CDSS maintains a manual for counties on how to run the Food Stamp Program, known as the Manual of Policies and Procedures (MPP).[7]

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[6] *Text of the Food and Nutrition Act of 2008, As Amended Through Public Law 110-246, Effective October 1, 2008* (United States Congress, May 22, 2008), http://www.fns.usda.gov/fsp/rules/Legislation/pdfs/PL_110-246.pdf; *Text of the Food Stamp Act of 1977, Title XIII of Public Law 95-113* (United States Congress, September 29, 1977), http://www.fns.usda.gov/fsp/rules/Legislation/pdfs/PL_95-113.pdf.

[7] California Department of Social Services, "Food Stamp Program Online Manual of Policies and Procedures," *CDSS, Office of Regulations Development*, http://www.dss.cahwnet.gov/ord/PG303.htm.

Administration of the program varies by state. Some states administer the program on a state-wide basis, and other states are divided into several administrative regions. California has a county-administered system where local county welfare departments (CWD) are responsible for day-to-day program administration. This structure, combined with optional policy choices, leads to variation in program operations between counties. CWDs set office hours and locations, hire and train caseworkers and are largely responsible for access to the program.[8] While USDA pays for the full cost of the benefits distributed to eligible participants, it only pays half of the costs associated with running the program. The remainder of administrative cost is borne by the state and counties.

Food Stamp Program Structure in California

There are a few structural aspects of the Food Stamp Program in California that are particularly relevant to this analysis.

The California Food Assistance Program

On August 22, 1996, President Clinton signed into law the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) (Public Law 104-193). PRWORA, commonly called the 1996 Welfare Reform Act, overhauled the nation's welfare system and made significant changes to the federal Food Stamp Program. Among the changes were the reduction of food stamps for many participants and their elimination, except under certain conditions, for two groups – legal immigrants and able-bodied adults without dependents (ABAWDs).

To afford some level of benefit protection to certain legal noncitizens no longer eligible under PRWORA, the California legislature created the California Food Assistance Program (CFAP). The program began in 1997 and provides state-funded food stamp benefits to qualified legal immigrants who are ineligible for federal food stamps. Since 1997, the federal government has incrementally

[8] California has a robust food stamp outreach network, funded in part through USDA.

reinstated benefits for some legal noncitizens. Under current federal law, generally all legal noncitizens are eligible for federal benefits except those who have been residing in the United States for less than five years and are between 18 and 65 years old. CFAP still operates, albeit on a much smaller scale, to cover eligibility gaps in the federal program. In 2008, CFAP beneficiaries accounted for 1 percent of the total food stamp households in the state of California. The state of California pays the full cost of the benefits distributed through CFAP, as well as the full administrative costs of the program.

The primary data source used throughout this analysis only represents participants in the federally funded Food Stamp Program. Accordingly, CFAP recipients are <u>not</u> included with the federal food stamp recipients whose experiences are the basis for this analysis.[9]

<u>SSI "Cash-out"</u>

In California, Supplemental Security Income (SSI) recipients are categorically ineligible for food stamps because of a policy called "cash-out." This policy started in 1974 when Supplemental Security Income (SSI) became a federal cash assistance program for low-income elderly, blind and disabled people. The federal government provides the majority of the SSI assistance grant, while the state provides a supplement called the State Supplementary Payment (SSP) meant to substitute for the food stamp benefit the recipient would otherwise receive. Primarily to avoid the high cost of administering food stamps to SSI recipients, California has taken steps to maintain its cash-out program.[10]

California is the only state in the country that cashes-out food stamp benefits for all SSI recipients instead of allowing them to enroll in the federal Food Stamp Program. As a result, relative to other

[9] For more information about the data, see Appendix A.
[10] For a more detailed history of SSI Cash-Out in California, see Arnold, Autumn, and Amy Marinacci. *Cash-Out in California: A History of Help and Harm*. California Food Policy Advocates, August 2003. http://www.cfpa.net/CashoutinCA2003.pdf.

states, a small portion of low-income elderly or disabled residents of California participate in the Food Stamp Program. This affects the determination of California's official participation rate and factors into the analysis of medical deductions, both of which are discussed more below.

Who Benefits from the Food Stamp Program? Everyone!

The primary beneficiaries of the food stamp program are undoubtedly the individuals and households who receive an influx of food stamp dollars, allowing them to increase their food buying capacity. Studies have shown that the introduction of food stamp benefits leads to an increase in overall food expenditures in a household.[11] As retailers and growers see increased revenues from rising demand, the funds begin to cycle through the local economy and create a "multiplier effect." The United States Department of Agriculture (USDA) estimates that under certain conditions, particularly in times of economic recession, each dollar in food stamp benefits generates approximately $1.84 in economic activity.[12] A recent analysis of the American Reinvestment and Recovery Act (the stimulus package) projects a similar impact of $1.73 for each additional dollar invested in the food stamp program.[13]

An analysis by the California Legislative Analyst's Office (LAO) found that State and local governments also stand to benefit from increased food stamp spending through increases in sales tax revenues. The state General Fund receives about 5 cents for every dollar that is spent on a taxable good. Local governments and special funds receive the remainder of the sales tax revenue

[11] Hilary Williamson Hoynes and Diane Schanzenbach, "Consumption Responses to In-Kind Transfers: Evidence from the Introduction of the Food Stamp Program," *SSRN eLibrary* (April 2007), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=979930.
[12] Kenneth Hanson and Elise Golan, *Effects of Changes in Food Stamp Expenditures Across the U.S. Economy*, August 2002, http://www.ers.usda.gov/publications/fanrr26/fanrr26-6/fanrr26-6.pdf
[13] Mark Zandi, *The Economic Impact of the American Recovery and Reinvestment Act* (Moody's Economy.com, January 21, 2009), http://www.economy.com/mark-zandi/documents/Economic_Stimulus_House_Plan_012109.pdf.

(generally about 2.25 cents per taxable dollar).[14] Foods eligible for purchase with food stamp benefits are not generally taxable in California. For every additional dollar a low-income family receives as part of a food stamp allocation, existing resources become available for the consumption of food or other goods. Research indicates that individuals with income low enough to be eligible for food stamps spend, on average, about 45 percent of their income on goods for which they would pay sales tax. Because food stamp benefits are fully federally funded, as low-income families spend more of their other resources on taxable goods, state and local governments receive an influx of revenue.

Maximizing Food Stamp Benefits

There are two distinct factors that contribute to maximization of food stamp benefits: (1) maximizing participation – that is, the sheer number of people receiving food stamps and (2) ensuring that those who do participate receive the maximum allotment to which they are entitled through the law.

(1) One important measure of a program's performance is its ability to reach its target population. The national participation rate – measuring the percentage of eligible people in the United States who actually participate in the program – has been a standard performance assessment of the program for almost 25 years. According to the Food and Nutrition Service, the food stamp participation rate in California is consistently among the lowest in the country. In 2006, the most recent year for which participation data is available, only half (50 percent) of eligible Californians took advantage of the program compared to 67 percent nationally.[15]

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[14] *Analysis of the 2004-05 Budget Bill*, Budget Analysis (California Legislative Analyst's Office, February 2004), http://www.lao.ca.gov/analysis_2004/health_ss/hss_20_foodstamps_anl04.htm.
[15] Karen E. Cunnyngham, Laura A. Castner, and Allen L. Schirm, *Reaching Those in Need: State Food Stamp Participation Rates in 2006* (Alexandria, VA: Food and Nutrition Service, United States Department of Agriculture, November 2008), http://www.fns.usda.gov/ora/menu/Published/snap/FILES/Participation/Reaching2006.pdf.

In a state as large as California, this leads to many empty plates and the forfeit of a sizable economic impact. Both state and local officials and anti-hunger advocates have devoted considerable attention to understanding and increasing California's food stamp program participation rate.

(2) Another important way of evaluating participation in food stamp program involves determining how well recipients are able to access the full benefits to which they are entitled under the rules governing the program. This is a difficult task. The food stamp program, by design, is complicated. For this reason, understanding benefit maximization requires looking at the program with a magnifying glass to analyze utilization of all program options.

The Mechanics of the Food Stamp Program

The Food Stamp Program, reflecting the diversity of recipients' situations, is complex. The law, formal regulations and informal administrative rulemaking create a web of rules that allow the program to meet those in need. The core of the program, however, is clear.

The Food Stamp Program expects families receiving food stamps to spend 30 percent of their net income on food. Food stamps fill the gap between 30 percent of a family's net income and the cost of the USDA Thrifty Food Plan (TFP), a diet plan intended to provide adequate nutrition at a minimal cost.[16] If the family has no countable income, it receives the maximum food stamp allotment (the amount of the TFP); as the family's net income rises, its food stamp allotment drops.

[16] Use of the Thrifty Food Plan as the foundation for food stamp benefit levels has a contentious history. Designed in the Great Depression, the restricted diet was not recommended for use over indefinite periods. (See Hazel K. Stiebeling and Medora M. Ward, *Diets at Four Levels of Nutritive Content and Cost*, U.S. Department of Agriculture Circular No. 296, Washington, D.C., November 1933). Recent research claims that TFP assumptions that dishes be prepared from raw ingredients contradict emphasis in welfare policy on work. (See Rose, Donald. "Food Stamps, the Thrifty Food Plan, and Meal Preparation: The Importance of the Time Dimension for US Nutrition Policy." *Journal of Nutrition Education and Behavior* 39, no. 4 (2007): 226-232. http://www.sciencedirect.com/science/article/B82X5-4P37B1N-C/2/6a196bb5436432670260b0efeb2d5a47.)

How Food Stamp Benefits are Calculated

Eligibility for the Food Stamp Program is based on financial and non-financial factors for each household that applies. A "household" consists of individuals who live together in the same residence and who purchase and prepare food together.. The application process includes completing and filing an application form, being interviewed, and verifying facts important to determining eligibility.

To be eligible for benefits, a household's income and resources must meet three tests:[17]

1. Its **gross monthly income** must be at or below 130 percent of the poverty line; for households with an elderly or disabled member, they have no gross income test.[18]
2. Its **net income** (income after deductions are applied) must be at or below the poverty line
3. Its **assets** (checking & savings accounts, cash, stocks & bonds) must be $2000 or less; households with an elderly or disabled member may have up to $3000 in assets.

Most families and individuals who pass these tests are qualified for food stamps.

The Role of Income Deductions

Deductions are an important part of the Food Stamp Program. They reflect the fact that not all of a household's income is available for purchasing food; some must be used to meet other needs. From

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[17] The income and resource test thresholds, along with other eligibility parameters and benefit amounts, can be found in Appendix D.

[18] Households with an elderly or disabled member have different income eligibility standards depending on the household arrangement. 1) If a food stamp household contains someone who is elderly or disabled, the entire household does not have a gross income test. [MPP §63-409.112; 7 C.F.R. § 273.10(e)(ii)(2)(A)] 2) In the uncommon situation where an elderly household member is unable to purchase and prepare meals separately due to a disability *and* wants to be in a separate household – in this scenario the rest of the members of the household members must meet have income below 165% of poverty (excluding the income of the elderly/disabled person). [MPP §63-402.17; 7 C.F.R. § 273.1(b)(2)] (The 165 percent of poverty threshold can be found in Appendix D.) After the gross income test for the separate households, each is still required to meet the net income test. A chart explaining several scenarios for applying the gross income rules to households with elderly or disabled members can be found here: http://www.foodstampguide.org/pdf/senior_eligibility_chart.pdf

the household's gross monthly income, the FSP allows the following deductions to arrive at the net monthly income used for determining benefit allotment:[19]

- **Standard Deduction**. Households receive a standard deduction based on location and household size, but no less than $144 in 2009, to account for basic unavoidable costs.
- **Earned Income Deduction**. Households with earned income receive a deduction equal to 20 percent of the combined earnings of household members. This helps account for work-related expenses while also serving as a work incentive.
- **Dependent Care Deduction**. Households with dependents can deduct the out-of-pocket child care or other dependent care expenses that are necessary for a household member to work, seek employment or attend school.[20]
- **Medical Deduction**. A medical deduction is available for out-of-pocket medical expenses greater than $35 a month that are incurred only by an elderly or disabled household member. Medical expenses reimbursed by insurance or government programs are not deductible. Five States have implemented medical deduction demonstration programs that use standard deduction amounts for households with medical expenses below a specified limit.
- **Homeless Shelter Deduction**. Homeless households can claim the standard homeless shelter deduction of $143 per month if they pay for some shelter during a month. The households can claim a higher shelter deduction if they can verify higher shelter costs. Homeless households that receive this deduction cannot receive the excess shelter deduction or the standard utility allowance (SUA).
- **Excess Shelter Deduction**. A household is entitled to a deduction equal to shelter costs (such as rent, mortgage payments, utility bills, property taxes, and insurance) that exceed 50 percent of its countable income after all other potential deductions are subtracted from gross income. The excess shelter deduction is limited to $446 in 2009 unless at least one member of the household is elderly or disabled, in which case the household can deduct the full amount of shelter costs.

[19] Details of deduction limits can be found in Appendix D. One deduction not listed below is the Child Support Payment Deduction, whereby households may deduct legally obligated child support payments made to or for a non-household member. Under an option from the 2002 Farm Bill, California replaced this deduction with an income exclusion of the same amount. [MPP §63-502.2(p)] The payments are deducted from the household's gross monthly income before applying the gross income test and before subtracting other allowable deductions to calculate net monthly income.

[20] Prior to October 1, 2008, the maximum dependent care deduction was $200 per month per dependent under age two and $175 per month per dependent age two and older. The 2008 Farm Bill removed the cap on the dependent care deduction effective October 1, 2008.

- **Utility Deductions**. For households that have utility expenses separate from their rent or mortgage, states are allowed to develop various standardized utility allowances. California has the following:[21]
    - **SUA – Standard Utility Allowance**: The SUA, $287 in 2009, is for households that have heating or cooling costs separate from their rent or mortgage.
    - **LUA – Limited Utility Allowance**: The LUA, $83 for 2009, is for households that do not qualify for SUA, but incur expenses for at least two separate utilities other than heating and cooling.
    - **TUA – Telephone Utility Allowance**: The TUA, $20 for 2009, is for households that do not qualify for SUA or TUA, but incur telephone expenses, or an expense for an equivalent form of communication.

Verification of Expenses

To ensure proper use taxpayer funds, it is important to maintain the integrity of the Food Stamp Program. To establish eligibility, applicants must provide sufficient information concerning their situation to ensure an accurate judgment of the household's initial eligibility. FNS divides household information into two categories, mandating that the most sensitive and vital information be verified for accuracy. Included in the list of mandatory verifications are all factors deemed "questionable" that could affect the household's eligibility or benefit level.[22] In addition to those explicit requirements, state agencies may mandate verification of any other factors that affect household eligibility or allotment level. In California, county welfare departments are given authority to determine whether items whose verification is optional should be made mandatory. The guidelines for verification determined by states and counties may not discriminate based on race, religion, ethnic background, or national origin.[23]

[21] A complete listing of state utility deductions can be found in Appendix D.
[22] "Questionable information" is defined in 7 C.F.R. § 273.2(f)(2), (f)(4)(iv) and in California's MPP § 63-300.5(g).
[23] The antidiscrimination policy is outlined in 7 C.F.R. § 273.2 (f)(2)(i).

The two deductions discussed in this analysis differ in their verification requirement. Federal regulations require that qualifying medical expenses be verified prior to being allowed for the medical deduction. Verification of dependent care costs is not mandated by federal or California state regulations, although verification may be required by the county welfare department.

Why Income Deductions Need Reform

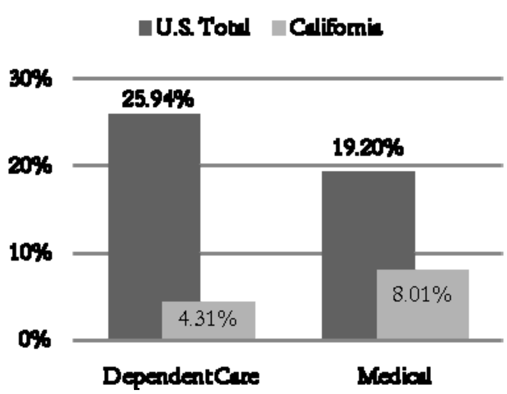
The food stamp benefit formula illustrates the importance of income deductions. Benefits are calculated through a four-step process, described below. (A sample calculation can be found in Table 2).

> **Step 1**: Determine the **gross monthly income** and measure it against the appropriate gross income test for the household size.
>
> **Step 2**: Calculate ***preliminary* net income** using the allowable deductions for: earned income, dependent care, child support paid and, for elderly or disabled households, the medical expense deduction.
>
> **Step 3**: Determine the amount of shelter costs that exceed 50 percent of *preliminary* net income (step 2 above) to get the **shelter deduction**. Subtract that shelter deduction, up to the maximum amount allowable, from the *preliminary* net income to get the **countable net income**. Determine if this countable net income passes the appropriate net income test.
>
> **Step 4**: Subtract 30 percent of the remaining countable net income (the assumed portion a household should spend on food) from the appropriate maximum FSP benefit amount to get the **household's benefit allotment**.

The food stamp program was designed specifically to help families maintain an adequate level of nutrition. The program's complexity allows it to tailor benefits to those with a greater need; food stamp benefits are higher when the household's net income is lower. Families with high costs associated with housing, child care and medical expenses can deduct some of these costs, allowing the expenses to be offset in part by higher food stamp benefits. Out-of-pocket expenses for items deemed by the program as necessary and, therefore, deductible, are accounted for when determining a household's benefit allotment. As a rule of thumb, for every $3 less in countable income, food stamp benefits increase by roughly $1, up to the maximum benefits allotment for the household.

California households that participate in the food stamp program claim these various deductions at different rates.[24] A significant share of households claims three of the deductions. All California households receive the standard deduction and over 81 percent claim the shelter deduction, while about one third (and 40 percent of households with children) claim the earned income deduction. These deductions are typically fixed amounts, set by FNS or the state agency, and are applied at the time eligibility is established. In a few cases, application of a deduction is mandatory if a household meets certain minimal conditions. For example, in California, the Standard Utility Allowance (SUA) must be applied for households that incur heating or cooling costs separate from their rent or mortgage payments.[25] The standard deduction, by nature, is also mandatorily and automatically applied when determining eligibility.[26]

Figure 2. Deduction Use Among Likely Eligible Households[27]



In stark contrast, the dependent care and medical expense deductions are claimed by very small percentage of the California food stamp households likely to be eligible for these deductions (4 percent and 8 percent, respectively).[27] These two deductions are unique. The dependent care and medical deductions involve out-of-pocket expenses incurred by households. These expenses often vary in amount and

[24] More details on characteristics of California food stamp households and utilization of deductions can be found in Appendix C. This descriptive information in this section is based on the author's analysis of the Fiscal Year 2007 Food Stamp Program Quality Control sample, discussed further in Appendix A.
[25] For details of utility allowances across the country, including whether mandatory or optional, see Appendix D.
[26] The dependent care deduction shows use among households with preschool children where all adults have earnings; the medical deduction shows use among household with elderly or disabled members. This is based on the author's analysis of the Fiscal Year 2005-2007 Food Stamp Program Quality Control sample.
[27] Defining likely eligible households: for the dependent care deduction, 4 percent represents households with children where all adults reported earnings, and who claimed the dependent care deduction; for the medical deduction, 8 percent represents households with elderly or disabled members who also claimed the medical deduction.

arise at irregular intervals. Although the precise verification requirements could vary between counties, in most cases, households must keep track of the exact amount of expenditures in order to claim them as deductions.

The remainder of this analysis focuses on the apparent underutilization of the dependent care and medical deductions by California food stamp households. The following sections look closely at when these deductions are applied, and make recommendations for improving their utilization.

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The Dependent Care Deduction

Child care helps children, families, and communities prosper. Children in child care learn and develop skills they need to succeed in school and in life. Child care helps families get ahead by giving parents the support and peace of mind they need to be productive at work. In many households, child or other dependent care is necessary in order for other family members to pursue and/or maintain employment. In addition, recent changes to the federal welfare system (called CalWORKs in California) require many welfare recipients to seek employment in order to receive cash aid. These changes have resulted in many more families needing child care services.

For households with a disabled household member, either an adult or a child, or another dependent, expenses are often significant. These can include the costs of care for the disabled individual in the home, or the costs incurred by a disabled individual who pays for child care for a minor child so he or she can work. Support for these child and dependent care arrangements are particularly critical in the current economy, as families struggle with rising costs for food, gas, and other basic necessities, stagnant wages, and job insecurity.

The food stamp program provides support for working families through the dependent care deduction. Specifically, Section 5(e)(3) of the Food and Nutrition Act of 2008 states:[28]

> *A household shall be entitled … to a dependent care deduction for the actual cost of payments necessary for the care of a dependent if the care enables a household member to accept or continue employment, or training or education that is preparatory for employment.*

The deduction allows working families that incur out-of-pocket expenses related to the care of a dependent to deduct those expenses from their gross monthly income for the purposes of

[28] *Text of the Food and Nutrition Act of 2008, As Amended Through Public Law 110-246, Effective October 1, 2008.*

determining food stamp eligibility. The expenses incurred qualify as a deduction if they are necessary for a household to accept or continue work, comply with requirements of the Food Stamp Employment and Training Program (FSET) or attend training or education that prepares the household member for work.[29]

Profile of Households Taking the Dependent Care Deduction

Many low-income working families currently take advantage of the dependent care deduction. Table 1 shows households claiming the dependent care deduction in California compared to the national average. Among working households in California (those where all adults report earned income), only 4.2 percent take advantage of the dependent care deduction, compared to 17 percent nationally.[30] In working households with children (under 18), those claiming the deduction rise to 4.5 percent and 20.5 percent in California and the U.S., respectively.

Table 1. Percent of Households Claiming the Dependent Care Deduction by Characteristic

	California	US
All Households	2.0	8.7
Children	2.6	9.4
Preschool Age	2.8	12.3
School Age	2.5	8.7
Working Households[a]	4.2	17.0
Children	4.5	20.5
Preschool Age Children	**4.4**	**25.8**
School Age Children	4.3	19.4
No Children	--	0.7
TANF Income	1.5	4.0
Children	1.5	4.1
Preschool Age Children	2.2	5.5
School Age Children	0.7	3.3
No Children	--	0.0
No TANF Income	7.9	18.9
Children	9.2	23.6
Preschool Age Children	6.8	29.4
School Age Children	10.2	22.4
No Children	--	0.7

a "Working Households" are defined as households where all adults reported earned income.
-- No sample households in this category
Source: Author's analysis of the 2007 Food Stamp Program Quality Control sample.

[29] Details are found in California state regulations at MPP § 63-502.34.
[30] Throughout this analysis, "working households" refers to households in the Food Stamp Program Quality Control sample dataset where all adults in the household reported some earned income.

The most striking variance is seen in working households with preschool age children (under five years old). The dependent care deduction was designed to support working households with young children, in particular, yet in California, they are not taking advantage of this option in large numbers. In working households with preschool children, only 4.4 percent claimed the dependent care deduction in California in 2007, compared with 25.8 percent nationally.

To better understand the difference this deduction can have on benefit allotments, consider the example presented in Table 2. Family 1 is a three person family with one full-time, minimum wage worker making $1,387 per month (eight dollars an hour for 40 hours per week). The family has two children and their rent and utilities cost $727 per month.[31] The table shows that Family 1 would receive a food stamp allotment of $306 per month.

Family 2 in Table 2 differs from the first family in only one regard: Family 2 claims $154 in monthly dependent care expenses incurred to care for their children. Neither family has a member qualifying for the medical deduction. Following the food stamp calculation, the added dependent care deduction alone helped increase the household's monthly food stamp allotment by 23 percent, from $306 to $376.

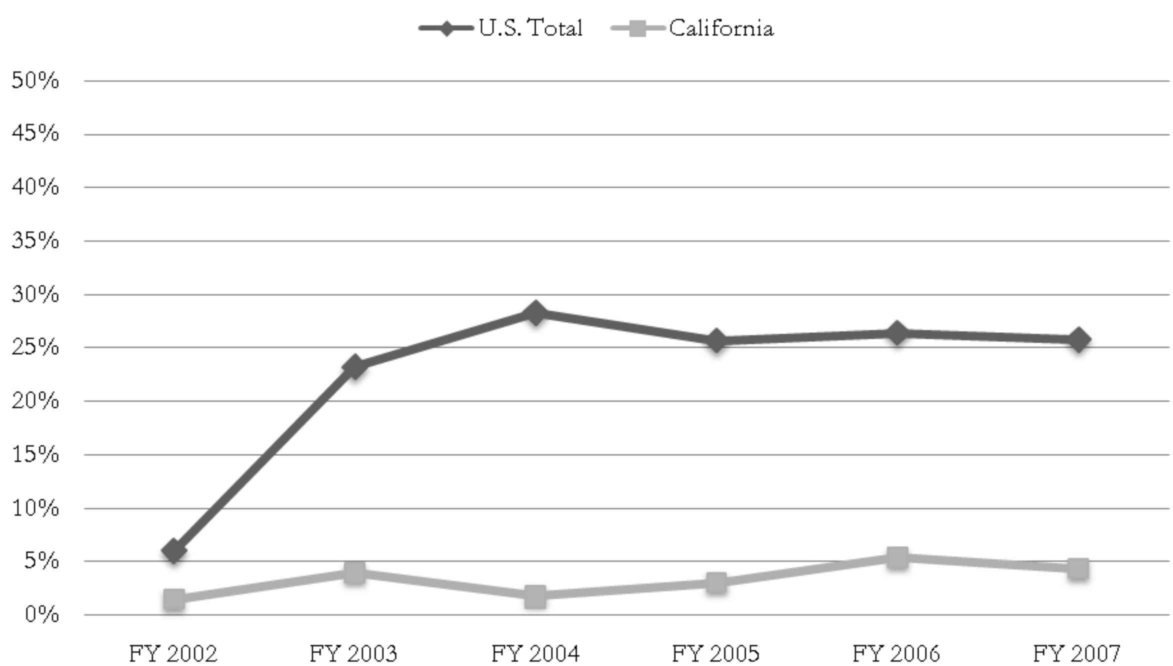
[31] Monthly income: 40 hours per week x $8 per hour (California's minimum wage) X 52 weeks per year = $16,640 per year or $1,387 per month. The dependent care cost of $154 and shelter cost (rent + utilities) of $727 in this example represent the inflation adjusted average expenses claimed by California food stamp households of a similar composition based on the author's analysis of the 2007 Food Stamp Program Quality Control sample.

Table 2. Sample Benefit Calculation – Dependent Care Deduction		
	<u>**FAMILY 1**</u>	<u>**FAMILY 2**</u>
Gross Income Test		
Gross monthly income	$1,387	$1,387
Gross income limit (130% of poverty)	$1,907	$1,907
Passes gross income test?	Yes	Yes
Calculation of Preliminary Net Income		
Gross monthly income	$1,387	$1,387
Earnings	$1,387	$1,387
Deductions		
Standard	$144	$144
Earned income	$277 (20% of $1,387)	$277 (20% of $1,387)
Dependent care expenses	$0	$154
Medical expenses	N/A	N/A
Preliminary Net Income	$973 ($1,387 - $144 - $270)	$819 ($1,387 - $144 - $270 - $154)
Net income Calculation and Test		
Shelter costs	$727	$727
Shelter deduction	$241 ($727 - half of $973)	$318 ($727 - half of $819)
Countable Net Income	$732 ($973 - $241)	$501 ($819 - $318)
Net income limit (100% of poverty)	$1,467	$1,467
Passes net income test?	Yes	Yes
Calculation of Benefits		
Net income	$732	$501
Maximum benefit for family of three	$526	$526
Food Stamp Allotment	**$306** ($526 - 30% of $732)	**$376** ($526 – 30% of $501)

An important, but less obvious advantage of the dependent care and medical deductions is their potential to trigger a higher shelter deduction. The formula for calculating benefits applies these deductions when calculating the preliminary net income, before deducting allowable shelter costs. If a household can lower its preliminary net income by claiming allowable dependent care or medical costs, it can lower its preliminary net income threshold against half of which the household shelter costs are measured. As seen in Table 2, by claiming dependent care expenses, family 2 was also able to leverage a higher shelter deduction than family 1, even though their shelter costs were the same.[32]

California's utilization of the dependent care deduction has been stagnant for a number of years. Figure 1 shows the trends in California's use of the deduction compared to the national average.

Figure 3. Working Households with Preschool Children Claiming the Dependent Care Deduction



[32] Patricia Baker, *Heat and Eat: Using Federal Nutrition Programs to Soften Low-Income Households' Food/Fuel Dilemma*, Heat and Eat (Food Research and Action Center, March 2009), http://www.frac.org/pdf/heat_and_eat09.pdf.

Reasons for Underutilization

Not all households are eligible for the dependent care deduction. The household must: 1) contain a child or other dependent, 2) have eligible out-of-pocket expenses, 3) claim those expenses at the time of application and, 4) if asked, verify the expenses. Only once these criteria are satisfied will the expense be deemed allowable and factored into the household's benefit calculation. To adequately assess utilization of the deduction, each of these criteria must be examined.

Analysis of the Food Stamp Program Quality Control sample data provides limited information. It is possible to disaggregate the data based on household composition to identify households that contain children and in which household members are working. These households meet the first criterion for use of the deduction. The data does not capture information about whether or not the family has expenses related to care for the dependent, however, and therefore cannot determine which households meet the second criterion.

Through informational interviews, themes emerged that help explain this issue. Households take many factors into account as they make decisions about work schedule and lifestyle. Many low-income families have informal child care arrangements with a family member or friend who watches the children when needed. Others receive subsidized child care through state or federal programs. Since federal welfare reform in 1996 added a greater emphasis on work, California has been proactive and progressive in providing subsidized child care to low-income working families. While these two scenarios help to explain why some working families with children, and possibly even a majority of these families, might not qualify for the deduction, they do not account for the significant disparity between California and the nation as a whole.

Regulatory Flexibility for Allowable Dependent Care Expenses

Federal regulations give great flexibility to states to define the scope of allowable dependent care expenses.[33] Many states have taken steps to broaden the scope of allowable expenses beyond typical payments for private child or adult care.[34] Montana allows households to include transportation costs to the care provider, and Texas allows households to include school transportation costs in the dependent care deduction. Massachusetts reminds its staff that allowable expenses can include co-payments and fees for subsidized care, fees for before- and after-school programs, summer and vacation camp fees, YMCA and Boys & Girls Club activities, and the costs of both private transportation at the federal mileage rate as well as public transportation to and from child care (for both parent and child).[35]

Many working parents are reluctant to leave teen children unsupervised after school. While subsidized child care often limits eligibility to children under age 12 or with special needs, neither Congress nor FNS has set age limits for children relative to claiming dependent care expenses under the food stamp program. The cost of adult-supervised activities provided to children before and after school hours are allowable expenses, regardless of the age of the child. Kentucky allows households to claim a dependent care deduction for care provided to household members between the ages of 5 and 17 during after-school hours.

States can also allow the dependent care deduction if the dependent is an ineligible household member. If an eligible household member, in order to work, is billed for dependent care expenses for either an eligible or ineligible person, these dependent care expenses can be deducted. This is important in California, where SSI recipients are not eligible for Food Stamps. If the dependent had

[33] Text of the federal and state regulations can be found in Appendix E.
[34] See Appendix B for a chart of state policies related to the dependent care deduction.
[35] Massachusetts Department of Transitional Assistance, "Field Operations Memo 2007-19," March 15, 2007, http://www.masslegalservices.org/docs/2007-19.pdf; Massachusetts Department of Transitional Assistance, "Field Operations Memo 2008-49," September 22, 2008, http://www.masslegalservices.org/docs/FO_2008-49.pdf.

to be an eligible member of the Food Stamp household, parents in California would not be able to deduct day care costs for their SSI-recipient children. The same would also be true if the ineligible dependent was a spouse or parent of the working household member.

Cap on Dependent Care Deductions Eliminated

Effective October 1, 2008, the 2008 farm bill removed the cap on the deduction for dependent care expenses (previously $175 or $200 per month per dependent, depending on the age of the dependent).[36] This allows families to now deduct the entire amount of dependent care expenses when calculating benefits. This change, when coupled with recommendations below, could help eligible families significantly increase their food stamp benefits.

Recommendations

1. Expand the Scope of Allowable Dependent Care Expenses.

The California Department of Social Services, in partnership with the county welfare directors, should allow a broad scope of expenses to be included in calculations for the dependent care deduction. CDSS should issue guidance to counties formalizing this scope and, as needed, provide training to ensure adequate understanding and application of the policy. CDSS should require that this broad scope be used throughout the state. Appendix B provides a chart of current practices in other states.

2. Allow Self-Declaration of Dependent Care Expenses.

When determining dependent care expenses, case workers should accept the applicant or recipient's self-declaration of the cost of the dependent care unless the information is questionable. Several

[36] California Department of Social Services, "All County Letter No. 08-37," August 1, 2008, http://www.dss.cahwnet.gov/lettersnotices/entres/getinfo/acl08/08-37.pdf; USDA, Food and Nutrition Service, "Food Stamp Provisions of the Farm Bill," July 3, 2008, http://www.fns.usda.gov/snap/rules/Memo/2008/070308.pdf.

states – including Massachusetts, Maryland, Minnesota and Missouri – have implemented this federally approved policy option in order to reduce administrative time for case workers and ease the burden on participants. CDSS should clarify to all counties that self-declaration is allowable for all dependent care expenses. To further simplify the process, CDSS should treat declarations of dependent care costs already included on food stamp application and recertification forms as the required self-declaration, rather than devising a separate form specific to this deduction.

3. Conduct Targeted Outreach.

CDSS should work with its outreach partners to target two groups for education about the dependent care deduction: current food stamp recipients and potentially eligible non-recipients. Once CDSS raises the profile of this deduction by defining a broad scope of allowable expenses, it should inform current recipients of the change. The outreach should be targeted to those most likely to be eligible for this deduction. Through its outreach partners, CDSS could contact all working food stamp households with dependents who are not claiming the dependent care deduction to inform them of their potential eligibility.

Similar outreach information used to target current participants should also be used in outreach to potentially eligible households. The California Department of Education's Child Care and Development Programs, and the child care community at large, would be good partners in outreach regarding the expanded scope of allowable expenses. Where appropriate and possible, CDSS could explore the possibility of running a data exchange with federal- and state-funded means-tested child care programs. This could help identify families receiving partially-subsidized child care (i.e., those who are likely paying fees or co-payments) or fully subsidized child care (who might be paying related out-of-pocket expenses) who are current food stamp recipients but not claiming the dependent care deduction. California food stamp outreach partners, along with CDSS, should collaborate with local resource and referral programs to develop food stamp outreach materials for distribution to the child care provider community and directly to low-income households.

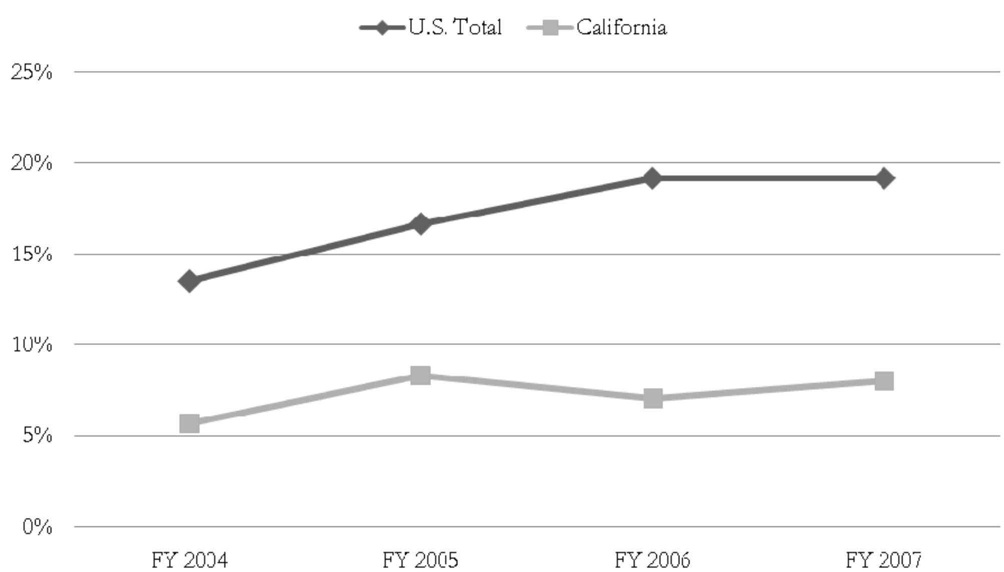
The Medical Deduction

The Food Stamp Program is an important source of nutrition assistance for low-income seniors. Although the FSP has special provisions to facilitate participation by low-income Americans age 60 and older (the technical definition of "elderly" in the FSP), only about one in three eligible senior participates in the FSP nationally. Despite low participation, the FSP is still the nation's largest elderly nutrition assistance program, serving over 2 million seniors in an average month.

One way in which the FSP gives special help to households with elderly or disabled members is through the medical deduction. Households with at least one elderly or disabled member can deduct that member's non-reimbursed medical expenses over $35 per month. As with the dependent care deduction, the medical deduction is applied prior to determining the household's net income and subsequent eligibility (The sample benefit calculation in Table 2 shows when the deduction is applied).

California's use of the dependent care deduction has consistently been below the national average among households with elderly or disabled members.

Figure 4. Households with Elderly or Disabled Members Claiming the Medical Deduction



In order to address concerns about low participation among the elderly and disabled, FNS has commissioned studies and projects targeting seniors to identify ways to improve their participation. They have found that in deciding whether to apply for food stamps, seniors weigh the costs of applying against the benefits received by the program. Some of the most effective efforts to reach this population are those that can either lower the costs of applying or increase the benefits of participating.[37] To that end, a number of states have implemented a standardized medical deduction to ease burdensome application procedures for the elderly and disabled and, at the same time, increase their food stamp benefits.

Standardized Medical Deduction Demonstration Projects

Currently, five states operate medical deduction demonstration projects, which standardize deduction amounts when households' medical expenses are within a specified range (see Table 3). For example, in Texas, if households with an elderly or disabled member incur medical expenses greater than $35 but less than $138, the household receives a standard medical deduction (SMD) of $102. Households with medical expenses greater than $137 receive a medical deduction equal to their actual medical expenses above $35. Applicants and participants no longer have to document all of their medical expenses; they must document only the first $35.01. Only those who want to claim a deduction greater than the SMD are required to verify all expenses.

These SMD demonstration projects simplify the verification process for the elderly and disabled, who often have the most difficulty verifying medical expenses, thereby increasing access to the benefits for which these participants are eligible.

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[37] Scott Cody and James Ohls, *Reaching Out: Nutrition Assistance for the Elderly* (Mathematica Policy Research, Inc., June 2005), http://www.mathematica-mpr.com/publications/pdfs/reachingoutsumm.pdf.

Table 3. Existing Standard Medical Deduction Demonstration Projects		
State (Implementation Date)	**Medical Expenses**	**Medical Deduction**
New Hampshire (December 2003)	$84 or more	Actual Expense
	Less than $84	$83
Texas	More than $137	Actual Expense less $35
	$137 or less	$102
Wyoming (January 2006)	More than$138	Actual Expense less $35
	$138 or less	$103
Massachusetts (April 2008)	More than $125	Actual Expense less $35
	$125 or less	$90
Vermont (late 2008)	More than $173	Actual Expense less $35
	$173 or less	$138
Source: United States Department of Agriculture, Food and Nutrition Service and State Policy Manuals. More information in Appendix B.		

The standard medical deduction also improves program operations. Eligibility workers no longer have to spend great deal of time assisting applicants in verifying the cost and frequency of medical expenses. This task is often complicated and usually error prone; eliminating it will lower the risk of quality control errors and allow staff more time to process all cases. New Hampshire, which began the SMD demonstration project in December 2003, received positive feedback from eligibility workers for administrative improvements and increased payment accuracy. Similarly, a customer survey found that elderly clients were pleased with the new system as well.[38]

Cost Neutrality

Demonstration projects approved through FNS must be cost-neutral in their effect on the state's total benefit allocation. Cost neutrality does not include savings from improving administrative efficiencies. Applying the SMD for households who verify at least $35.01 per month in medical expenses means that some households will receive slightly higher allocations than they would otherwise be eligible to receive. This increase in benefits must, therefore, be offset by a reduction in

[38] "SNAP Promising Practices: Excellent Service for All, Volume #9," *USDA, Food and Nutrition Service*, November 2005, http://www.fns.usda.gov/fsp/outreach/promising/Default.htm.

benefits elsewhere in the food stamp program. The methodology approved by FNS for many existing SMD demonstration projects find the necessary savings through a minor reduction in the state's standard utility allowance. The tradeoff becomes clear – a moderate increase in benefits for a few offset by a very small decrease in benefits for many. Table 4 helps clarify this important program component by way of an example.

Standard Medical Deduction in California

The analysis in this section outlines what a standard medical deduction demonstration project could look like in California. The estimate of cost neutrality is based on a hybrid of the methodologies approved by FNS for SMD demonstration projects in Vermont and Massachusetts. Table 4 presents budgetary predictions based on California implementing a standard medical deduction of $159.

The proposed standard medical deduction amount would allow a significant number of current elderly and disabled recipients to participate. The 3,243 households claiming the deduction incurred average medical expenses of $159 per month, resulting in an average medical deduction of $124 per month.[39] Nearly three quarters (2,580 households) of those currently claiming a deduction have expenses less than $159 per month and stand to benefit from what, for most, will be a larger deduction than they would have otherwise received. Households using the SMD will see an average increase in benefits of approximately $11 per month, an increase by nearly 10 percent over their current allotment of $117 per month.[40] This could bring in over $450,000 per year in benefits to low-income elderly and disabled households throughout the state over the course of the demonstration project.

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[39] Calculations in this section and in Table 4 are based on the Food Stamp Program Quality Control sample.
[40] Based on the Food Stamp Program Quality Control sample, households with elderly or disabled members who are taking the medical deduction received an average benefit of $117. Due to the small sample size, this calculation represents the average of FY2005, FY2006 and FY2007.

Table 4. California Standard Medical Deduction – Estimate of Cost Neutrality

Cost		**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Total CA food stamp households	1a	817,434	857,146	898,787	942,450	988,235	1,036,245
Households with elderly or disabled	1b	37,642	39,189	40,799	42,475	44,220	46,037
Households with elderly or disabled and any medical deductions	1c	3,243	3,465	3,702	3,955	4,226	4,515
Households with elderly or disabled and medical deductions under $124	1d	2,580	2,757	2,945	3,147	3,362	3,592
Uptake Rate	2	100%	125%	150%	200%	200%	200%
Households affected by demonstration	3	2,580	3,446	4,418	6,293	6,724	7,184
Case Growth Rate	4	4.90%					
CPI-U	5	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Average Medical Expense		159	162	165	169	172	176
Less $35 Disregard		(35)	(35)	(35)	(35)	(35)	(35)
Avg. Medical Deduction		124	127	130	134	137	141
New Medical Deduction		159	159	159	159	159	159
Change in Deduction		35	32	29	25	22	18
Average increase in benefit	6	11	10	9	8	7	6
Monthly Benefit Cost		27,090	32,892	37,872	47,705	44,161	39,765
Annual Benefit Cost		**325,080**	**394,705**	**454,467**	**572,457**	**529,938**	**477,175**
Total Benefit Cost							**2,753,822**

Savings		**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Total CA food stamp households		817,434	857,146	898,787	942,450	988,235	1,036,245
Households taking SUA	7	430,913	451,847	473,798	496,816	520,952	546,260
Proposed reduction in SUA		(1)	(1)	(1)	(1)	(1)	(1)
Average decrease in benefit	8	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)
Monthly Benefit Savings		(129,274)	(135,554)	(142,139)	(149,045)	(156,285)	(163,878)
Annual Benefit Savings		**(1,551,287)**	**(1,626,650)**	**(1,705,674)**	**(1,788,537)**	**(1,875,426)**	**(1,966,535)**
Total Benefit Savings							**(10,514,108)**

Demonstration Project Summary		**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Annual Cost		325,080	394,705	454,467	572,457	529,938	477,175
Annual Savings		(1,551,287)	(1,626,650)	(1,705,674)	(1,788,537)	(1,875,426)	(1,966,535)
Annual Net Benefit Cost (Savings)		**(1,226,207)**	**(1,231,944)**	**(1,251,207)**	**(1,216,079)**	**(1,345,488)**	**(1,489,360)**
Total Net Benefit Cost (Savings)							**(7,760,286)**

Notes:

1) Projections based on the cumulative average of change per year from FFY 2002 to FFY 2007: a) 0.04858088, b) 0.0410857, c) & d) 0.06841619.

2) The uptake rate assumes the standardized deduction amount will result in increased use of the deduction among qualified households, growing at a faster rate than simple caseload growth.

3) This assumes that households with expenses greater than $159 per month will continue to claim actual expenses; households with expenses less than $159 (and a current deduction less than $124) will use the standardized deduction amount.

4) Caseload growth has been estimated based on the change from FFY06 to FFY07. This assumes that caseload growth will remain constant over the demonstration time frame; this is a conservative estimate given that the economic downturn since 2007 has led to much larger caseload growth. A higher caseload growth rate will cause savings to increase, due to the larger number of cases seeing a decrease in benefits.

5) CPI-U is assumed to remain constant over the demonstration timeframe.

6) Average increase in benefit is calculated by applying the benefit reduction rate of .3 to the amount of change in deduction. Because the standard stays fixed while medical expenses are expected to increase, the additional benefit of the standard deduction is expected to decline over the demonstration period.

7) This shows the number of households taking the SUA in FFY 2007. It assumes that the caseload growth among those seeing a reduction in benefits for the remainder of the demonstration period will mirror the overall caseload growth.

8) The decrease of $1 in food stamp benefits is calculated by applying the benefit reduction rate of .3 to the proposed $2 reduction to the SUA.

Some recipients will receive fewer benefits. This estimate maintains cost neutrality by lowering the Standard Utility Allowance (SUA) by $1. This will affect the 430,913 households currently taking the SUA. However, given the large number of households, the resulting loss in benefits should be less than $1 per month, a reduction of less than 1 percent from the average allotment of $291.

Limitations

The cost neutrality calculation presented in Table 4 is meant only to serve as a framework for future exploration into a SMD demonstration project in California. It is based on numerous methodological assumptions, each of which are critical to the overall cost neutrality estimate. These assumptions are explained in the notes immediately following the table, and should be modified with more current and reliable information. The analysis relies on Food Stamp Program Quality Control data from fiscal year 2007 and before. (See Appendix A for a detailed explanation of the data source and its overall limitations.) The data set includes a modest number of households with elderly or disabled members who are also taking the medical deduction; this small sample size introduces a higher propensity for variation from actual program data raising concern over statistical reliability. Any formal proposal for a demonstration project waiver must be based on actual state participation data, rather than a statistical sample, to ensure accurate estimates. This will also allow for a much more timely analysis. In particular, such an analysis would reflect the impact of significant economic and programmatic changes in the FSP since 2007. In short, more analysis will be necessary to arrive at a reliable and approvable budget projection. The calculations presented here suggest one possible way of approaching this task.

Recommendations

1. Further Explore the Feasibility of a Standard Medical Deduction Demonstration Project

A standard medical deduction demonstration project has potential to help elderly and disabled households in California. It would ease the verification burden and raise benefits for current recipients, and it would serve as an incentive for non-participants to enroll in the program. Because SSI recipients are not eligible to receive food stamps in California, the enrollment of elderly and disabled people in the program is relatively small (1.7% of all households in California versus 8.7% nationally). Thus, the size and cost of a standard medical deduction demonstration project will also be relatively small. The offset required for cost neutrality, if spread across a large subset of participating households, could be minimal (less than $1 reduction in benefits in the projections above).

CDSS and its partners should explore the possibility of implementing a standard medical deduction along with an opt-out provision for households with high expenses. The cost neutrality proposal should be created in such a way that no households would see a reduction in actual benefits. There are a number of ways to achieve this goal. If reducing the SUA, as in the example above, the SMD implementation could be timed to correspond with the annual cost-of-living adjustment (COLA) to the SUA. Over the last four years, California has raised the SUA an average of $19 per year. To offset the SMD demonstration project costs, the state could reduce the SUA COLA as needed for SMD budget neutrality, thereby raising the SUA by a slightly smaller amount (an SUA increase of $18 rather than $19, for example). This prevents a reduction in benefits by allowing a slightly smaller increase in benefits in the year of implementation for households using the SUA.

2. Expand the Scope of Allowable Medical Expenses.

As with the dependent care deduction, information asymmetry is a likely culprit in underutilization of deductions. CDSS should work with county welfare directors and partners to define and expand the scope of allowable medical expenses. In states that have clarified the scope of allowable medical expenses, the range of allowable expenses varies widely. In defining the scope of allowable expenses, CDSS should consider the expenses allowed by other states, a compilation of which can be found in Appendix B.

3. Conduct Targeted Outreach.

In addition to clarifying and broadening the scope of allowable expenses, CDSS should develop a strategy for disseminating the information to both eligibility workers and clients. CDSS has done laudable work on this front in fostering the creation of a new, statewide "Request for Verification" form (CW 2200). Implemented in March, 2009, this form helps case workers and clients navigate the complex verification requirements for various public assistance programs.[41] FNS has endorsed the use of a screening form for the elderly and disabled developed in Vermont which is meant to help specifically track medical expenses. A similar form, modified for California, should be distributed to eligibility workers to complement form CW 2200. Such a form should especially highlight alternative health care (such as acupuncture and massage) and ancillary services (such as postage and transportation costs) that eligibility workers and clients may not readily assume as countable.

CDSS should work with its outreach partners to target participating and non-participating elderly and disabled households. Outreach partners should expand their work with state and local organizations that serve the elderly and disabled and work with these organizations to distribute

[41] California Department of Social Services, "All County Letter No. 09-01," March 12, 2009, http://www.dss.cahwnet.gov/lettersnotices/entres/getinfo/acl/2009/09-01.pdf.

information about the medical deduction. A direct client mailing of the screening form and medical deduction information should be sent to all households with elderly or disabled members whose monthly food stamp benefits are less than the maximum allotment.

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Conclusion

This analysis reflects a targeted approach to increase utilization of deductions within the Food Stamp Program in a way that will increase administrative efficiency and provide important benefits to low-income households throughout California. Given the importance of the FSP to millions of individuals throughout the state, leaders must continue to ensure the program operates properly while seeking opportunities for improvements. The sharp increase in caseloads has been accompanied by a decrease in administrative resources at the state and county level. Recommendations in this analysis should be considered in light of the improvements they will provide to help meet current demands and ensure adequate support to California's low-income population into the future.

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Appendix A Methodology, Data Sources and Reliability of Estimates

To understand the use of income deductions in the Food Stamp Program in California, I started by reviewing federal and state laws and regulations, including national policy memoranda and state letters and notices. I collected and cataloged policies in other states related to their use of deductions, focusing primarily on the types of expenses states allow and the accompanying verification procedures they require. I benefited greatly from the insights of the Massachusetts Law Reform Institute, which has done similar work on the use of the dependent care and medical deductions in Massachusetts. This research revealed vast variation in the implementation policies across the country while putting the deductions into a broader context.

I conducted interviews with staff from the California Department of Social Services, FNS Western Region Office and the Massachusetts Department of Transitional Assistance. I communicated with former county eligibility workers and child care advocates in California and food stamp advocates in California, Massachusetts and Washington, DC. These interviews provided valuable insight into both policy and administrative issues surrounding income deductions. They also helped to provide perspective on the way that possible solutions were seen by various parties.

Data

I conducted significant data analysis using Food Stamp Program Quality Control (FSPQC) data as my primary source for calculations throughout this report. The data are taken from monthly quality control reviews of FSP cases. Mathematica Policy Research, a contractor for FNS, edits and compiles the data submitted by states to produce nationally representative Quality Control (QC) data. FNS makes these data available to the public on the agency's web site.[42] Mathematica also produces a technical document detailing the creation of the FSPQC data files and describing their intended use.[43]

The QC data are primarily collected so that program administrators can gauge the accuracy with which each state determines the benefits of food stamp recipient households. However, these data also serve as a representative sample of food stamp recipients for research purposes and are the basis of USDA's annual report on the characteristics of food stamp recipients. The 2007 QC data used as the primary source in this analysis contain 917 California food stamp household observations (47,469 nationally), which may be used with sampling weights to represent approximately 817,434 food stamp households in California (8.2 million nationally).

These sample observations contain detailed information about food stamp household composition, income from various sources and food stamp benefit amounts. Of particular interest for this analysis, the data set includes the type and amount of deduction taken by each household, as well as individual characteristics of household members, such as age and employment status. This information makes it possible to recalculate the benefits that households would receive if the program's rules were modified. This technique was used to create the sample cost neutrality estimate for implementing a standard medical deduction demonstration project in California.

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[42] "Supplemental Nutrition Assistance Program (SNAP) Studies: SNAP Quality Control Data," *USDA, Food and Nutrition Service*, http://www.fns.usda.gov/ora/MENU/Published/snap/snap.htm.

[43] Kari Wolkwitz and Daisy Ewell, *Technical Documentation for the Fiscal Year 2007 FSPQC Database and QC Minimodel* (Mathematica Policy Research, Inc., September 2008), http://hostm142.mathematica-mpr.com/fns/2007/tech%20doc%202007.pdf.

Reliability

The estimates of household characteristics produced in this analysis are based on a sample of all households and, consequently, are subject to statistical sampling error. "One indicator of the magnitude of the sampling error associated with a given estimate is its standard error. Standard errors measure the variation in estimated values that would be observed if multiple replications of the sample were drawn. The magnitude of the standard errors depends on: (1) the degree of variation in the variable within the population from which the sample is drawn; (2) the design of the sample, including such issues as stratification and sampling probabilities; and (3) the size of the sample on which the estimate is based."[44]

Due to small sample sizes of a some subsets of the state's households (e.g. when assessing households with elderly and disabled members who are taking the medical deduction), there is potential for very high standard errors. To help mitigate this statistical limitation, much of the analysis throughout this report uses pooled quality control data from fiscal years 2005, 2006 and 2007. Where possible, future analysis along these lines should be updated with more reliable data from CDSS.

[44] Kari Wolkwitz and Joshua Leftin, *Characteristics of Food Stamp Households: Fiscal Year 2007* (United States Department of Agriculture, September 2008), http://www.fns.usda.gov/ora/MENU/Published/snap/FILES/Participation/2007Characteristics.pdf.

Appendix B Variation in Use of Deductions Across States

Dependent Care Deduction

Federal laws and regulations give states flexibility to define the scope of allowable expenses for the dependent care deduction (see Appendix E for federal and California regulations on dependent care deductions). This chart is meant to highlight how selected states have customized this deduction and pulls from the text of each state's manual of operations. It is possible that additional guidance relevant to these areas is given through official memoranda and statements not included in a state's official manual, as is the case in California. Those details, despite their potential importance, are not included.

Table 5. Variation Across States in Dependent Care Deduction Expenses and Verification

STATE	ALLOWABLE EXPENSES	VERIFICATION	CITATION
Alaska		- For recertification, verification is required only when the amount changes by more than $25. - Acceptable verification includes, but is not limited to: a statement from the care provider, a receipt, or a collateral contact	Alaska Division of Public Assistance. Food Stamp Manual 602-4 (2). Available online at http://dpaweb.hss.state.ak.us/main/manual/FSP/602_4deductions.pdf
Illinois	- Allow the dependent care expense even if another adult lives in the home.	- Accepts the customer's statement of the amount paid for dependent care.	Illinois Department of Human Services. DHS Child Cash, Food Stamp, and Medical Manual PM 13-01-06. Available online at http://www.dhs.state.il.us/page.aspx?item=16157
Kentucky	- The dependent care deduction includes the expense of transporting the child to and from the care provider. - If childcare is provided for children between the ages of 5 and 17 after school hours, allow that expense as a deduction (MS 5450 D).		Cabinet for Health and Family Services. Food Stamp Program Operational Manual, vol. II, OMTL-195. Available online at http://manuals.chfs.ky.gov/dcbs_manuals/DFS/VOLII/OMVOLII.pdf
Maryland		- Dependent care expenses do not have to be verified unless questionable; policy appears to apply across the board for dependent care (e.g. not limited to care for children under 6)	Maryland Department of Human Resources. Family Investment Administration 212.7. Available online at http://www.dhr.state.md.us/stamp/manual/212_dedu.pdf
Massachusetts		- Households can self-declare dependent care expenses - Dependent care expenses do not have to be verified unless questionable and resulting in an increase in benefit amount.	Massachusetts Department of Transitional Assistance. Code of Massachusetts Regulations, 106 CMR 364.450. Available online at http://www.mass.gov/Eeohhs2/docs/dta/g_reg_364.pdf

STATE	ALLOWABLE EXPENSES	VERIFICATION	CITATION
Minnesota		- Dependent care expenses do not have to be verified unless questionable; policy appears to apply across the board for dependent care (e.g. not limited to care for children under 6)	Minnesota Department of Human Services. Combined Manual, ML 130 0018.09. Available online at http://www.dhs.state.mn.us/main/groups/county_access/documents/pub/dhs16_144823.pdf
Missouri		- Dependent care expenses do not have to be verified unless questionable; policy appears to apply across the board for dependent care (e.g. not limited to care for children under 6)	Missouri Department of Social Services. Income Maintenance Manual, Food Stamps 115.035.10. Available online at http://www.dss.mo.gov/fsd/iman/fstamps/1115-035-10.html
Montana	- Reasonable cost to transport a dependent to or from care is an allowable dependent care expense. - Childcare co-payments are an allowable deduction.		Montana Department of Public Health and Human Services. Supplemental Nutrition Assistance Program Policy Manual, Eligibility and Benefit Determination, FS 602-2. Available online at http://www.dphhs.mt.gov/hcsd/fsmanual/fs602-2-04012009.pdf
New Hampshire		- Unless questionable, at recertification workers do not re-verify deductions incurred by the recipient if there have been no changes in the deductions, and the deductions have been previously verified by a third party.	New Hampshire Department of Health and Human Services. Food Stamp Manual 603.11. Available online at http://www.dhhs.state.nh.us/FSM_htm/NEWFSM.HTM
New York		- Verification of dependent care costs permitted on a one-time basis unless the provider has changed, the amount has changed and the change would potentially affect the level of the deduction or unless questionable.	New York Office of Temporary and Disability Assistance. Food Stamp Source Book 5.11. Available online at http://www.otda.state.ny.us/main/foodstamps/FSSB.pdf
Texas	- Dependent care expenses include the transportation of a child or incapacitated adult to and/or from day care <u>or school</u>.		Texas Health and Human Services. Texas Works Handbook, A-1423. Available online at http://www.dads.state.tx.us/handbooks/TexasWorks/A/1400/1400.htm#secA-1423

Source: This chart updates and expands on information compiled and provided by the Massachusetts Law Reform Institute.

Medical Deduction

Federal laws and regulations specify allowable medical costs (see Appendix E for federal and California regulations on medical deductions). Additionally, states have the option to allow additional expenses and verification requirements for the medical deduction. This chart is meant to highlight how selected states have customized this deduction and pulls from the text of each state's manual of operations. It is possible that additional guidance relevant to these areas is given through official memoranda and statements not included in a state's official manual, as is the case in California. Those details, despite their potential importance, are not included.

Table 6. Variation Across States in Medical Deduction Expenses and Verification

STATE	ALLOWABLE EXPENSES	VERIFICATION	CITATION
California	- Allows cost of postage and handling for prescription drugs.		California Department of Social Services. Food Stamp Program, Manual of Policies and Procedures, MPP 63-502.33. Available online at http://www.cdss.ca.gov/foodstamps/entres/getinfo/pdf/fsman5.pdf
Indiana	- Allows cost of postage for prescription drugs, *repairs* to dentures, hearing aides, prosthetics, and eyeglasses, telephone equipment and home repairs, and cost of purchasing/renting an air conditioner and other equipment which are not considered medical supplies or durable medical equipment, but are prescribed by a qualified health professional. - Also allows costs associated with securing and maintaining any animal specially trained to serve the needs of disabled persons such as seeing eye dogs, hearing guide dogs, and housekeeper monkeys trained to assist quadriplegics.	- Allows collateral contact via telephone to any medical provider as verification	Family and Social Services Administration. Program Policy Manual, Ch. 3440.45.00. Available online at http://www.in.gov/fssa/files/3400chg.pdf

STATE	ALLOWABLE EXPENSES	VERIFICATION	CITATION
Kentucky	- Allows deduction for "the 25 cents revenue tax that pharmacies are allowed to charge per prescription," the cost of repairs necessary to keep the medical equipment in working condition, telephone charges for telephonic aids, such as amplifiers and warning signals, for disabled persons and cost of teletypewriter equipment for the deaf. - Allows trips to a doctor, dentist, etc. as well as trips to fill prescriptions for medicine, dentures, hearing aide, eye glasses, sickroom equipment, etc. as transportation expenses.	-Emphasis on timely reporting of expenses	Cabinet for Health and Family Services. Food Stamp Program Operational Manual, Vol. II, OMTL-262. Available online at http://manuals.chfs.ky.gov/dcbs_manuals/DFS/VOLII/OMVOLII.pdf
New Hampshire	- Allows chiropractor, Christian Science spiritual practitioner, doctor, sex therapist, clinical social worker, acupuncturist, clinical pastoral counselor, clinical psychologist as medical practitioners.	- AU can deduct expenses in that month or average it out over all months	Department of Health and Human Services. Food Stamp Manual, Sec. SR 03-42. Available online at http://www.dhhs.state.nh.us/FSM_htm/NEWFSM.HTM
North Carolina	- Allows monthly telephone fees for amplifies and warning signals for handicapped persons and cost of typewriter equipment for the deaf, rental and purchase of medical equipment and supplies, and care for feet and artificial limbs.	- Requires verification at recertification only if the type or source of expense has changed and the total of medical expense has changed by more than $25. - Allows current bills of receipts, statements from providers, pharmacy computer printouts, insurance policies or statements from insurance companies, and Medicare Explanation of Benefits (EOB) as forms of verification. - The medical expense is a required field on the AU manager's computer screen (field 56 of the DSS-8590). The AU manager must enter "0000" if there are no medical expenses. - States that, "if individuals have medical insurance, Medicare, Medicaid, or pending lawsuits, do not delay or deny the medical deduction if reimbursement of expenses is uncertain or unlikely"	Department of Health and Human Services. Food Stamp Program Policy, Sec. 280.14. Available online at http://info.dhhs.state.nc.us/olm/manuals/dss/ei-30/man/FSs280.htm#P12_65

STATE	ALLOWABLE EXPENSES	VERIFICATION	CITATION
Ohio		- Requires verification at recertification only if the type or source of expense has changed and the total of medical expense has changed by more than $25 - Allows medicine/pill bottles with costs on label or statement from collateral contact as verifications	Office of Family Stability. Food Assistance Certification Handbook 5101:4-4-23. Available online at http://emanuals.odjfs.state.oh.us/emanuals/GetDocument.do?docLoc=C%3A%2Fodjfs%2FReady4Build%2F99_FSH.htm%3ASRC%23%2F1%2F2%2F2%2F1%2F9%2F10%2F1&locSource=input&docId=Document(storage%3DREPOSITORY%2CdocID%3D%23node-id(643161))&titleIndx=9&version=8.0.0
South Dakota	- Allows licensed practitioner authorized by State law or other qualified health professional, such as midwife, and all costs associated with eyeglasses prescribed by a physician skilled in eye disease or by an optometrist	- Requires verification at recertification only if the type or source of expense has changed and the total of medical expense has changed by more than $25	Department of Social Services. Food Stamp Certification Policy Manual 4122.3. Available online at http://dss.sd.gov/foodstamps/FSManual/html/4122_sdfscm.htm#4122_3_SDFSCM
Tennessee	- Allows telephone and typewriter costs, AND "special diets that require a prescription and must be obtained from a pharmacist (do not count other special diets)"	- Allows credit card receipts as verification of medical expenses - Instructs AU managers to accept the AU's statement that no reimbursement will be received, unless questionable	Department of Human Services. Food Stamp Manual, Vol. I, Medical Deductions Supplement. Available online at http://tennessee.gov/humanserv/adfam/fs-man-1.pdf
Texas	- Allows diapers for disabled children or incontinence pads for elderly or disabled adults - When determining cost of transportation to obtain services, the client may choose to use 55 cents per mile, instead of keeping track of actual expenses.	- Bills can be paid or unpaid - AU can deduct expenses in that month or average it out over all months	Health and Human Services. Texas Works Handbook, 05-2, A-1428. Available online at http://www.dads.state.tx.us/handbooks/TexasWorks/A/1400/1400.htm#secA-1428
Virginia	- Allows over-the-counter medication prescribed by licensed practitioner including insulin, aspirin, antacids, etc. - Allows actual verified amounts for all transportation costs. If specific amounts cannot be verified, then the prevailing rate in the community or the state mileage allowance is used - Allows telephone fees for amplifiers and warning signals for disabled persons and costs of typewriter equipment for the hearing impaired		Department of Social Services. Supplemental Nutrition Assistance Program Manual, Vol. V, Part X. Available online at http://dssiad.dss.state.va.us/FoodStampManual/pageview.html?page=P10/P10CA.html

STATE	ALLOWABLE EXPENSES	VERIFICATION	CITATION
Washington	- Allows prescribed alternative therapies such as massage or acupuncture, medical equipment or medically needed changes to your home, shipping and handling charges for an allowable medical item, long distance calls to a medical provider, naturopathic physician services and other non-standard providers - Also covers services, supplies, medication, or other medically needed items prescribed by a state-licensed practitioner or other state-certified, qualified, health professional - Allows medical equipment such as: wheelchairs, walkers, and modifications to the person's home such as: grab bars, wheelchair ramps, and lowered countertops		Department of Social and Health Services. Washington Administrative Code, Ch. 388-450-0200. Available online at http://apps.leg.wa.gov/wac/default.aspx?cite=388-450&full=true#388-450-0200
West Virginia	- Allows postage and handling for prescription drugs		Department of Health and Human Resources. Income Maintenance Manual, Ch. 10.4.6. Available online at http://www.wvdhhr.org/bcf/policy/imm/new_manual/IMManual/Manual_PDF_Files/Chapter_10/ch10_4.pdf
Wisconsin	- Allows chiropractors and acupuncturists, the cost of postage for mail-order prescription drugs, and payments made on a loan's principal if it was used to pay a one-time medical expense	- Allows AU to deduct over 1 month, enter into payment plan with provider and deduct the monthly payment obligation, or average the expense over remaining certification period	Department of Health and Family Services. FoodShare Wisconsin Handbook, Ch. 4.6.4. Available online at http://www.emhandbooks.wi.gov/fsh/Policy_Files/4/46/4-6-4.htm
Wyoming	** Standard Medical Deduction (SMD) Demonstration Project: Implemented in January 2006, allows SMD of $103 for expenses >$35 and <=$138; expenses greater than $138 receive a deduction of their expenses above $35	- Clients must verify expenses at initial application; at recertification, they only need to *declare* they still have expenses over $35	Wyoming Department of Family Services. Manual Section 907(P). Available online at http://www.thresholdcomputer.net/dfs/training.htm

Source: This chart updates and expands on information compiled and provided by the Massachusetts Law Reform Institute.

Appendix C Detailed Tables of FSP Characteristics

Table 7. Use of Deductions by Participating California Food Stamp Households

Household Characteristics	Total CA FSP Households		Type of Deduction			
			Medical		Dependent Care	
	Number	Percent	Number	Percent	Number	Percent
Total	817,434	100.00%	3,243	0.40	16,398	2.01%
Household Composition						
Children	622,184	76.11%	--	--	16,398	2.64%
Preschool Age	329,744	40.34%	--	--	9,269	2.81%
School Age	468,164	57.27%	--	--	11,887	2.54%
No Children	195,250	23.89%	3,243	1.66	--	--
Elderly or Disabled Individuals	37,642	4.60%	3,243	8.62	--	--
No Elderly or Disabled Individuals	779,792	95.40%	--	--	16,398	2.10%
Elderly Individuals	31,827	3.89%	3,243	10.19	16,398	51.52%
No Elderly Individuals	785,607	96.11%	--	--	--	--
Disabled Nonelderly Individuals	5,815	0.71%	--	--	--	--
No Disabled Nonelderly Individuals	811,619	99.29%	3,243	0.40	16,398	2.02%
Pure Public Assistance [a]	452,959	55.41%	823	0.18	3,876	0.86%
Not Pure Public Assistance	364,475	44.59%	2,419	0.66	12,521	3.44%
Working Households [b]	333,557	40.81%	--	--	13,931	4.18%
Children	312,912	38.28%	--	--	13,931	4.45%
Preschool Age Children	155,319	19.00%	--	--	6,803	4.38%
School Age Children	246,147	30.11%	--	--	10,495	4.26%
No Children	20,645	2.53%	--	--	--	--
TANF Income	191,882	23.47%	--	--	2,802	1.46%
Children	191,882	23.47%	--	--	2,802	1.46%
Preschool Age Children	81,963	10.03%	--	--	1,796	2.19%
School Age Children	153,258	18.75%	--	--	1,006	0.66%
No Children	--	--	--	--	--	--
No TANF Income	141,675	17.33%	--	--	11,129	7.86%
Children	121,030	14.81%	--	--	11,129	9.20%
Preschool Age Children	73,356	8.97%	--	--	5,007	6.83%
School Age Children	92,889	11.36%	--	--	9,489	10.22%
No Children	20,645	2.53%	--	--	--	--
FSP Benefit						
Minimum Benefit	9,470	1.16%	823	8.69	--	--
Maximum Benefit	296,724	36.30%	1,769	0.60	6,287	2.12%

a A unit is pure cash public assistance (Pure Public Assistance) when everyone in the unit receives TANF, GA, or SSI, or the unit has TANF income and every adult receives TANF, GA, or SSI.

b "Working Households" are defined as households where all adults reported earned income.

-- No sample households in this category

Source: Author's analysis of the Fiscal Year 2007 Food Stamp Program Quality Control sample.

Table 8. Average Deductions by Participating California Food Stamp Households, 2007

Household Characteristics	Total CA FSP Households	Average Amount of Deduction (Dollars): Dependent Care – All Households	Dependent Care – With Deduction	Medical – All Households	Medical – With Deduction
Total	817,434	$3	$150	$1	$124
Household Composition					
Children	622,184	4	150	--	--
Preschool Age	329,744	5	171	--	--
School Age	468,164	4	167	--	--
No Children	195,250	--	--	2	124
Elderly or Disabled Individuals		0	--	12	124
No Elderly or Disabled Individuals		3	150	0	--
Elderly Individuals	31,827	--	--	14	124
No Elderly Individuals	785,607	3	150	--	--
Disabled Nonelderly Individuals	5,815	--	--	--	--
No Disabled Nonelderly Individuals	811,619	3	150	1	124
Pure Public Assistance [a]	452,959	1	116	--	59
Not Pure Public Assistance	364,475	6	160	1	146
Working Households [b]	333,557	6	138	--	--
Children	312,912	6	138	--	--
Preschool Age Children	155,319	7	155	--	--
School Age Children	246,147	7	153	--	--
No Children	20,645	--	--	--	--
TANF Income	191,882	1	102	--	--
Children	191,882	1	102	--	--
Preschool Age Children	81,963	3	117	--	--
School Age Children	153,258	--	76	--	--
No Children	--	--	--	--	--
No TANF Income	141,675	12	147	--	--
Children	121,030	13	147	--	--
Preschool Age Children	73,356	11	168	--	--
School Age Children	92,889	16	161	--	--
No Children	20,645	--	--	--	--
FSP Benefit					
Minimum Benefit	9,470	--	--	6	178
Maximum Benefit	296,724	2	106	1	59

a A unit is pure cash public assistance (pure PA) when everyone in the unit receives TANF, GA, or SSI, or the unit has TANF income and every adult receives TANF, GA, or SSI.

b "Working Households" are defined as households where all adults reported earned income.

-- No sample households in this category.

Source: Author's analysis of the Fiscal Year 2007 Food Stamp Quality Control sample.

Table 9. Utilization of the Dependent Care Deduction (DCD) by Working Households with Preschool Children, 2007

	Total FSP Households	Working Households[a] with Preschool Children				Of All Food Stamp Households Claiming the DCD			
		Total	Claiming DCD	Share	Rank	Average Deduction Per Household	Rank	Average Deduction Per Child	Rank
U.S. Total[b]	11,563,207	1,255,368	323,317	25.75%		$163		$80	
Alabama	215,983	23,933	8,676	36.25%	18	$164	22	$89	25
Alaska	20,863	1,247	302	24.22%	31	$29	53	$14	53
Arizona	216,655	38,515	6,218	16.14%	40	$158	25	$68	42
Arkansas	154,270	17,432	4,626	26.54%	28	$191	15	$112	9
California	**817,434**	**155,319**	**6,803**	**4.38%**	**53**	**$155**	**28**	**$78**	**31**
Colorado	104,744	12,762	2,148	16.83%	38	$184	17	$79	30
Connecticut	109,989	6,446	2,061	31.97%	23	$92	48	$41	50
Delaware	28,587	3,734	1,746	46.76%	3	$193	14	$103	15
District of Columbia	43,501	940	68	7.23%	51	$322	2	$107	12
Florida	617,486	66,039	16,038	24.29%	30	$140	39	$74	35
Georgia	371,037	52,171	20,820	39.91%	11	$145	37	$71	39
Guam	7,621	1,512	133	8.80%	49	$105	46	$73	36
Hawaii	44,917	4,438	266	5.99%	52	$145	37	$67	43
Idaho	35,189	4,945	2,181	44.11%	8	$202	10	$116	6
Illinois	557,765	48,539	16,594	34.19%	20	$134	41	$52	45
Indiana	246,868	25,367	2,743	10.81%	45	$158	25	$91	23
Iowa	104,401	11,472	1,403	12.23%	43	$134	41	$95	20
Kansas	82,079	9,176	2,818	30.71%	25	$72	51	$46	48
Kentucky	261,518	14,896	2,161	14.51%	41	$150	33	$118	4
Louisiana	257,691	27,402	12,361	45.11%	7	$194	13	$90	24
Maine	78,436	5,047	1,169	23.16%	32	$163	23	$110	10
Maryland	143,482	14,517	5,902	40.66%	10	$225	4	$118	4
Massachusetts	238,189	14,301	3,266	22.84%	33	$211	6	$116	6
Michigan	545,111	48,841	6,018	12.32%	42	$184	17	$103	15
Minnesota	129,526	13,201	8,380	63.48%	1	$132	43	$75	33
Mississippi	177,125	20,364	7,697	37.80%	14	$162	24	$78	31
Missouri	297,675	32,677	15,097	46.20%	5	$195	11	$102	17
Montana	33,800	2,880	913	31.70%	24	$151	30	$84	28
Nebraska	51,392	6,751	793	11.75%	44	$146	36	$73	36
Nevada	56,135	6,371	1,696	26.62%	27	$204	9	$93	21
New Hampshire	28,081	2,059	702	34.09%	21	$191	15	$107	12
New Jersey	195,989	19,612	3,480	17.74%	37	$319	3	$121	3
New Mexico	89,256	13,203	2,952	22.36%	35	$97	47	$48	46
New York	935,810	77,180	7,794	10.10%	46	$182	19	$99	19
North Carolina	388,036	45,482	18,693	41.10%	9	$148	34	$66	44
North Dakota	20,235	1,980	1,155	58.33%	2	$222	5	$107	12
Ohio	475,805	41,236	14,981	36.33%	16	$90	49	$48	46
Oklahoma	170,522	17,109	7,821	45.71%	6	$106	45	$44	49
Oregon	224,280	19,732	7,463	37.82%	13	$151	30	$88	26
Pennsylvania	523,349	28,854	6,545	22.68%	34	$136	40	$70	40
Rhode Island	35,993	3,340	306	9.16%	48	$156	27	$126	2
South Carolina	228,740	23,332	8,469	36.30%	17	$165	21	$80	29
South Dakota	24,704	2,874	474	16.49%	39	$148	34	$109	11
Tennessee	380,304	23,988	1,895	7.90%	50	$208	8	$113	8
Texas	932,302	156,686	59,208	37.79%	15	$195	11	$87	27
Utah	50,138	7,270	2,770	38.10%	12	$151	30	$75	33
Vermont	24,512	1,079	314	29.10%	26	$409	1	$160	1
Virgin Islands	4,681	588	209	35.54%	19	$182	19	$73	36
Virginia	224,219	21,360	5,617	26.30%	29	$211	6	$92	22
Washington	269,402	21,403	6,859	32.05%	22	$52	52	$31	52
West Virginia	116,849	6,319	1,154	18.26%	36	$74	50	$37	51
Wisconsin	161,258	28,138	2,752	9.78%	47	$155	28	$101	18
Wyoming	9,272	1,313	612	46.61%	4	$131	44	$69	41

a "Working Households" are defined as households where all adults reported earned income.
b Due to rounding, the sum of individual categories may not match the table total.
Source: Author's analysis of the Fiscal Year 2007 Food Stamp Quality Control sample.

Table 10. Trends in Utilization of the Dependent Care Deduction (DCD) by Working Households with Preschool Children, 2005-2007

	Working Households with Preschool Children			Working Households with Preschool Children Claiming the DCD			Share		
	FY2005	FY2006	FY2007	FY2005	FY2006	FY2007	FY2005	FY2006	FY2007
U.S. Total	1,203,539	1,246,451	1,255,368	309,052	329,006	323,317	25.68%	26.40%	25.75%
Alabama	21,607	21,003	23,933	9,545	8,239	8,676	44.18%	39.23%	36.25%
Alaska	1,941	1,764	1,247	376	505	302	19.37%	28.63%	24.22%
Arizona	32,199	37,255	38,515	4,807	5,930	6,218	14.93%	15.92%	16.14%
Arkansas	14,900	13,424	17,432	3,728	2,992	4,626	25.02%	22.29%	26.54%
California	**150,673**	**149,951**	**155,319**	**4,658**	**8,163**	**6,803**	**3.09%**	**5.44%**	**4.38%**
Colorado	11,952	11,202	12,762	1,567	2,444	2,148	13.11%	21.82%	16.83%
Connecticut	6,725	6,510	6,446	2,032	1,548	2,061	30.22%	23.78%	31.97%
Delaware	3,795	5,218	3,734	1,366	1,199	1,746	35.99%	22.98%	46.76%
District of Columbia	1,288	1,720	940	248	85	68	19.25%	4.94%	7.23%
Florida	74,833	56,715	66,039	22,307	20,100	16,038	29.81%	35.44%	24.29%
Georgia	47,105	46,307	52,171	22,010	18,760	20,820	46.73%	40.51%	39.91%
Guam	1,233	1,877	1,512	73	283	133	5.92%	15.08%	8.80%
Hawaii	3,330	3,358	4,438	139	0	266	4.17%	0.00%	5.99%
Idaho	5,030	5,458	4,945	2,895	2,366	2,181	57.55%	43.35%	44.11%
Illinois	49,076	61,744	48,539	15,945	20,519	16,594	32.49%	33.23%	34.19%
Indiana	21,713	25,356	25,367	3,236	5,384	2,743	14.90%	21.23%	10.81%
Iowa	8,114	10,963	11,472	975	813	1,403	12.02%	7.42%	12.23%
Kansas	8,343	8,940	9,176	2,271	2,355	2,818	27.22%	26.34%	30.71%
Kentucky	14,104	18,882	14,896	3,615	2,598	2,161	25.63%	13.76%	14.51%
Louisiana	34,451	26,205	27,402	14,556	11,713	12,361	42.25%	44.70%	45.11%
Maine	3,661	4,100	5,047	652	977	1,169	17.81%	23.83%	23.16%
Maryland	9,793	11,309	14,517	2,563	4,735	5,902	26.17%	41.87%	40.66%
Massachusetts	14,262	12,893	14,301	2,330	3,583	3,266	16.34%	27.79%	22.84%
Michigan	52,713	47,443	48,841	10,499	9,566	6,018	19.92%	20.16%	12.32%
Minnesota	13,181	11,211	13,201	10,589	8,170	8,380	80.34%	72.87%	63.48%
Mississippi	17,260	17,517	20,364	4,911	4,904	7,697	28.45%	28.00%	37.80%
Missouri	28,261	38,500	32,677	11,820	21,159	15,097	41.82%	54.96%	46.20%
Montana	2,861	2,307	2,880	1,258	303	913	43.97%	13.13%	31.70%
Nebraska	3,731	6,871	6,751	540	962	793	14.47%	14.00%	11.75%
Nevada	4,602	5,435	6,371	787	1,065	1,696	17.10%	19.60%	26.62%
New Hampshire	1,667	1,476	2,059	212	390	702	12.72%	26.42%	34.09%
New Jersey	20,135	25,819	19,612	3,205	2,623	3,480	15.92%	10.16%	17.74%
New Mexico	13,182	13,261	13,203	2,201	4,301	2,952	16.70%	32.43%	22.36%
New York	74,687	61,176	77,180	10,516	9,773	7,794	14.08%	15.98%	10.10%
North Carolina	42,543	41,308	45,482	16,937	16,621	18,693	39.81%	40.24%	41.10%
North Dakota	2,048	2,080	1,980	920	946	1,155	44.92%	45.48%	58.33%
Ohio	38,297	35,704	41,236	14,779	10,647	14,981	38.59%	29.82%	36.33%
Oklahoma	15,988	18,177	17,109	3,925	6,869	7,821	24.55%	37.79%	45.71%
Oregon	20,482	20,721	19,732	7,565	6,649	7,463	36.93%	32.09%	37.82%
Pennsylvania	31,940	34,738	28,854	8,465	10,001	6,545	26.50%	28.79%	22.68%
Rhode Island	2,374	2,467	3,340	314	177	306	13.23%	7.17%	9.16%
South Carolina	18,073	20,195	23,332	6,544	6,537	8,469	36.21%	32.37%	36.30%
South Dakota	2,244	3,454	2,874	449	871	474	20.01%	25.22%	16.49%
Tennessee	22,652	31,794	23,988	5,273	4,858	1,895	23.28%	15.28%	7.90%
Texas	160,662	179,658	156,686	44,947	52,942	59,208	27.98%	29.47%	37.79%
Utah	7,490	6,803	7,270	2,455	2,295	2,770	32.78%	33.74%	38.10%
Vermont	1,764	1,727	1,079	546	575	314	30.95%	33.29%	29.10%
Virgin Islands	656	682	588	258	257	209	39.33%	37.68%	35.54%
Virginia	18,569	22,104	21,360	5,133	6,778	5,617	27.64%	30.66%	26.30%
Washington	19,958	24,388	21,403	7,477	9,237	6,859	37.46%	37.88%	32.05%
West Virginia	5,604	5,308	6,319	665	815	1,154	11.87%	15.35%	18.26%
Wisconsin	18,055	20,596	28,138	3,199	3,006	2,752	17.72%	14.60%	9.78%
Wyoming	1,731	1,374	1,313	767	413	612	44.31%	30.06%	46.61%

a "Working Households" are defined as households where all adults reported earned income.
b Due to rounding, the sum of individual categories may not match the table total.
Source: Author's analysis of the Fiscal Year 2005-2007 Food Stamp Quality Control samples.

Table 11. Trends in Average Dependent Care Deduction (DCD) Per Household and Per Child for Working Households with Preschool Children, 2005-2007

	Average Deduction Per Household for Working Households with Preschool Children			Average Deduction Per Child for Working Households with Preschool Children		
	FY2005	FY2006	FY2007	FY2005	FY2006	FY2007
U.S. Total	$146	$161	$163	$81	$84	$80
Alabama	$159	$208	$164	$94	$100	$89
Alaska	$76	$173	$29	$29	$77	$14
Arizona	$181	$164	$158	$107	$77	$68
Arkansas	$217	$222	$191	$121	$119	$112
California	**$134**	**$179**	**$155**	**$72**	**$72**	**$78**
Colorado	$156	$170	$184	$62	$96	$79
Connecticut	$148	$118	$92	$72	$73	$41
Delaware	$142	$177	$193	$79	$86	$103
District of Columbia	$159	$50	$322	$64	$46	$107
Florida	$122	$149	$140	$62	$82	$74
Georgia	$167	$154	$145	$83	$76	$71
Guam	$95	$131	$105	$24	$41	$73
Hawaii	$139	$0	$145	$103	$0	$67
Idaho	$203	$198	$202	$106	$104	$116
Illinois	$112	$108	$134	$73	$59	$52
Indiana	$103	$185	$158	$63	$120	$91
Iowa	$102	$106	$134	$45	$61	$95
Kansas	$72	$70	$72	$51	$42	$46
Kentucky	$134	$180	$150	$82	$87	$118
Louisiana	$156	$185	$194	$104	$78	$90
Maine	$166	$127	$163	$112	$100	$110
Maryland	$211	$219	$225	$125	$100	$118
Massachusetts	$141	$224	$211	$67	$98	$116
Michigan	$200	$197	$184	$128	$129	$103
Minnesota	$104	$88	$132	$64	$42	$75
Mississippi	$146	$160	$162	$70	$82	$78
Missouri	$202	$188	$195	$108	$89	$102
Montana	$112	$63	$151	$48	$36	$84
Nebraska	$116	$138	$146	$55	$83	$73
Nevada	$131	$187	$204	$68	$93	$93
New Hampshire	$151	$195	$191	$118	$114	$107
New Jersey	$258	$171	$319	$129	$96	$121
New Mexico	$106	$104	$97	$50	$55	$48
New York	$132	$189	$182	$73	$124	$99
North Carolina	$132	$132	$148	$75	$76	$66
North Dakota	$169	$226	$222	$102	$133	$107
Ohio	$108	$71	$90	$51	$36	$48
Oklahoma	$113	$100	$106	$39	$54	$44
Oregon	$134	$188	$151	$81	$111	$88
Pennsylvania	$100	$115	$136	$60	$77	$70
Rhode Island	$177	$47	$156	$97	$38	$126
South Carolina	$179	$206	$165	$87	$111	$80
South Dakota	$220	$175	$148	$118	$88	$109
Tennessee	$176	$189	$208	$101	$79	$113
Texas	$159	$197	$195	$91	$96	$87
Utah	$161	$160	$151	$72	$93	$75
Vermont	$173	$216	$409	$101	$119	$160
Virgin Islands	$182	$206	$182	$74	$81	$73
Virginia	$169	$163	$211	$87	$84	$92
Washington	$50	$44	$52	$27	$24	$31
West Virginia	$116	$112	$74	$56	$35	$37
Wisconsin	$106	$128	$155	$74	$81	$101
Wyoming	$105	$97	$131	$45	$46	$69

a "Working Households" are defined as households where all adults reported earned income.
b Due to rounding, the sum of individual categories may not match the table total.
Source: Author's analysis of the Fiscal Year 2005-2007 Food Stamp Quality Control samples.

Table 12. Utilization of the Medical Deduction (MD), 2007

	Total FSP Households	Households with Elderly or Disabled Member				Of All Households Claiming the MD[a]	
		Total	Claiming MD[a]	Share	Rank	Average Deduction Per Household	Rank
U.S. Total[b]	11,563,207	4,777,391	873,950	19.07%		$141	
Alabama	215,983	89,476	16,911	16.91%	16	107	35
Alaska	20,863	6,129	183	4.57%	47	76	52
Arizona	216,655	60,990	5,518	8.15%	34	136	14
Arkansas	154,270	60,879	7,540	9.57%	31	101	39
California	**817,434**	**37,642**	**3,243**	**9.58%**	**30**	**150**	**9**
Colorado	104,744	38,548	3,539	7.96%	35	107	36
Connecticut	109,989	53,612	2,169	3.99%	49	93	44
Delaware	28,587	10,770	791	6.23%	43	135	16
District of Columbia	43,501	13,949	705	4.93%	46	91	46
Florida	617,486	319,582	60,465	24.07%	10	124	24
Georgia	371,037	140,761	18,605	11.56%	27	130	20
Guam	7,621	1,385	558	31.70%	5	83	51
Hawaii	44,917	22,122	868	3.27%	53	173	8
Idaho	35,189	14,988	1,614	12.00%	25	85	50
Illinois	557,765	216,412	13,360	5.40%	45	324	1
Indiana	246,868	100,682	23,621	16.60%	17	118	26
Iowa	104,401	36,504	3,651	7.64%	36	130	19
Kansas	82,079	35,232	5,037	12.14%	24	114	29
Kentucky	261,518	131,898	20,463	17.50%	15	94	43
Louisiana	257,691	101,925	22,815	25.10%	9	109	31
Maine	78,436	39,862	3,133	6.29%	41	142	11
Maryland	143,482	59,970	5,120	8.72%	33	208	6
Massachusetts	238,189	146,177	10,116	11.02%	29	117	28
Michigan	545,111	224,889	34,834	15.61%	23	225	4
Minnesota	129,526	55,877	2,312	4.18%	48	249	2
Mississippi	177,125	82,720	25,707	39.81%	4	85	49
Missouri	297,675	133,189	29,430	20.33%	12	87	48
Montana	33,800	14,214	2,514	16.48%	18	216	5
Nebraska	51,392	19,554	2,710	11.32%	28	109	32
Nevada	56,135	26,744	1,545	6.65%	40	147	10
New Hampshire	28,081	14,817	2,063	15.88%	22	137	13
New Jersey	195,989	79,142	3,423	3.48%	51	103	38
New Mexico	89,256	31,586	1,711	3.65%	50	71	53
New York	935,810	521,790	230,876	42.96%	3	108	33
North Carolina	388,036	165,083	30,879	27.68%	8	105	37
North Dakota	20,235	8,694	2,560	31.48%	6	193	7
Ohio	475,805	219,988	21,244	8.89%	32	119	25
Oklahoma	170,522	70,213	2,550	3.43%	52	92	45
Oregon	224,280	80,729	18,851	22.42%	11	134	17
Pennsylvania	523,349	263,567	20,769	11.74%	26	113	30
Rhode Island	35,993	18,280	1,093	6.29%	42	95	42
South Carolina	228,740	87,430	19,813	19.80%	13	136	14
South Dakota	24,704	10,056	1,709	17.53%	14	127	23
Tennessee	380,304	155,729	9,555	7.11%	38	127	22
Texas	932,302	365,433	101,859	29.04%	7	232	3
Utah	50,138	16,668	1,065	6.93%	39	117	27
Vermont	24,512	13,346	2,193	16.06%	21	97	41
Virgin Islands	4,681	1,276	540	53.21%	1	88	47
Virginia	224,219	111,430	9,241	7.26%	37	98	40
Washington	269,402	115,436	48,275	45.68%	2	128	21
West Virginia	116,849	62,471	4,782	5.90%	44	133	18
Wisconsin	161,258	63,913	9,205	16.10%	20	139	12
Wyoming	9,272	3,633	615	16.32%	19	107	34

a Due to a small unweighted sample size, data represents average of FY2005, FY2006 and FY2007.
b Due to rounding, the sum of individual categories may not match the table total.
Source: Author's analysis of the Fiscal Year 2007 Food Stamp Quality Control sample.

Table 13. Trends in Utilization of the Medical Deduction (MD), 2005-2007

	Households with Elderly or Disabled Member			Households with Elderly or Disabled Member Claiming the MD[a]			Share[a]		
	FY2005	FY2006	FY2007	FY2005	FY2006	FY2007	FY2005	FY2006	FY2007
U.S. Total[b]	4,308,346	4,581,605	4,777,391	674,377	824,522	873,950	16.68%	19.20%	19.20%
Alabama	87,944	91,460	89,476	18,388	18,090	16,911	21.69%	20.84%	18.88%
Alaska	5,522	6,138	6,129	106	107	183	2.10%	1.93%	3.09%
Arizona	67,098	56,291	60,990	6,212	5,877	5,518	11.03%	9.80%	8.91%
Arkansas	60,392	57,846	60,879	7,513	7,869	7,540	13.77%	13.68%	12.65%
California	**41,276**	**44,817**	**37,642**	**3,062**	**2,831**	**3,243**	**8.31%**	**7.03%**	**8.01%**
Colorado	34,073	34,752	38,548	3,631	3,793	3,539	10.37%	10.74%	9.96%
Connecticut	48,320	48,871	53,612	1,980	2,284	2,169	4.36%	4.87%	4.33%
Delaware	8,894	10,046	10,770	815	827	791	9.76%	8.97%	8.12%
District of Columbia	14,241	14,755	13,949	942	859	705	7.47%	6.14%	4.93%
Florida	302,499	314,826	319,582	14,307	36,614	60,465	4.88%	11.80%	19.21%
Georgia	128,104	131,164	140,761	18,696	17,789	18,605	15.01%	14.10%	14.03%
Guam	1,722	1,525	1,385	421	525	558	27.91%	33.13%	36.17%
Hawaii	22,758	22,675	22,122	1,137	971	868	4.95%	4.28%	3.85%
Idaho	14,946	14,369	14,988	1,160	1,315	1,614	8.46%	9.09%	10.91%
Illinois	199,442	203,555	216,412	10,296	12,010	13,360	5.49%	6.07%	6.50%
Indiana	96,754	102,885	100,682	23,822	26,016	23,621	27.03%	27.08%	23.63%
Iowa	32,234	38,158	36,504	3,426	4,064	3,651	11.67%	12.35%	10.29%
Kansas	35,593	33,401	35,232	4,797	4,672	5,037	14.60%	13.80%	14.52%
Kentucky	124,343	126,218	131,898	16,338	17,920	20,463	14.46%	14.89%	16.03%
Louisiana	107,247	108,334	101,925	19,672	21,382	22,815	19.60%	20.34%	21.61%
Maine	37,528	40,323	39,862	3,628	3,287	3,133	9.39%	8.47%	8.05%
Maryland	53,936	55,619	59,970	4,737	4,818	5,120	9.42%	9.11%	9.08%
Massachusetts	91,968	138,173	146,177	4,606	5,906	10,116	5.92%	5.89%	7.96%
Michigan	189,329	213,939	224,889	27,139	31,038	34,834	15.08%	16.03%	16.74%
Minnesota	49,189	51,865	55,877	1,731	2,014	2,312	3.67%	4.09%	4.43%
Mississippi	66,604	72,243	82,720	16,847	22,868	25,707	24.17%	32.48%	34.48%
Missouri	124,433	124,934	133,189	23,959	26,300	29,430	22.40%	22.33%	23.14%
Montana	13,144	14,304	14,214	2,271	2,536	2,514	17.73%	19.20%	18.04%
Nebraska	20,831	20,621	19,554	2,438	2,698	2,710	12.60%	13.51%	13.28%
Nevada	26,751	26,065	26,744	1,294	1,727	1,545	5.22%	6.70%	5.83%
New Hampshire	12,833	14,512	14,817	2,093	1,956	2,063	17.62%	14.97%	14.59%
New Jersey	79,599	81,063	79,142	4,976	4,109	3,423	6.43%	5.20%	4.28%
New Mexico	31,456	30,164	31,586	2,042	2,130	1,711	7.58%	7.47%	5.54%
New York	473,552	501,231	521,790	180,085	234,452	230,876	39.75%	49.69%	46.50%
North Carolina	144,058	165,685	165,083	20,329	23,379	30,879	15.24%	15.90%	19.36%
North Dakota	8,005	8,041	8,694	2,376	2,431	2,560	31.18%	30.67%	31.03%
Ohio	194,788	218,008	219,988	27,293	25,024	21,244	14.46%	12.66%	10.16%
Oklahoma	67,051	71,550	70,213	3,685	2,968	2,550	6.19%	4.39%	3.66%
Oregon	80,949	84,873	80,729	16,026	18,136	18,851	22.61%	23.30%	22.94%
Pennsylvania	215,788	229,082	263,567	11,552	14,388	20,769	5.88%	6.58%	8.60%
Rhode Island	14,228	15,706	18,280	927	1,013	1,093	6.38%	6.81%	6.83%
South Carolina	78,577	76,976	87,430	15,436	22,331	19,813	20.21%	29.00%	24.69%
South Dakota	8,857	9,021	10,056	1,631	1,614	1,709	19.39%	18.78%	18.39%
Tennessee	149,253	152,048	155,729	10,059	9,796	9,555	7.20%	6.71%	6.26%
Texas	296,418	339,099	365,433	75,665	100,198	101,859	27.30%	33.15%	30.61%
Utah	14,171	16,806	16,668	932	1,139	1,065	6.66%	7.59%	6.71%
Vermont	11,720	13,223	13,346	1,624	2,040	2,193	14.06%	16.73%	17.14%
Virgin Islands	1,142	1,145	1,276	485	473	540	42.67%	41.78%	45.17%
Virginia	99,562	104,027	111,430	9,643	9,209	9,241	10.57%	9.42%	8.85%
Washington	100,989	106,938	115,436	30,297	45,187	48,275	31.94%	45.50%	44.75%
West Virginia	60,798	60,250	62,471	5,182	4,990	4,782	9.30%	8.45%	7.83%
Wisconsin	53,369	58,096	63,913	6,157	8,004	9,205	12.95%	15.31%	15.70%
Wyoming	4,066	3,888	3,633	511	548	615	13.11%	14.02%	15.96%

a Due to a small unweighted sample size, data represents three year averages ending in the year presented. Example: FY2007 is the average of FY2005, FY2006 and FY2007 data.
b Due to rounding, the sum of individual categories may not match the table total.
Source: Author's analysis of the Fiscal Year 2005-2007 Food Stamp Quality Control samples.

Appendix D Food Stamp Program Parameters and Maximum Benefit Amounts

Table 14. FSP Maximum Allowable Gross and Net Monthly Income Eligibility Standards for Fiscal Year 2007[a]

Household Size	Gross Monthly Income[b] (130 Percent of Poverty)	Gross Monthly Income for Households Where Elderly/Disabled Are a Separate Household (165 Percent of Poverty)	Net Monthly Income (100 Percent of Poverty)
1	$1,062	$1,348	$817
2	1,430	1,815	1,100
3	1,799	2,284	1,384
4	2,167	2,751	1,667
5	2,535	3,218	1,950
6	2,904	3,686	2,234
7	3,272	4,153	2,517
8	3,640	4,620	2,800
Each Additional Member	+369	+469	+284

FSP Maximum Allowable Gross and Net Monthly Income Eligibility Standards for Fiscal Year 2009[a]

Household Size	Gross Monthly Income[b] (130 Percent of Poverty)	Gross Monthly Income for Households Where Elderly/Disabled Are a Separate Household (165 Percent of Poverty)	Net Monthly Income (100 Percent of Poverty)
1	$1,127	$1,430	$867
2	1,517	1,925	1,167
3	1,907	2,420	1,467
4	2,297	2,925	1,767
5	2,687	3,410	2,067
6	3,077	3,905	2,367
7	3,467	4,400	2,667
8	3,857	4,985	2,967
Each Additional Member	+390	+495	+300

a These income levels apply to the Continental United States, the District of Columbia, Guam, and the Virgin Islands. Food Stamp gross and net income limits are higher in Alaska and Hawaii.

b These fiscal year FSP gross monthly income limits are based on the previous year's poverty guidelines issued by HHS. FNS derived the fiscal year gross income limits by multiplying the poverty guidelines by 130 percent, dividing the results by 12 and then rounding up to the nearest dollar.

Source: United States Department of Agriculture, Food and Nutrition Service

Table 15. Maximum Value of Deductions in California for Fiscal Year 2007 and 2009[a]

Deduction	Fiscal Year 2007	Fiscal Year 2009
Standard Deduction		
1-3 people	$134	$144
4 people	$139	$147
5 people	$162	$172
6 or more people	$186	$197
Homeless Shelter Deduction	$143	$143
Excess Shelter Deduction	$417	$446
Utility Deduction		
SUA (Standard Utility Allowance)	$271	$287
LUA (Limited Utility Allowance)	$75	$83
TUA (Telephone Utility Allowance)	$20	$20

a The deduction levels herein apply to the Continental United States and the District of Columbia. Food Stamp deduction limits are higher in Alaska, Hawaii, Guam, and the Virgin Islands.

Sources: United States Department of Agriculture, Food and Nutrition Service & California Department of Social Services

Table 16. Value of Maximum Monthly Food Stamp Benefits in Fiscal Years 2007 and 2009[a,b]

Household Size	Fiscal Year 2007	Fiscal Year 2009[c]
1	$155	$200
2	284	367
3	408	526
4	518	668
5	615	793
6	738	952
7	816	1,052
8	932	1,202
Each Additional Member	+117	+150

a The maximum benefit levels are based on 100 percent of the cost of the Thrifty Food Plan (TFP) in the preceding June for a reference family of four, rounded to the lowest dollar increment.

b The maximum benefit levels herein apply to the Continental United States and the District of Columbia. Food Stamp maximum benefit levels are higher in Alaska, Hawaii, Guam, and the Virgin Islands.

c The maximum benefit levels are adjusted annually to reflect cost of living adjustments; these increases are effective October 1 of every year. The American Reinvestment and Recovery Act of 2009 (the federal stimulus package) signed by President Obama on February 17, 2009 increased food stamp benefits by raising maximum allotments by 13.6 percent of the June 2008 value of the Thrifty Food Plan. The levels went into effect April 1, 2009 and will remain effective until the cost of the June TFP exceeds the levels prescribed in the stimulus legislation and results in higher maximum benefit levels. The levels here reflect the increased amount.

Source: United States Department of Agriculture, Food and Nutrition Service

Table 17. Standard Utility Allowances, Fiscal Year 2007

State	HCSUA[a]	LUA[b]	Telephone Allowance[c]	Electricity Standard[d]	Other Standards
Alabama	$259	$186	$45		
Alaska[e]					
Central	252		24	$67	$23
Southeast	311		23	77	38
Southcentral	330		27	84	38
Northern	438		26	79	45
Southwest	545		31	184	32
Northwest	651		28	171	42
Arizona	299	224	30	39	
Arkansas	240		25		
California	**271**	**75**	**20**		
Colorado	374		26		
Connecticut	517	273	23		
Delaware	390	266	21	71	
District of Columbia	247	150	22	43	
Florida	198	173	29		
Georgia	323	175	30		
Hawaii			26		48 (sewage)
1 person				120	26 (water)
2 people				131	28 (water)
3 people				150	31 (water)
4-5 people				185	37 (water)
6 people				217	43 (water)
7+ people				245	51 (water)
Idaho	321	146		57	
Illinois	299	177	28	37	
Indiana	378	218	27		
	430				
Iowa	356	152	36		
Kansas	282	168	31		
Kentucky	325	222	35		
Louisiana	322	183	24		
Maine	450	182	27		
Maryland	304	183	25		
Massachusetts	528	320	37		
Michigan	587		31	85	45
Minnesota	305		25	75	
Mississippi	267	184	24		
Missouri	252	138	26	55	
Montana	358	188	32	78	
	399				
Nebraska	305	189	39	79	
Nevada	258	168	17	38	
New Hampshire	443	202	25	126	
	424				
New Jersey	352	216	29		
New Mexico	232	94	31		
New York			33		
NYC	577	256			
Long Island	543	238			
Rest of NY	478	222	22		
North Carolina					
1 person	266	132			
2 people	292	146			
3-4 people	321	167			
5+ people	350	191			
North Dakota	602	200	38	105	
Ohio	429		29		

State	HCSUA[a]	LUA[b]	Telephone Allowance[c]	Electricity Standard[d]	Other Standards
Oklahoma	243	210	36		
Oregon	303	217	37	37	
Pennsylvania	452	242	30	48	
Rhode Island	520		23[f]		
South Carolina	221	109	27		
South Dakota	582	159	40	59	
Tennessee		126	25		
Oct 2006 – Jun 2007: 1 person	244				
Oct 2006 – Jun 2007: 2-9 people	+$9 per person				
Oct 2006 – Jun 2007: 10+ people	326				
Jul 2007 – Sept 2007: 1 person	293				
Jul 2007 – Sept 2007: 2-9 people	+$11 per person				
Jul 2007 – Sept 2007: 10+ people	391				
Texas	273	247	21		
Utah	274	181	33		
Vermont	557	183	34		
Virginia			44		
1-3 people	281				
4+ people	352				
Washington		238	38		
1 person	298				
2 people	307				
3 people	316				
4 people	325				
5 people	334				
6+ people	343				
West Virginia	287				
Wisconsin	298	211	27	75	66[g]
Wyoming	389	162	35		
Guam			24	22	Sub-elements based on household size
Virgin Islands			22		Actual expenses only

Sources: This information is from Table F.6 in *Technical Documentation for the Fiscal Year 2007 FSPQC Database and QC Minimodel* (Wolkwitz, 2007). Data was obtained from the United States Department of Agriculture, Food and Nutrition Service, and the FY 2007 Raw QC Datafile.

a HCSUA is a standard utility allowance used for households with heating and cooling expenses not included in rent. The HCSUA generally includes all utilities, including telephone.

b LUA is a standard utility allowance used for households that do not have heating and cooling expenses separate from rent. The LUA generally includes all utilities, including telephone.

c The telephone allowance is a standard utility allowance used for households that have telephone expenses but do not have any other utility expenses.

d The electricity allowance is a single-utility standard.

e Alaska has six different HCSUAs determined by utility regions. Because the QC data does not include a variable identifying utility regions, the shelter deduction algorithm uses all six HCSUAs, trying to identify an HCSUA that results in a matching benefit.

f Rhode Island: The telephone allowance is $22.50; the SUA algorithm checked for both $22 and $23

g A single utility standard for water/sewer.

Table 18. Standard Utility Allowances, Fiscal Year 2009

State	HCSUA	LUA	Elec.	Gas/Fuel	Water	Sewage	Trash	Tel	Mandatory?
Alabama	293	204						49	Yes
Alaska									
Central	305		74	127	34	28	16	26	No
Northern	760		124	466	58	63	22	27	
Northwest	815		133	534	51	42	27	28	
Southcentral	434		85	236	20	36	28	29	
Southeast	439		72	249	24	40	28	26	
Southwest	824		140	574	33	34	13	30	
Arizona	326	243	43	43	43	43	43	29	Yes
Arkansas	247							25	No
California	**287**	**83**						**20**	**Yes**
Colorado	418	277	59	59	59	59	59	39	Yes
Connecticut	720	316						23	Yes
Delaware	444	302	80	80	80	80	80	21	Yes
District of Columbia	276	179	52	52	52	52	52	22	Yes
Florida	198	173						29	Yes
Georgia	323	175						30	Yes
Guam									
1			114	25	23				
2 or 3			134	25	28				
4			165	49	36				
5			190	49	43				
6			221	49	53	22	10	24	No
7			254	74	64				
8			267	74	69				
9 or 10			287	74	78				
11 or more			295	74	81				
Hawaii									
1			164		30				
2			179		34				
3			206		37	59		26	No
4 or 5			255		44				
6			300		50				
7 to 10			340		60				
Idaho	400	171	68	68	68	68	68		No
Illinois	304	190	41	41	41	41	41	29	Yes
Indiana	429	201						18	No
Iowa	390	167						36	Yes
Kansas	334	215						35	Yes
Kentucky	287	210						30	Yes
Louisiana	322	183						24	No
Maine	700	180						27	Yes
Maryland	371	224						35	Yes
Massachusetts	618	375						44	Yes
Michigan	550		93	59	54		14	33	Yes
Minnesota	305		75					28	No
Mississippi	259	181						24	Yes
Missouri	262	161	59	59	59		59	26	Yes
Montana	534	206	169	169	169	169	169	37	No
Nebraska	341	159	31	31	31		31	39	Yes
Nevada	274	227	53	53	53	53	53	11	Yes
New Hampshire	584	229	138					29	Yes
New Jersey	411	251						29	Yes
New Mexico	278	101						32	No

State	HCSUA	LUA	Elec.	Gas/Fuel	Water	Sewage	Trash	Tel	Mandatory?
New York									
NY City	577	256							
Long Island	543	238						33	
Rest of NYS	478	222							Yes
North Carolina									
1	266	164							
2	292	180						22	
3 or 4	321	198							
5 or more	350	216							Yes
North Dakota	653	226	188	188	188	188	188	38	Yes
Ohio	586							31	No
Oklahoma	243	210						36	No
Oregon	379	262	44	44	44	44	44	41	Yes
Pennsylvania	491	258	51	51	51	51	51	32	Yes
Rhode Island	556							22.5	Yes
South Carolina	221	109						27	Yes
South Dakota	645	181	74	74	74	74	74	43	Yes
Tennessee									
1	293								
2	304								
3	315								
4	326								
5	336	126						25	
6	347								
7	358								
8	369								
9	380								
10 or more	391								No
Texas	295	271						36	No
Utah	257	199						33	Yes
Vermont	744	198						36	Yes
Virgin Islands								29.88	No
Virginia									
1 to 3	290							39	
4 or more	365								No
Washington									
1	352								
2	362								
3	373	276						42	
4	384								
5	394								
6 or more	405								Yes
West Virginia	366	201	46	46	46	46	46		Yes
Wisconsin	305	208	78	27	59		15	29	Yes
Wyoming	302.75		171	171	171	171	171	35	Yes

Source: United States Department of Agriculture, Food and Nutrition Service

Appendix E Text of Federal & State Regulations for Income Deductions

Federal Regulations

US Department of Agriculture, Title 7, Code of Federal Regulations, Chapter II
Part 273 – Certification of Eligible Households

273.9 Income and Deductions[45]

…

(d) *Income deductions.* Deductions shall be allowed only for the following household expenses:

(1) *Standard deduction.* Effective October 1, 1996, for each household in the 48 contiguous States and the District of Columbia, Alaska, Hawaii, Guam and the Virgin Islands of the United States, the standard deduction must be $134, $229, $189, $269, and $118, respectively.

(2) *Earned income deduction.* Twenty percent of gross earned income as defined in paragraph (b)(1) of this section. Earnings excluded in paragraph (c) of this section shall not be included in gross earned income for purposes of computing the earned income deduction.

(3) *Excess medical deduction.* That portion of medical expenses in excess of $35 per month, excluding special diets, incurred by any household member who is elderly or disabled as defined in §271.2. Spouses or other persons receiving benfits as a dependent of the SSI or disability and blindness recipient are not eligible to receive this deduction but persons receiving emergency SSI benefits based on presumptive eligibility are eligible for this deduction. Allowable medical costs are:

(i) Medical and dental care including psychotherapy and rehabilitation services provided by a licensed practitioner authorized by State law or other qualified health professional.

(ii) Hospitalization or outpatient treatment, nursing care, and nursing home care including payments by the household for an individual who was a household member immediately prior to entering a hospital or nursing home provided by a facility recognized by the State.

(iii) Prescription drugs when prescribed by a licensed practitioner authorized under State law and other over-the-counter medication (including insulin) when approved by a licensed practitioner or other qualified health professional; in addition, costs of medical supplies, sick-room equipment (including rental) or other prescribed equipment are deductible;

(iv) Health and hospitalization insurance policy premiums. The costs of health and accident policies such as those payable in lump sum settlements for death or dismemberment or income maintenance policies such as those that continue mortgage or loan payments while the beneficiary is disabled are not deductible;

(v) Medicare premiums related to coverage under Title XVIII of the Social Security Act; any cost-sharing or spend down expenses incurred by Medicaid recipients;

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[45] "7 CFR 273.9 Income and Deductions," *Electronic Code of Federal Regulations*, http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=5ea7977042b372cf97cd7cbd4061a867&rgn=div8&view=text&node=7:4.1.1.3.21.0.1.9&idno=7.

(vi) Dentures, hearing aids, and prosthetics;

(vii) Securing and maintaining a seeing eye or hearing dog including the cost of dog food and veterinarian bills;

(viii) Eye glasses prescribed by a physician skilled in eye disease or by an optometrist;

(ix) Reasonable cost of transportation and lodging to obtain medical treatment or services;

(x) Maintaining an attendant, homemaker, home health aide, or child care services, housekeeper, necessary due to age, infirmity, or illness. In addition, an amount equal to the one person coupon allotment shall be deducted if the household furnishes the majority of the attendant's meals. The allotment for this meal related deduction shall be that in effect at the time of initial certification. The State agency is only required to update the allotment amount at the next scheduled recertification; however, at their option, the State agency may do so earlier. If a household incurs attendant care costs that could qualify under both the medical deduction and dependent care deduction, the State agency shall treat the cost as a medical expense.

(4) *Dependent care.* Payments for the actual costs for the care of children or other dependents when necessary for a household member to accept or continue employment, comply with the employment and training requirements as specified under §273.7(e), or attend training or pursue education which is preparatory to employment, except as provided in §273.10(d)(1)(i). The maximum monthly dependent care deduction amount households shall be granted under this provision is $200 a month for each dependent child under two (2) years of age and $175 a month for each other dependent.

(5) *Child support deduction.* Legally obligated child support payments paid by a household member to or for a nonhousehold member, including payments made to a third party on behalf of the nonhousehold member (vendor payments). The State agency shall allow a deduction for amounts paid toward arrearages. Alimony payments made to or for a nonhousehold member shall not be included in the child support deduction.

(6) *Standard utility allowance. —*

(i) *Homeless shelter deduction.* A State agency may develop a standard homeless shelter deduction up to a maximum of $143 a month for shelter expenses specified in paragraphs (d)(6)(ii)(A), (d)(6)(ii)(B) and (d)(6)(ii)(C) of this section that may reasonably be expected to be incurred by households in which all members are homeless individuals but are not receiving free shelter throughout the month. The deduction must be subtracted from net income in determining eligibility and allotments for the households. The State agency may make a household with extremely low shelter costs ineligible for the deduction. A household receiving the homeless shelter deduction cannot have its shelter expenses considered under paragraphs (d)(6)(ii) or (d)(6)(iii) of this section. However, a homeless household may choose to claim actual costs under paragraph (d)(6)(ii) of this section instead of the homeless shelter deduction if actual costs are higher and verified.

(ii) *Excess shelter deduction.* Monthly shelter expenses in excess of 50 percent of the household's income after all other deductions in paragraphs (d)(1) through (d)(5) of this section have been allowed. If the household does not contain an elderly or disabled member, as defined in §271.2 of this chapter, the shelter deduction cannot exceed the maximum shelter deduction limit established for the area. For fiscal year 2001, effective March 1, 2001, the maximum monthly excess shelter expense deduction limits are $340 for the 48 contiguous States and the District of Columbia, $543 for Alaska, $458 for Hawaii, $399 for Guam, and $268 for the Virgin Islands. FNS will set the maximum monthly excess shelter expense deduction limits for fiscal year 2002 and future years by adjusting the previous year's limits to reflect changes in the shelter component and the fuels and utilities component of the Consumer Price Index for All Urban Consumers for the 12 month period ending the previous November 30. FNS will notify State agencies of the amount of the limit. Only the following expenses are allowable shelter expenses:

(A) Continuing charges for the shelter occupied by the household, including rent, mortgage, condo and association fees, or other continuing charges leading to the ownership of the shelter such as loan repayments for the purchase of a mobile home, including interest on such payments.

(B) Property taxes, State and local assessments, and insurance on the structure itself, but not separate costs for insuring furniture or personal belongings.

(C) The cost of fuel for heating; cooling (*i.e.,* the operation of air conditioning systems or room air conditioners); electricity or fuel used for purposes other than heating or cooling; water; sewerage; well installation and maintenance; septic tank system installation and maintenance; garbage and trash collection; all service fees required to provide service for one telephone, including, but not limited to, basic service fees, wire maintenance fees, subscriber line charges, relay center surcharges, 911 fees, and taxes; and fees charged by the utility provider for initial installation of the utility. One-time deposits cannot be included.

(D) The shelter costs for the home if temporarily not occupied by the household because of employment or training away from home, illness, or abandonment caused by a natural disaster or casualty loss. For costs of a home vacated by the household to be included in the household's shelter costs, the household must intend to return to the home; the current occupants of the home, if any, must not be claiming the shelter costs for food stamp purposes; and the home must not be leased or rented during the absence of the household.

(E) Charges for the repair of the home which was substantially damaged or destroyed due to a natural disaster such as a fire or flood. Shelter costs shall not include charges for repair of the home that have been or will be reimbursed by private or public relief agencies, insurance companies, or from any other source.

(iii) *Standard utility allowances.*

(A) With FNS approval, a State agency may develop the following standard utility allowances (standards) to be used in place of actual costs in determining a household's excess shelter deduction: an individual standard for each type of utility expense; a standard utility allowance for all utilities that includes heating or cooling costs (HCSUA); and, a limited utility allowance (LUA) that includes electricity and fuel for purposes other than heating or cooling, water, sewerage, well and septic tank installation and maintenance, telephone, and garbage or trash collection. The LUA must include expenses for at least two utilities. However, at its option, the State agency may include the excess heating and cooling costs of public housing residents in the LUA if it wishes to offer the lower standard to such households. The State agency may use different types of standards but cannot allow households the use of two standards that include the same expense. In States in which the cooling expense is minimal, the State agency may include the cooling expense in the electricity component. The State agency may vary the allowance by factors such as household size, geographical area, or season. Only utility costs identified in paragraph (d)(6)(ii)(C) of this section must be used in developing standards.

(B) The State agency must review the standards annually and make adjustments to reflect changes in costs, rounded to the nearest whole dollar. State agencies must provide the amounts of standards to FNS when they are changed and submit methodologies used in developing and updating standards to FNS for approval when the methodologies are developed or changed.

(C) A standard with a heating or cooling component must be made available to households that incur heating or cooling expenses separately from their rent or mortgage and to households that receive direct or indirect assistance under the Low Income Home Energy Assistance Act of 1981 (LIHEAA). A heating or cooling standard is available to households in private rental housing who are billed by their landlords on the basis of individual usage or who are charged a flat rate separately from their rent. However, households in public housing units which have central utility meters and which charge households only for excess heating or cooling costs are not entitled to a standard that includes heating or cooling costs based only on the charge for excess usage. Households that receive direct or indirect energy assistance that is excluded from income consideration (other than that provided under the LIHEAA) are entitled to a standard that includes heating or cooling only if the amount of the expense exceeds the amount of the assistance. Households that receive direct or indirect energy assistance that is counted as income and incur a heating or cooling expense are entitled to use a standard that includes heating or cooling costs. A household that has both an occupied home and an unoccupied home is only entitled to one standard.

(D) At initial certification, recertification, and when a household moves, the household may choose between a standard or verified actual utility costs for any allowable expense identified in paragraph (d)(6)(ii)(C) of this section (except the telephone standard), unless the State agency has opted, with FNS approval, to mandate use of a standard. The State agency may require use of the telephone standard for the cost of basic telephone service even if actual costs are higher. Households certified for 24 months may also choose to switch between a standard and actual costs at the time of the mandatory interim contact required by §273.10(f)(1)(i), if the State agency has not mandated use of the standard.

(E) A State agency may mandate use of standard utility allowances for all households with qualifying expenses if the State has developed one or more standards that include the costs of heating and cooling and one or more standards that do not include the costs of heating and cooling, the standards will not result in increased program costs, and FNS approves the standard. The prohibition on increasing Program costs does not apply to necessary increases to standards resulting from utility cost increases. Under this option households entitled to the standard may not claim actual expenses, even if the expenses are higher than the standard. Households not entitled to the standard may claim actual allowable expenses. Households in public housing units that have central utility meters and charge households only for excess heating or cooling costs are not entitled to the HCSUA but, at State agency option, may claim the LUA. Requests for approval to use a standard for a single utility must include the cost figures upon which the standard is based. Requests to use an LUA should include the approximate number of food stamp households that would be entitled to the nonheating and noncooling standard, the average utility costs prior to use of the mandatory standard, the proposed standards, and an explanation of how the standards were computed.

(F) If a household lives with and shares heating or cooling expenses with another individual, another household, or both, the State agency must prorate a standard that includes heating or cooling expenses among the household and the other individual, household, or both. However, the State agency may not prorate the SUA if all the individuals who share utility expenses but are not in the food stamp household are excluded from the household only because they are ineligible.

California State Regulations

Manual of Policies and Procedures, Division 63
Chapter 63-502.3 Income Deductions[46]

.3 Income Deductions

The CWDs shall allow the income deductions contained in this section when determining the Food Stamp household's net income eligibility and benefit level. The standard deduction, excess medical deduction, homeless standard shelter allowance, and the excess shelter deduction are: promulgated and updated by the USDA; published, as specified in 7 CFR 273.9(d)(1), (3), and (5); and to be implemented upon their effective date. The amounts for the earned income deduction and the dependent care deduction for nonelderly households are determined by federal law and published by the USDA in 7 CFR 273.9(d)(2) and (4), respectively. The current amounts are reproduced in Handbook Section 63-1101. Deductions shall be allowed only for the following:

…

.33 Excess Medical Deduction

The excess medical deduction is the portion of medical expenses in excess of the allowable amount per month, excluding special diets, incurred by any household member who is elderly or disabled as defined in Section 63-102(e). Spouses or other persons receiving benefits as a dependent of the disability recipient are not eligible to receive this deduction.

.331 Allowable medical expense items are:

(a) Medical and dental care including psychotherapy and rehabilitation services provided by a licensed practitioner or other qualified health professional authorized by state law (see Section 63-102);

[46] California Department of Social Services, "Food Stamp Program Online Manual of Policies and Procedures."

(b) Hospitalization or outpatient treatment, nursing care, and nursing home care, including payments by the household for an individual who was a household member immediately prior to entering a hospital or nursing home, provided by a facility authorized under state law;

(c) Prescription drugs when prescribed by a licensed practitioner authorized under state law and other over-the-counter medication (including insulin) when prescribed by a licensed practitioner or other qualified health professional. In addition, costs of medical supplies, sick-room equipment (including rental) or other prescribed equipment are deductible;

(d) Health and hospitalization insurance policy premiums. (The costs of sickness and accident policies such as those payable in lump-sum settlements for death or dismemberment or income maintenance policies such as those that continue mortgage or loan payments while the beneficiary is disabled are not deductible);

(e) Medicare premiums related to coverage under Title XVIII of the Social Security Act; any share of cost or spend down expenses for medical costs incurred by Medi-Cal recipients;

(f) The cost of securing and maintaining any service animal such as, but not limited to, seeing eye, hearing or service dogs, and the cost of related food and veterinarian bills;

(g) Eye glasses or contact lenses prescribed by a physician skilled in eye disease or by an optometrist; dentures, hearing aids and prosthetics (including assistive devices);

(h) Actual cost of transportation provided that the allowance shall not exceed the actual cost of the least expensive mode of transportation (including common carrier) reasonably available to the recipient; and lodging to obtain medical treatment or services. When a more costly means of transportation, such as a taxi or private auto is the only means available, or has been determined by the county to have been reasonable and necessary given the individual's medical circumstances, the actual costs of such transportation shall be allowed.

(i) Maintaining an attendant, homemaker home health aide or child care services housekeeper, necessary due to age, infirmity, or illness. In addition, an amount equal to the one person coupon allotment shall be deducted if the household furnishes the majority of the attendant's meals. The allotment for this meal related deduction shall be that in effect at the time of the most recent certification. The EW shall update the allotment amount at the next scheduled recertification, or next recomputation, or the next reported change by the household, whichever is earlier. If a household incurs attendant care costs that could qualify under both the medical deduction and dependent care deduction, it shall be treated as a medical expense.

.34 Dependent Care Deduction

The dependent care deduction is the actual cost not to exceed the maximum dependent care deduction for the care of a child or other dependent.

.341 The dependent care cost shall be allowed as a deduction when necessary for a household member to:

(a) Accept or continue employment;

(b) Comply with the Food Stamp Employment Training (FSET) Program requirements as specified in Section 63-407.8 or an equivalent effort to seek employment by those not subject to FSET; or

(c) Attend training or pursue education which is preparatory to employment.

.342 If the Food Stamp eligible household member(s) shares dependent care costs with others, the household's deduction amount shall be determined as specified in Section 63-502.36.

.35 Homeless Shelter Deduction

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Appendix F Citations

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