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ARNOLD SCHWARZENEGGER
GOVERNOR

February 11, 2010

Mr. Dennis Stewart, Director
Supplemental Nutrition Assistance Program
Western Region Office
Food and Nutrition Service
90 Seventh Street, Suite 10-100
San Francisco, CA 94103

Dear Mr. Stewart:

This letter and attachments respond to your letter dated September 22, 2009, regarding our request for a four-year extension of Supplemental Nutrition Assistance Program (SNAP) waiver #2030030 CA. Your letter provided approval for a six-month extension with the possibility of an additional 18 months conditional on the provision of a plan to convert to Simplified Reporting, which we refer to as Semi-Annual Reporting (SAR).

As stated in our response dated October 19, 2009, we clarified that in the absence of the existing waiver or explicit change in state statutory authority to require SAR, California will be compelled to revert to quarterly reporting consistent with federal requirements (federal QR). It further should be noted that any successful conversion to SAR has to take into consideration several factors:

- (1) California's existing information technology infrastructure, which requires reprogramming and testing time for major new statewide policy changes;
- (2) There is an approximate 85 percent overlap between SNAP (at the present time, SNAP in California is called Food Stamps) and TANF recipients in California, which means that business practice changes and efficiencies must be considered across multiple program areas;
- (3) All legislative bills enacted in California become effective on January 1 of the year following enactment, unless enacted as an "urgency statute" by a 2/3 vote of the California Legislature—in which case they become effective immediately; and
- (4) Departments within California's Executive Branch of government, including the California Department of Social Services (CDSS), are subject to the approvals and/or decisions of their respective agencies, the Governor's Office, and other control agencies before becoming able to make public commitments of financial and personnel resources or launch legislative proposals.

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With respect to this fourth point, opportunities to publicly announce new funding proposals are generally constrained to the months of January and May each year, and opportunities to announce legislative proposals not associated with budget proposals is also in the December to January time period.

With the caveats and explanations above, this letter conveys a plan for converting to SAR. In addition, this letter conveys a contingency plan to convert to federal quarterly reporting for Food Stamps. The contingency plan for converting to federal QR is included in the event that efforts to convert to SAR are not successful. Both options presume an extension of the existing waiver until either option can be implemented. In order to implement either option, an additional extension of the existing waiver beyond 18 months will be required (see attached conversion plan timeline).

We would like to restate that California is experiencing its most severe economic crisis in many years. Any change, either to SAR or federal QR, will require at least an initial infusion of funds for information technology changes and other activities - funds which have not yet been definitively identified. This need could be partially mitigated by using the Food Stamp Program offset funds provided in the Defense Act of 2010 to help in funding the upfront costs required for conversion, depending upon how the revised fiscal estimates, currently under development, appear.

On a policy basis, we believe that moving to SAR is preferable to federal QR. However, given the need for a state statutory change, current fiscal constraints (which may have solutions), and the time it would take to allow us to convert to SAR without undue harm to our clients or our county partners, we do not presently have the ability nor authority to provide the public commitment to implementation of SAR that FNS has requested. We have, however, endeavored to provide realistic plans and timelines for the implementation of either SAR or federal QR.

In light of these circumstances, we respectfully seek FNS' affirmative response to our request for an appropriate extension of the existing waiver. If you have any questions or would like to discuss this matter, you may contact me at (916) 657-2598 or Charr Lee Metsker, Deputy Director, Welfare to Work Division, at (916) 657-3546.

Sincerely,



JOHN A. WAGNER
Director

Enclosures

Semi-Annual Reporting Work Plan
February 2010

This Semi-Annual Reporting (SAR) Work Plan describes the steps necessary for a conversion of both the Food Stamp and California Work Opportunity and Responsibility to Kids (CalWORKs) programs and assumes an approval by the Food and Nutrition Service (FNS) of an extension beyond the possible 18 months described in FNS' September 22, 2009 response to the California Department of Social Service's (CDSS) request for a four-year extension of waiver #2030030. Each step must be successful and timely in order to be able to proceed to the next step. Ultimately, the plan shows completion of statewide implementation by May, 2013. Any delays, such as failure of legislative action would push the projected implementation date beyond May, 2013. A timeline (attached) describes some of the actions necessary to implement SAR and displays those on a calendar continuum.

January 2010 through October 2010

Legislation must be passed to provide authority for CDSS to adopt a SAR system for both the CalWORKs and Food Stamp programs. (CalWORKs is California's Temporary Assistance for Needy Families program.) The legislation (AB 1057) we had hoped to use as a vehicle to provide such authority, however, died recently in committee. Should new legislation be introduced that can be used for SAR purposes, the Department is committed to working toward that goal. The earliest date of enactment would be January 1, 2011.

During the legislative session, CDSS would assist the bill's sponsor in identifying any specific issues with the proposed bill language that would adversely impact the outcome for SAR implementation. Some issues to be addressed include the following:

1. the amount of the Income Reporting Threshold (IRT) that CalWORKs and Food Stamp recipients would be required to report mid-period and other reporting requirements,
2. whether or not CalWORKs grants can be both increased and decreased at the time of the reported change,
3. whether or not CalWORKs families with no changes in circumstances would receive the same grant amount for a six-month period and would not have to report to the county until the end of the six-month reporting period,
4. whether or not counties would be able to decrease CalWORKs grants during the six-month period based on specified county-initiated actions,
5. how the phase-in would occur,
6. how to estimate any administrative savings that might accrue as a result of implementation of SAR.
7. identification of funding for the up-front costs for automation system modifications. We may use the food stamp funding included in the Defense Act of 2010 to help defer these costs.

In the event these issues are not resolved legislatively, they will have to be addressed when stakeholders convene to refine the way in which SAR will be implemented.

October 2010 through May 2011

Once CDSS has authority to change to a SAR system, a stakeholder workgroup will be convened to work through all the detailed issues that must be clarified in order to write the comprehensive All County Letter (ACL) instructing the Statewide Automated Welfare Systems (SAWS) and counties on how to implement SAR. CDSS would convene the first meeting in October 2010. That stakeholder workgroup would include at a minimum representatives from the following organizations:

1. California Health and Human Services Agency
2. CDSS
3. FNS
4. County Welfare Directors Association (CWDA)
5. SAWS representatives
6. County representatives
7. California Food Policy Advocates
8. Western Center on Law and Poverty
9. Legislative staff

The ACL will define county operational details and SAWS functionality, including but not limited to: developing and producing new SAR forms and notices of action to replace those used for QR, pertinent Quality Control procedures, data reporting and fiscal claiming instructions, budgeting and over-issuance policies and instructions, establishing reporting cycles, recipient reporting requirements, and any other pertinent information necessary for successful SAR implementation. The ACL is a major undertaking. Based on prior experience with the development of the current Quarterly Reporting/Prospective Budgeting (QR/PB) system in collaboration with stakeholders (CWDA, SAWS consortia, welfare advocates, and others), CDSS estimates that the ACL will require approximately six months to complete. The ACL released by CDSS in April 2003 for the purpose of implementing QR/PB took nearly seven months to complete and was over 100 pages in length. We anticipate that the ACL for SAR implementation will be at least equally as complex and lengthy.

In summary, the work that would be done in the period of October 2010 and May 2011 includes:

1. Convening the stakeholder workgroup for several meetings throughout the period.
2. If necessary, drafting and submitting any needed federal waiver requests should California's SAR plan differ from federal simplified reporting requirements.
3. Drafting and redrafting the ACL after consulting on several specific areas of concern and confusion.

4. Finalizing outstanding issues and drafting the final ACL, which will then be reviewed throughout the stakeholder workgroup and internally at CDSS.
5. Revising forms and documents that are required to accommodate the changes and draft a transmitting ACL.

June 2011 through November 2012

Upon receipt of the implementing ACL, the SAWS systems will begin the process of making the extensive system changes required to implement SAR. CDSS has been notified that the programming changes and training of county staff will require up to 18 months.

In the months of May 2011 through October 2012, the following actions will take place:

1. Publish the ACL implementing SAR.
2. The SAWS systems will initiate system changes required to implement SAR for both the Food Stamp and CalWORKs programs. This includes, but is not limited to: redesigning system logic in the areas of budgeting and benefit calculation, notices of action, financial eligibility tests, underpayments and overpayments, reporting cycles, income reporting thresholds, and caseload conversion. In addition, a conversion of this magnitude will require extensive redundancy testing and user testing.
3. CDSS will begin drafting regulations and will convene the stakeholder workgroup to discuss drafted regulations to incorporate changes to SAR for both Food Stamps and CalWORKs.
4. Training will be developed to assist county workers in learning how to use the new system.
5. Training of county workers will begin one month prior to the month in which the conversion will be completed in the first SAWS system.
6. Four months in advance of the first completion of the system changes in the first SAWS system, a mass mailing will be sent out informing clients of the changes to their reporting system.

November 2012 through May 2013

Based on our experience with QR/PB, which was implemented over a period of approximately 14 months after the ACL was issued, we anticipate that the statewide implementation of SAR will begin in phases by SAWS consortia starting in May 2012. Conversion to SAR will require a longer period of time than did the conversion to QR for several reasons, including the fact that the consortia production changes are scheduled up to a year in advance. In addition, when California implemented QR the CALWIN consortium (consisting of 18 counties) was not fully automated. All counties in a particular consortia will make the transition from QR to SAR at the same time. Implementing in phases by consortia system will allow CDSS and counties to evaluate SAR and permit any needed changes and system modifications during the roll-out

phase. The first SAWS system could complete its changes in 12 months, beginning implementation in May 2012. Once the final SAWS system has been reprogrammed, its counties will have implemented SAR over the following six months with final implementation phase-in completed in March 2013.

Each county must begin implementation county-wide simultaneously; however, counties in a SAWS consortium may phase in implementation county by county.

May 2013

All counties would be operating on a SAR system by May 2013.

Semi-Annual Reporting (SAR) for Food Stamps Work Plan
March 2010 through May 2013
 (Assumes 18-month SAWS conversion and six-month phased-in transition by counties)

March 2010	<ul style="list-style-type: none"> Request for extension to implement SAR approved. Identify any concerns with legislation especially as it relates to IRT in Legislature and work with bill sponsor to address any issues 	October 2010	<ul style="list-style-type: none"> Bill signed into law providing authority to implement SAR Begin process to implement SAR Begin consultation process Hold internal briefings with CDSS and Agency Convene stakeholder workgroup to re-introduce SAR and begin to identify any issues: first meeting 	November 2010	<ul style="list-style-type: none"> Begin draft ACL to identify operational details, SAWS functionality, NOA and budgeting requirements Convene stakeholder workgroup to continue discussion of issues identified: second meeting Continue work on draft ACL Draft changes to forms and notices 	December 2010	<ul style="list-style-type: none"> Convene stakeholder workgroup to review additional issues and draft ACL: third meeting Finalize outstanding issues based on stakeholder input 	April 2011	<ul style="list-style-type: none"> Rework ACL for final review Convene stakeholder workgroup to finalize ACL and review draft changes to forms and notices: fourth meeting 	May 2011	<ul style="list-style-type: none"> Release ACL SAWS conversion work begins with initiation of system changes required to implement SAR Begin drafting regulations Begin drafting of recipient informing notice
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June 2011	<ul style="list-style-type: none"> Convene workgroup to discuss draft regulations: fifth meeting 	July 2011	<ul style="list-style-type: none"> Convene workgroup to discuss draft regulations: sixth meeting 	September 2011	<ul style="list-style-type: none"> File regulations with OAL Develop training for county workers with county workgroup 	February – October 2012	<ul style="list-style-type: none"> Begin mass mailing of recipient informing notice Train county workers 	November 2012	<ul style="list-style-type: none"> First counties begin implementation of SAR Continue training of county staff 	November 2012 to May 2013	<ul style="list-style-type: none"> Final counties begin implementation of SAR Implementation by final counties May 2013 Training county workers
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SAWS: Statewide Automated Welfare System
IRT: Income Reporting Threshold
QR: Quarterly Reporting
CDSS: California Department of Social Services
Agency: California Health and Human Services Agency
ACL: All-County Letter
NOA: Notice of Action
QR/PB: Quarterly Reporting/Prospective Budgeting
CalWORKS: California Work Opportunity and Responsibility to Kids
OAL: Office of Administrative Law

Stakeholder workgroup members:
SAWS consortia representatives
County Welfare Directors Association
County representatives
Food and Nutrition Services
Legal advocates, including CFPA and WCLP
Internal CDSS members:
CalWORKS Employment and Eligibility Branch
Program Integrity Branch
Legal
Estimates
Legislation

Federal Quarterly Reporting for Food Stamps Work Plan
February 2010

Food and Nutrition Service (FNS) has approved the existing Quarterly Reporting (QR) extension for California through March 31, 2010. In the event that there is no legislation sponsored or approved for conversion to Semi-Annual Reporting (SAR), California is bound by state statute [Welfare and Institutions Code 18910(a)] to revert to pure federal Quarterly Reporting (QR). This Work Plan describes the steps necessary for any conversion to federal QR and would require an additional extension by FNS of the existing QR waiver. Each step must be successful and timely in order to be able to proceed to the next step. Ultimately, the plan shows completion of statewide implementation of federal QR for Food Stamps only over a period of approximately 23 months. Any delays would push the projected implementation date beyond that time period. A timeline (attached) describes some of the actions necessary to implement QR and displays those on a calendar continuum.

Month 1

Assuming receipt of an extension from FNS by March 1, 2010, the California Department of Social Services (CDSS) will begin immediately to work toward adoption of federal QR for the Food Stamp Program only.

Month 1 through Month 4

Working with its stakeholders, CDSS will draft a comprehensive implementation All County Letter (ACL). The ACL will define county operational details, automated system functionality, Notice of Action and budgeting requirements, and any other pertinent information necessary for successful federal QR implementation. The ACL will require approximately four months to complete and can be published as soon as completed.

Stakeholders will include at a minimum representatives from the following organizations:

1. County Welfare Directors Association (CWDA)
2. The Statewide Automated Welfare System (SAWS)
3. CDSS
4. California Health and Human Services Agency
5. County representatives
6. FNS
7. California Food Policy Advocates and other advocate organizations

The ACL will define county operational details, SAWS functionality, Notice of Action and budgeting requirements, and any other pertinent information necessary for successful QR implementation for the Food Stamp Program. The issues that would be addressed by this stakeholder group would include those associated with bifurcating the California Work Opportunity and Responsibility to Kids (CalWORKs) program rules from the Food Stamp rules. Some issues to be addressed include the following:

1. The amount of the Income Reporting Threshold (IRT) that Food Stamp recipients would be required to report mid-period and other reporting requirements and how that would impact CalWORKs grants,
2. That Food Stamp benefits are both increased and decreased at the time of the reported change while CalWORKs would only act on changes resulting in an increase, and how that would impact eligibility systems and county eligibility staff,
3. Whether or not counties would be able to decrease Food Stamp benefits during the quarter based on specified county-initiated actions relating to CalWORKs reports.
4. When the effective date of the change would occur,
5. Identification of funding for the up-front costs for automation system modifications.

The ACL is a major undertaking. Based on prior experience with the development of the current Quarterly Reporting/Prospective Budgeting (QR/PB) system in collaboration with stakeholders (CWDA, SAWS consortia, welfare advocates, and others), CDSS estimates that development of the ACL will require approximately four months to complete. The ACL that was released by CDSS for the purpose of implementing Quarterly Reporting/Prospective Budgeting in 2003 was over 100 pages in length; while the conversion to federal QR for Food Stamps will be less complicated than conversion to SAR, any ACL for federal QR implementation is expected to be nearly as complex and lengthy—especially given the added complexity of treating Food Stamp QR differently from the existing CalWORKs QR.

In summary, in the first four months, the following actions will take place:

1. Convene the stakeholder workgroup for several meetings throughout the period.
2. Draft and redraft the ACL after consulting on several specific areas of concern and confusion—especially as they relate to the differences between current QR and federal QR and how to separate treatment of recipients in both CalWORKs and Food Stamps.
3. Finalize outstanding issues and draft the final ACL, including revised forms and notices of action which will then be reviewed throughout the stakeholder workgroup and internally at CDSS.
4. Issue the final federal QR implementation ACL to counties.

Month 5 through Month 17

Upon receipt of the ACL, the SAWS consortia will make the system changes required to implement QR. CDSS has been notified that the programming changes and training of county staff will require a minimum of 12 months before implementation can begin. The changes will require less reprogramming than would be necessary for conversion to SAR and would, therefore, take less time than a SAR conversion. The first SAWS system counties would be ready to begin implementation of federal QR for Food Stamps 12 months after issuance of the ACL, assuming successful completion of the previously referenced activities.

In collaboration with the SAWS consortia and counties, CDSS will develop and provide training to counties as the SAWS systems become operational.

In months 5 through 17 the following actions will take place:

1. Publish the federal QR implementation ACL.
2. The SAWS systems will initiate system changes required to implement federal QR for Food Stamps while maintaining existing QR/PB for CalWORKs. This includes, but is not limited to: redesigning system logic in the areas of budgeting and benefit calculation, notices of action, financial eligibility tests, under-issuances and over-issuances, reporting cycles, and caseload conversion. In addition, a conversion of this magnitude will require extensive redundancy testing and user testing.
3. CDSS will begin drafting regulations and will convene the stakeholder workgroup to discuss drafted regulations to incorporate changes to federal QR for Food Stamps and eliminate QR/PB for CalWORKs.
4. Training will be developed to assist county workers in learning how to roll out the new system.
5. Training of county workers will begin one month prior to the month in which the conversion will be completed in the first SAWS system.
6. Four months in advance of the first completion of the system changes in the first SAWS system, a mass mailing will be sent out informing clients of the changes to their reporting system.

Month 17 through Month 23

Statewide implementation of federal QR for Food Stamps will begin in phases by SAWS consortia starting in month 17. Implementing in phases by consortia system will allow CDSS and counties to evaluate the implementing changes for federal QR and permit any needed changes and system modifications during the roll-out phase. The first SAWS system could complete its changes in twelve months, beginning implementation in month 17. Once the final SAWS system has been reprogrammed, its counties will implement federal QR for Food Stamps, and the remaining counties will implement over the following six months with final phase-in beginning in month 17 through month 23

with completion in month 23. Each county must begin implementation county-wide simultaneously; however, counties in a SAWS consortium may phase in implementation county by county.

Month 23

All counties would be operating the Food Stamp programs on a federal QR system.

**Federal Quarterly Reporting Work Plan
Month 1 through Month 23**

<p>Month 1</p> <ul style="list-style-type: none"> Request for extension to implement SAR denied. Begin process to implement federal QR for Food Stamps only Begin consultation process Hold internal briefings with CDSS and Agency Convene stakeholder workgroup to introduce QR and begin discussion about issues identified: first meeting 	<p>Month 1</p> <ul style="list-style-type: none"> Begin draft ACL to identify operational details and SAWS functionality (especially as they relate to the differences between QR for Food Stamps and QR for CalWORKS), NOA, and budgeting requirements Convene stakeholder workgroup to continue discussion of issues identified: second meeting 	<p>Months 2 and 3</p> <ul style="list-style-type: none"> Rework ACL Convene stakeholder workgroup to review additional issues and draft ACL: third meeting Draft changes to forms and notices 	<p>Month 4</p> <ul style="list-style-type: none"> Finalize outstanding issues based on stakeholder input Rework ACL for final review Convene stakeholder workgroup to finalize ACL and review draft changes to forms and notices: fourth meeting 	<p>Month 5</p> <ul style="list-style-type: none"> Release ACL SAWS initiates system changes required to implement federal QR while maintaining existing QR/PB for CalWORKS Convene workgroup to discuss draft regulations: fifth meeting 	<p>Month 6</p> <ul style="list-style-type: none"> Begin drafting regulations
<p>Month 11</p> <ul style="list-style-type: none"> Begin mass mailing of recipient informing notice for county workers 	<p>Months 12-14</p> <ul style="list-style-type: none"> Begin training of county workers Continue drafting of regulations 	<p>Month 15</p> <ul style="list-style-type: none"> File regulations with OAL Continue training of county staff File regulations with OAL 	<p>Month 17</p> <ul style="list-style-type: none"> First counties implement federal QR for Food Stamps 	<p>Months 18-22</p> <ul style="list-style-type: none"> Phased-in implementation continues 	<p>Month 23</p> <ul style="list-style-type: none"> Statewide implementation of QR completed

SAR: Semi-Annual Reporting

QR: Quarterly Reporting

CDSS: California Department of Social Services

Agency: California Health and Human Services Agency

ACL: All-County Letter

SAWS: Statewide Automated Welfare System

NOA: Notice of Action

QR/PB: Quarterly Reporting/Prospective Budgeting

CalW/ORKs: California Work Opportunity and Responsibility to Kids

OAL: Office of Administrative Law

Stakeholder workgroup members:

SAWS consortia representatives

County Welfare Directors Association

County representatives

Food and Nutrition Services

Legal advocates, including CFPA and WCLP

Internal CDSS members:

CalW/ORKs Employment and Eligibility Branch

Program Integrity Branch

Legal

Estimates

Legislation