

100,000 people/month. A further 13% increase has occurred in the first 6 months of FFY 2003. These increases are outstripping local capacity.

- There is no greater food security than a job that pays a living wage and offers solid benefits. But increasingly Community Action Agency food pantries and others are seeing more working families for whom employment has not kept its promise of self-sufficiency. Pantries serve more families who work for low wages, who can only secure seasonal or part-time jobs, who receive limited or no job benefits, as well as those recently unemployed. For these families food stamps offers a nutritional safety net.
- Food pantries cannot fill the gap created by lost food stamp benefits. For instance, pantries typically give a food package worth \$20-\$25, while food stamp households receive an average of \$165/month (6 to 8 times as much).
- CAA and others have found that as demand for food assistance has increased, the bad economy has simultaneously reduced donations of food and money – a reminder that the capacity of emergency food providers is limited at times when families most need assistance. Food stamps benefits on the other hand are not affected by economic recessions.
- Compared to emergency food providers, food stamps are a far superior means to provide food assistance. Food stamps enable families to buy food at the same grocery stores others use, provide better access to food, assure food is high quality, provide choice, increase dignity, are more efficient and offer the same benefit levels in all areas.
- For all these reasons its essential to increase participation by eligible families. DHFS' current efforts to simplify the program and develop internet access will help. But it is also necessary to substantially increase current outreach efforts and further develop partnerships with community-based organizations. We also urge the development of an inter-departmental workgroup within state government to better coordinate and integrate food stamp outreach with outreach undertaken by other low-income assistance programs offering both nutrition and non-nutrition benefits.

Based on the extent of recent progress and given DHFS' genuine commitment WISCAP is confident that with increased effort and creativity we can connect more eligible families to the food stamp resources they are currently missing. The result will greatly benefit families, employers, and communities alike.

Sincerely,



Jonathan Bader  
Food Security Coordinator

## Talking Points From LAB Memo

- Food stamp program moved from DWD to DHFS 1 year ago
- Wisconsin error rate above national average since FY 1994-95
  - 4.4 percentage points above national average for past 2 fiscal years
  - Increased since 1995-96, but now at all time high
- California and Michigan are the only states with higher error rates
- FY 01-02:
  - 9.2% of benefits paid too high (\$18.1 million value)
  - 3.5% of benefits paid too low (\$6.9 million value)
- Since 1993-94 USDA imposed total of \$10.6 million in sanctions because error rates above national average.
- By September 2005 state must spend \$1.7 million on program improvements and DHFS will need to identify fund within existing appropriations
- 1997:
  - Start using estimates of future income rather than past income
    - Because less accurate to use future income, use shorter recertification time
  - Department recertifies every 3 months rather than 6 months
  - Did not reduce benefit payment error and in 2001 Department went back to 6 months recertification
- For the first 7 months of FY 02-03, DHFS calculated the error rate of 9.5% (in 01-02 12.7%) if trend continues it shows a decline and progress.
- A recommendation I found in Food Stamp Original Audit:
  - Recommend DWD monitor the participation of individuals in the Food Stamp Program and report to the Joint Legislative Audit Committee by July 1, 2001, on the changes in program participation among groups that may have difficulty with the new system, including the elderly and disabled.

## Media Accounts:

- DHFS tried to destigmatize the term “food stamps” and commissioned a Madison advertising firm to develop a new name for the program to make people less reluctant to sign on. DHFS paid \$10,000 to develop the new name and the advertising firm reportedly has several possibilities, which it is now evaluating using focus groups.
- State statistics from the past five years don't seem to indicate that signing people up is that much of a problem – caseload statewide has increased 56 % in past 5 years.
- It's an embarrassment - Wisconsin's poor error rate has been an ongoing problem and we have been in the bottom 10 every year since 1996
- Critics say it is too tough to apply for food stamps in WI. Appears to be true the form on the DHFS web site is 16 pages long

## Questions:

1. Are the food stamp application forms really 16 pages long? How long are other states application forms for this program? Can we reduce and streamline this without increasing errors?
2. Why did DHFS spend \$10,000 on a new name when Wisconsinites could have come up with lots of ideas and now the new names won't even be used? Waste of \$10,000 given we are cutting government.
3. How long is average for people to get benefits? Heard this is high
4. Are administrative costs really high for this?

DHFS

used  
requirements  
other  
states

## Talking Points From LAB Memo

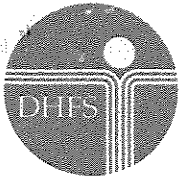
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State of Wisconsin  
Department of Health and Family Services

Jim Doyle, Governor  
Helene Nelson, Secretary

*I read*

*KA*

October 9, 2003

OCT 10 2003

The Honorable Carol Roessler  
Wisconsin Senate  
Room 130 South, State Capitol  
P.O. Box 7882  
Madison, WI 53707-7882

The Honorable Suzanne Jeskewitz  
Wisconsin Assembly  
Room 314 North, State Capitol  
P.O. Box 8952  
Madison, WI 53708-8952

*I appreciated the  
chance to testify at the  
hearing today. This letter  
is a "note formal"  
way of saying the  
same thing.  
H. Nelson*

Dear Senator Roessler and Representative Jeskewitz:

The purpose of this letter is to provide an update on action that the Department of Health and Family Services (DHFS) has taken to improve the Food Stamp program in Wisconsin as well as the plans and goals for further improvement over the course of the next year.

As you know, the Food Stamp program was transferred to DHFS in July 2002. Since that time, there has been significant activity to improve the program. I would like to share with you our goals and priorities for making the Food Stamp program an integral part of this Department's mission to lead the nation in fostering healthy and self-reliant individuals and families.

Over the course of the last eight months as Secretary of this Department, I have made Food Stamp program improvement, in terms of both payment accuracy and program access, an agency and personal priority. Specifically, our priorities are as follows:

- ◆ Increase Wisconsin's payment accuracy rate so that no sanction is imposed on Wisconsin.
- ◆ Increase enrollment to expand access to nutritious food and benefit the state economically.
- ◆ Increase automated support to relieve work for eligibility workers so they can concentrate on payment accuracy and customer service.
- ◆ Create new, easier options for customers to apply, report changes, and retain eligibility.
- ◆ Streamline and align Food Stamps and Medicaid policies and processes.
- ◆ Establish new partnerships with public and private organizations to promote the importance of good nutrition and physical activity.

Although we have already made good progress in these priority areas, we have set important goals for the Food Stamp program that will expand on the priorities established for our program and direct our resources to the activities that result in further program improvement. Let me tell you about our payment accuracy and program participation goals for this next year.

Wisconsin.gov

Senator Carol Roessler  
Representative Suzanne Jeskewitz  
October 9, 2003  
Page 2

**Payment Accuracy:** Our goal is to improve payment accuracy to 94 percent to achieve an error rate of 6 percent in federal fiscal year (FFY) 04. This is projected to be at or below the national average error rate. This would take Wisconsin out of sanction status for FFY 04. (Based upon the new error rate sanction provisions in the federal Farm Bill, FNS cannot impose any sanctions on states for FFY 03).

Under federal law, states that have a Food Stamp payment error rate that is greater than 105 percent of the national average in two consecutive federal fiscal years are sanctioned by the United States Department of Agriculture (USDA) Food and Nutrition Service. Wisconsin has been sanctioned millions of dollars in past years for our higher-than-average error rate. Therefore, we will strive to achieve the above goal to improve payment accuracy and remove Wisconsin from sanction status for FFY 04. It is possible with this goal that Wisconsin could receive a performance bonus if we are one of the states with the greatest improvement in our payment accuracy rate in FFY 04.

We have already made significant improvement this year, which shows that Wisconsin can be successful in improving its payment accuracy rate. For the first eight months of FFY 03, our payment accuracy rate was 90.4 percent. We estimate that our final error rate for FFY 03 will be 91.8 percent. As a point of reference, Wisconsin's payment accuracy rate for FFY 01 was 86.9 percent and 87.31 percent for FFY 02.

We attribute this progress to several important efforts that have occurred during the program's first year with DHFS. Wisconsin has taken full advantage of the opportunities offered under the federal Farm Bill to simplify the program for both customers and administrative agencies through numerous policy changes. In addition, we have leveraged technology available through the automated eligibility determination system (known as "CARES") to provide workers with more accurate and up-to-date information about applicants/recipients to reduce the potential for error. New training has also been provided to eligibility workers. Funding to several counties to support new "Change Centers" to more accurately manage change reports from customers and reduce workload has also helped to lay the foundation for improved payment accuracy.

To continue progressing toward our goal for FFY 04, DHFS will focus on additional key policy and technology initiatives as high priority matters. One such initiative is the implementation of the reduced change reporting policy for Food Stamp recipients. Under this policy, customers are required to only report income changes that would make them ineligible for the program, rather than having to report all income and household composition changes. We believe this policy change, which was effective July 2003, will have a significant impact on the state's error rate because it directly addresses the most prevalent types of errors from both a consumer and eligibility worker perspective. Second, DHFS continues to upgrade the automated support offered through CARES to free-up worker time to focus on payment accuracy and customer service. We will also provide ongoing training and technical assistance to ensure that all of these changes are implemented correctly.

In addition, we are committing significant staff and reinvestment funding resources in Milwaukee County and our next largest counties that, together, account for over 80 percent of the Food Stamp caseload in Wisconsin. Our goal in working with these agencies is to further engage local management in these issues and provide the programmatic and technological tools they need to improve payment accuracy. In state after state that has reduced their error rate, including big states like New York and California, the single most important factor has been the leadership of both local and state government.

**Program Participation:** Our goal is to improve program participation to 80 percent of the potential eligible population, which would mean an additional 57,000 people participating in the program. Currently, over 309,000 people are participating in the Food Stamp program in Wisconsin.

Over the past five years, the number of people in Wisconsin participating in the Food Stamp program has increased significantly. In fact, Wisconsin is a national leader in program participation improvement. A recent report released by the Food Research and Action Center, a national research and public policy center, shows that Food Stamp program participation in Wisconsin increased 64.1 percent between June 1998 and June 2003. This was the fourth highest increase among all states.

Wisconsin strives to make sure that every eligible person has access to the food assistance they need as there are many benefits of increased participation, including:

- ◆ Improving good nutrition among Wisconsin's citizens, which is essential to good health.
- ◆ Additional federal revenues to Wisconsin. At an average benefit of \$167 per month, 1,000 new households would result in over \$2.0 million annually in federal funds to Wisconsin.
- ◆ Economic benefit to communities, as well. The USDA estimates that every \$5 in federal Food Stamp spending results in \$9.20 in economic benefit to the community.

I would like to share with you the many activities we have underway to improve our Food Stamp program through increased participation.

First, we have an extensive outreach plan. This plan includes the following:

- ◆ Planning and evaluation to identify the demographics of the target population and to monitor caseload changes.
- ◆ New marketing plans and materials, including consideration of a new name for the program, television and radio advertisements, and mailings to food pantries and other community groups.
- ◆ Improving program access through simplified program rules, a shorter application form and an 800 number for program information.



Senator Carol Roessler  
Representative Suzanne Jeskewitz  
October 9, 2003  
Page 4

- ◆ Improving coordination with other programs, such as public health, WIC, SeniorCare and other Medicaid programs, and Nutrition Education projects.
- ◆ Training and technical assistance for community organizations and eligibility workers.

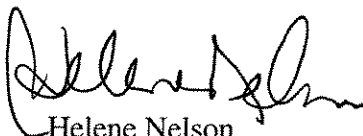
Second, Wisconsin will embark on a special project to enroll additional supplemental security income (SSI) recipients in the Food Stamp program. Wisconsin has nearly 97,000 individuals who receive SSI benefits, but only about one-third of these individuals are currently receiving food stamps. We have received approval from the USDA to work on a package of federal waivers that will:

- ◆ Allow Wisconsin to set a standard food stamp benefit amount for all SSI recipients that will hopefully, be higher than the benefit these participants would receive under our current program; and
- ◆ Make it easier for SSI recipients to apply and stay on the program.

Third, in June 2003, Wisconsin was awarded a \$1.7 million federal grant to create a customer service toolbox – an internet-based method for people to screen themselves for eligibility, apply on-line, check the status of their case and report changes to the eligibility worker. We will partner with two community-based organizations to lead the demonstration projects and coordinate with other local community agencies in the implementation of the customer service toolbox. Further, we will build this to include Medicaid and BadgerCare, as well, to allow better coordination between programs, resulting in improved customer satisfaction, reduced workload for eligibility workers, and an opportunity for enhanced partnerships between the state agency, local agencies and community-based organizations.

I appreciate the opportunity to share our accomplishments, goals and plans for the Wisconsin Food Stamp program. We strive to enhance public confidence in this program through our commitment to payment accuracy and ensuring that the citizens of our state have proper access to the food assistance they need.

Sincerely,



Helene Nelson  
Secretary

cc: Joint Legislative Audit Committee  
Janice Mueller, State Auditor

AN EVALUATION

*Food Stamp Program*

*Department of Workforce Development*

00-8

WISCONSIN  
LEGISLATIVE AUDIT BUREAU





July 2000

## FOOD STAMP PROGRAM

The Food Stamp Program was created by the federal government in 1964 to assist low-income individuals and families in purchasing food. The Department of Workforce Development administers the program in Wisconsin, and the United States Department of Agriculture oversees it at the federal level. Almost all program benefits are federally funded, while administrative costs are shared equally by the State and the federal government. In fiscal year 1998-99, approximately 311,800 individuals participated in the program in Wisconsin at a cost of \$167.7 million. In January 2000, approximately 75 percent of program participants were either children, disabled, or older than 60.

Food stamps are an entitlement to those who meet both nonfinancial and financial eligibility requirements. Benefit levels vary substantially. For example, in January 2000, 28.6 percent of groups receiving food stamp assistance received benefits of \$10 or less per month, while 3.9 percent received more than \$500 per month. In order to continue receiving program benefits, recipients must regularly report and verify their eligibility by providing information such as their current monthly income and allowable deductible expenses.

### Participation in the Program Has Declined

A July 1999 report by the General Accounting Office indicated that as welfare reform measures were implemented nationally, the percentage decline in food stamp recipients was greater in Wisconsin than in any other state. From March 1995 through July 1999, the number of food stamp recipients in Wisconsin declined by 147,370. Using Census Bureau and Wisconsin caseload data, we estimate the number of individuals living in poverty who did not receive food stamps increased from 14,100 in 1994 to 134,600 in 1998; the percentage of individuals living in poverty who received food stamps declined from 97 percent to 70 percent.

### Declining Participation Has Many Causes

A number of factors are likely responsible for the decline in program participation. The implementation of Wisconsin Works (W-2) and other welfare reform initiatives has placed greater emphasis on work and self-sufficiency. As income increases, food stamp benefits typically decrease. For example, from January 1995 to January 2000, the number of groups that received only \$10 per month in food stamp assistance increased by 17 percent. Many agency staff with whom we spoke believe that even though individuals continue to qualify for food stamp benefits, a reduced level of benefits has discouraged them from continuing to participate in the program.

-over-

In addition, ambiguous W-2 policy directives issued by the Department were misinterpreted by some administrative agencies in a manner that may have denied food stamp benefits to recipients. For example, in its August 1996 request for proposals, the Department indicated that "the W-2 system provides only as much service as an eligible individual asks for or needs. Many individuals do much better with just a 'light touch'." As a result of confusion caused by such documents, as well as information conveyed during meetings and training sessions, some local agency staff inappropriately applied the concept of 'light touch' to all assistance programs, including the Food Stamp and Medical Assistance programs, which remain entitlements under federal law.

Other factors that have contributed to the decline in program participation include more frequent recertification requirements, additional work requirements for some food stamp recipients, and administrative problems in local agencies. As Food Stamp Program participation has declined, alternative food programs that provide nonperishable food and meals have reported increased demand for their services.

### **Recent Efforts to Improve Program Participation Have Yet to Be Measured**

To increase program participation, the Department and local agencies have undertaken a number of initiatives to improve the provision of services, including providing caseworkers with additional training, expanding the number of program application sites and the hours during which applications are taken, and working with alternative food programs to facilitate access to food stamp benefits. The specific effects of these efforts have not been measured. However, from July 1999 to April 2000, the number of food stamp recipients increased at an average of 0.8 percent each month.

The Department anticipates that the implementation of electronic debit cards, which will replace paper food stamp coupons by the end of 2000, will further increase program participation by improving participants' access to benefits, reducing fraud, and potentially eliminating the stigma associated with participation. However, close monitoring will be needed to ensure that certain groups, such as the elderly, understand the new system and are able to continue to access their benefits. In addition, more needs to be done to ensure that local agencies comply with state and federal requirements regarding the posting and dissemination of information about food stamp eligibility.

### **Some Program Changes Would Require Additional State and Federal Action**

The State can reduce the frequency with which recipients must report information on income and assets, but some are concerned that taking such a step to address declining participation may increase the extent to which benefits are calculated inaccurately. Since federal fiscal year 1994-95, Wisconsin's benefit calculation error rate has been among the highest in the nation; in federal fiscal year 1998-99 it was 13.4 percent, compared to a national average of 9.9 percent. Other efforts to increase program participation would require either changes to federal law or waivers of existing federal regulations.

AN EVALUATION

# *Food Stamp Program*

*Department of Workforce Development*

00-8

July 2000

**1999-2000 Joint Legislative Audit Committee Members**

**Senate Members:**

Gary R. George, Co-chairperson  
Judith Robson  
Brian Burke  
Peggy Rosenzweig  
Mary Lazich

**Assembly Members:**

Carol Kelso, Co-chairperson  
Stephen Nass  
John Gard  
Robert Ziegelbauer  
David Cullen

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## LEGISLATIVE AUDIT BUREAU

The Bureau is a nonpartisan legislative service agency responsible for conducting financial and program evaluation audits of state agencies. The Bureau's purpose is to provide assurance to the Legislature that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law and that state agencies carry out the policies of the Legislature and the Governor. Audit Bureau reports typically contain reviews of financial transactions, analyses of agency performance or public policy issues, conclusions regarding the causes of problems found, and recommendations for improvement.

Reports are submitted to the Joint Legislative Audit Committee and made available to other committees of the Legislature and to the public. The Audit Committee may arrange public hearings on the issues identified in a report and may introduce legislation in response to the audit recommendations. However, the findings, conclusions, and recommendations in the report are those of the Legislative Audit Bureau. For more information, write the Bureau at 22 E. Mifflin Street, Suite 500, Madison, WI 53703, call (608) 266-2818, or send e-mail to [Leg.Audit.Info@legis.state.wi.us](mailto:Leg.Audit.Info@legis.state.wi.us). Electronic copies of current reports are available on line at [www.legis.state.wi.us/lab/windex.htm](http://www.legis.state.wi.us/lab/windex.htm).

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**APPENDIX I - FOOD STAMP RECIPIENTS AND BENEFITS BY COUNTY**

**APPENDIX II - FOOD STAMP PROMOTIONAL INFORMATION POSTED AND AVAILABLE IN AGENCY WAITING AREAS**

**APPENDIX III - RESPONSE FROM THE DEPARTMENT OF WORKFORCE DEVELOPMENT**

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State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

July 11, 2000

JANICE MUELLER  
STATE AUDITOR

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Senator Gary R. George and  
Representative Carol Kelso, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator George and Representative Kelso:

As directed by the Joint Legislative Audit Committee, we have completed our evaluation of Wisconsin's Food Stamp Program, which is administered by the Department of Workforce Development. The program was created by the federal government in 1964 to assist low-income individuals and families in purchasing food. In January 2000, approximately 75 percent of those receiving program benefits in Wisconsin were either children, disabled, or over age 60.

Under federal law, food stamps are an entitlement to those who meet both nonfinancial and financial eligibility requirements. Program benefits are almost entirely federally funded. In fiscal year (FY) 1998-99, benefit costs were \$122.7 million; administrative costs, which are funded equally by the federal government and state general purpose revenue, totaled \$45.0 million. Approximately 311,800 Wisconsin individuals participated in the program in FY 1998-99.

In July 1999, a federal report showed that as welfare reforms were implemented nationally, Food Stamp Program participation declined faster in Wisconsin than in any other state. Our analysis confirmed this decline. Based on the best available data, we estimate that from 1994 through 1998, the percentage of individuals living in poverty in Wisconsin who received food stamps declined from 97 to 70 percent. A number of factors are likely responsible for this trend, including the effects of Wisconsin Works and other welfare reform initiatives, more frequent recertification requirements for benefit recipients, additional work requirements for some food stamp recipients, and administrative problems in local agencies. As Food Stamp Program participation has declined, alternative food programs that provide nonperishable food and meals have reported increased demand for their services.

The Department and local agencies have undertaken a number of initiatives to improve program administration, including providing caseworkers with additional training, expanding the number of program application sites and the hours during which applications are taken, and working with alternative food programs to facilitate access to food stamp benefits. If the Legislature believes additional efforts to expand program services are appropriate, a number of other options could be exercised, but some would require changes in federal law.

We appreciate the courtesy and cooperation extended to us by the Department of Workforce Development and staff of the local agencies we visited. The Department's response is Appendix III.

Respectfully submitted,

Janice Mueller  
State Auditor

JM/PS/bm

## SUMMARY

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The Food Stamp Program was created by the federal Food Stamp Act of 1964 to assist low-income individuals and families in purchasing food. The program is administered at the federal level by the Food and Nutrition Service of the United States Department of Agriculture (USDA) and in Wisconsin by the Department of Workforce Development, which is responsible for determining applicant eligibility and providing benefits in the form of coupons or, more recently, through electronic debit cards. Nearly all program benefits are federally funded. Program administration costs are shared equally by the State and the federal government. In fiscal year (FY) 1998-99, approximately 118,000 assistance groups, representing 311,800 individuals, participated in the program in Wisconsin at a cost of \$167.7 million. Food stamp benefits accounted for \$122.7 million of that amount. The remaining \$45.0 million was administrative costs.

Under federal law, food stamps are an entitlement available to those who meet both nonfinancial and financial eligibility requirements. Federal regulations require that prospective food stamp recipients be made aware that program benefits are available to those who qualify and that qualified individuals be encouraged to apply on the first day they learn of the availability of benefits. Applicants who are determined eligible must receive food stamps within 30 days of application unless they are eligible for expedited food stamps, which must be provided within 7 days of application to those whose monthly income is less than \$150, to those whose monthly shelter costs exceed their monthly income, or to migrant workers under some circumstances. In order to continue receiving food stamp benefits, recipients must regularly report and verify relevant eligibility information, such as their current monthly income and allowable deductible expenses.

The total value of the benefits provided to a food assistance group depends on income, assets, and the number of individuals in the group. Benefit levels vary substantially. In January 2000, 28.6 percent of food assistance groups received benefits of \$10 or less per month, while 3.9 percent received more than \$500 per month. Households composed of Wisconsin Works (W-2) or Supplemental Security Income recipients are typically eligible for food stamps automatically. In December 1999, 11.0 percent of those receiving food stamps participated in W-2, and 68.8 percent received Medical Assistance benefits. For those individuals with earnings, average annual earned income was approximately \$11,200.

The gross income limit for a food assistance group is 130 percent of the federal poverty level; for example, the gross income limit for a family of three is currently \$18,048 annually. Net income, which is determined by applying deductions for child care, child support, medical expenses, utilities, and some shelter costs, must be below 100 percent of the federal poverty level. The gross income limit is waived if the assistance group has elderly or disabled members.

The costs of administering the Food Stamp Program are higher in Wisconsin than in other midwestern states. For federal fiscal year (FFY) 1998-99, USDA indicates the federal portion of administrative costs for the Midwest ranged from Wisconsin's high of 21.7 percent of total program costs to Indiana's low of 10.1 percent. At 16.6 percent of total program costs, Minnesota's administrative costs were the second-highest among midwestern states. Department staff attribute Wisconsin's high administrative costs to several factors, including the decentralized nature of its program. Both Wisconsin and Minnesota administer their Food Stamp Program at the county rather than the state level.

Concerns about Wisconsin's Food Stamp Program were raised when a series of reports issued in 1999 suggested that not all eligible individuals and families were receiving benefits to which they were entitled under federal law. In particular, a July 1999 report by the General Accounting Office indicated that as welfare reform measures were implemented nationally, the percentage decline in food stamp recipients was greater in Wisconsin than in any other state.

The most precipitous decline in program participation began in March 1995. Between this date and July 1999, the number of food stamp recipients declined by 147,370, or 45.2 percent, statewide. However, participation declined by 37.1 percent in Milwaukee County, compared to 52.0 percent in all other counties. Since July 1999, the number of food stamp recipients has increased an average of 0.8 percent each month, to 189,541 in January 2000. It is unclear whether this trend is likely to continue.

It is also difficult to measure how many eligible individuals do not receive food stamps. Estimates vary widely. For example, a January 2000 report issued by the University of Wisconsin-Milwaukee estimated that in 1998, 41,400 low-income working families in Milwaukee County may have been eligible for food stamps, whereas approximately 9,000, or 21.7 percent, received them. In contrast, a report by the General Accounting Office indicated that nationwide, the percentage of children living in poverty who received food stamps in 1997 was 84.1 percent.

Data maintained by state agencies do not permit a definitive analysis of the number of eligible individuals who did not apply for or receive food stamps. For example, if applicants for social services indicate they do not wish to apply for food stamps, not all of the information needed to determine eligibility for the Food Stamp Program is obtained. Tax return data do not show the extent to which eligible individuals may or may not have received benefits because those most likely to qualify for food stamps are not typically required to submit tax returns based on their limited income. However, by comparing Census Bureau data on the number of Wisconsin residents living in poverty with data on food stamp caseloads, we estimate that from 1994 through 1998, the number of people living in poverty who received food stamps declined by 120,500, from 97 to 70 percent. Reasons for the decline in Food Stamp Program participation include the effects of W-2 and other welfare reform initiatives; changes in frequency requirements for recertification to receive benefits; increased work requirements for some recipients; and administrative problems among W-2 and county human services agencies.

The implementation of W-2 has affected participation in the Food Stamp Program in ways that were intended and in ways that were not. The primary purpose of W-2 is to encourage participants' self-sufficiency. Agencies that administer W-2 were therefore directed to require that participants work and to impose time limits on their receipt of public assistance. As a result, W-2 and earlier welfare reform programs encouraged Food Stamp Program participants and those who had been receiving Aid to Families with Dependent Children to enter the workforce.

However, as income increases, food stamp benefits typically decrease. From January 1995 to January 2000, the number of assistance groups receiving monthly food stamp allotments of \$10 increased by 17 percent, from 11,945 to 13,994. A number of agency staff with whom we spoke believe that even though many individuals continue to qualify for food stamp benefits, a reduced level of benefits has discouraged them from continuing to participate in the program.

In addition, policy directives issued by the Department may have been misinterpreted by some administrative agencies. In its August 1996 request for proposals to implement W-2, the Department indicated that "the W-2 system provides only as much service as an eligible individual asks for or needs. Many individuals do much better with just a 'light touch'." In addition, in February 1998, as part of its monthly newsletter to W-2 staff, the Department included an article entitled "Case Management with a Light Touch," in which it indicated that "light

touch" is a philosophy rather than a process and that "it means that we don't offer every support available to a family until we know a need exists." As a result of confusion caused by these and other documents, as well as information conveyed during meetings and training sessions, some staff with whom we spoke indicated that W-2 agency workers applied the concept of "light touch" to all assistance programs, including the Food Stamp and Medical Assistance programs, during the seven-month transition period between Aid to Families with Dependent Children and W-2. For example, caseworkers in some of the agencies we visited indicated that at least during the first few months after W-2 was implemented in September 1997, they did not routinely offer food stamps to individuals who did not ask about the program directly. A number of caseworkers indicated they felt prohibited from telling families about food stamps, Medical Assistance, and child care unless these services were specifically requested.

The Department also required eligibility for food stamps to be recertified every three months, rather than every six months, beginning in October 1997. This change was made in an attempt to address inaccurate benefit calculations. Wisconsin's benefit payment error rate has been higher than the national average during the past five years, and among the then highest nationally since FFY 1994-95. However, many of the caseworkers with whom we spoke indicated that three-month recertification presents a barrier to program participation because it requires food stamp recipients to take time off from work, find transportation, arrange child care, and provide documentation of their assets and sources of income more frequently.

Increases in work requirements for some program participants may also have contributed to the reduction in the number of individuals receiving food stamps. Food stamp recipients who do not participate in W-2, are not otherwise employed, or do not have any dependents are required to participate in employment and training activities. Local agency staff with whom we spoke indicated that many of these participants found it easier to find jobs on their own or decided to leave the program rather than comply with these new requirements.

Finally, administrative problems in W-2 and county human services agencies, including a failure to post and make accessible required informational materials, may have contributed to the decline in Food Stamp Program participation. From February through May 2000, we conducted on-site reviews of 16 W-2 and county human services offices to determine compliance with state and federal requirements related to the posting and accessibility of information on food stamps. Although sites visited by USDA in 1999 were almost entirely in compliance at the time of our visits, we found that a number of other offices did not display required posters and did not have the required brochures visible or in an accessible location.

The reduction in the proportion of eligible individuals who receive food stamps is associated with reported increases in demand for, and distribution of, nonperishable food through pantries and additional meals provided through a number of local programs. All but one of the organizations we contacted reported an increase in the number of individuals served over the past several years. We could not independently verify the increases reported by alternative food programs.

In response to concerns prompted by federal reviews and raised by local administrative agencies, a number of efforts have been undertaken by the Department and local agencies to improve Food Stamp Program administration and increase participation, including:

- reminding local agencies of their obligations under federal law to provide written information and to display information about the Food Stamp Program in places visible to applicants at all times and at all service locations;
- undertaking specific efforts to reduce errors in determining appropriate benefit levels, including establishing two teams of quality-control reviewers, one in 1999 and one in 2000, to intensively review cases for errors on an ongoing basis;
- spending approximately \$668,900 in state and federal funds to improve outreach efforts;
- expanding hours of operations and sites at which food stamp applications are taken; and
- working with alternative food programs to inform potential applicants of the continued availability of food stamps.

Because Food Stamp Program participation has increased only slightly since late 1999, it is unclear how effective these efforts have been. However, one change that has begun to be implemented statewide and may further facilitate access to food stamps is the replacement of paper food stamp coupons with electronic debit cards. By the end of 2000, all food stamps in Wisconsin will be distributed through electronic benefit transfer (EBT). EBT is intended to reduce fraud by limiting program participants' ability to trade coupons for cash, to reduce long-term program costs because it will eliminate the need to mail coupons, and to improve recipients' access to benefits because automatic transfers to recipients' accounts on the same day each month will eliminate mailing delays. It may also reduce the stigma some believe is associated with

participating in the Food Stamp Program, thereby increasing participation among eligible individuals.

Because the conversion to EBT is still ongoing, effects cannot yet be determined. However, some are concerned that certain groups, such as the elderly, may be harmed by implementation of EBT because they may not understand how to use their cards or because they may forget the personal identification numbers needed to access their benefits. Therefore, we have included a recommendation that the Department monitor participation in the Food Stamp Program and report to the Joint Legislative Audit Committee by July 1, 2001, on the changes in program participation among different groups that may have difficulty with the new system, such as the elderly and disabled.

Despite the Department's efforts to improve program administration and increase participation, concerns remain about the disparity between the number of individuals receiving food stamps and the number who appear to qualify for program benefits. Continued program monitoring, a focus on outreach, and implementation of EBT may help bridge this gap. However, additional efforts to facilitate participation in the Food Stamp Program would require either changes to federal law that could only be enacted by Congress or a waiver of existing federal regulations to reduce some of the extensive documentation and reporting requirements and eliminate some work requirements. Advocates also suggest that establishing consistent eligibility criteria for all public assistance programs would expand food stamp participation to a broader population and enhance the ability of other programs, such as W-2, to encourage self-sufficiency. On the other hand, some argue that additional changes are not needed given recent caseload increases and that any proposed changes to food stamp policies must be weighed against their cost.

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## INTRODUCTION

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The Food Stamp Program was created by the federal Food Stamp Act of 1964 to assist low-income individuals and families in purchasing food. Recipients may use food stamps to buy food for human consumption, as well as to buy seeds and plants for growing food in home gardens, but not for alcoholic beverages, tobacco, medicines, pet food, or any other non-food items. The program is administered at the federal level by the Food and Nutrition Service of the United States Department of Agriculture (USDA), and in Wisconsin by the Department of Workforce Development.

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**In FY 1998-99,  
311,800 individuals  
received food stamps  
at a cost of  
\$167.7 million.**

Except for benefits to some qualified resident aliens, Food Stamp Program benefits are entirely federally funded. Program administration costs are shared equally by the State and the federal government. In fiscal year (FY) 1998-99, approximately 118,000 assistance groups, representing 311,800 individuals, participated in the program in Wisconsin at a cost of \$167.7 million. Program benefits accounted for \$122.7 million of that amount. The remaining \$45.0 million was administrative costs.

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**Food stamp use has  
declined.**

Concerns about Wisconsin's Food Stamp Program were raised when a series of reports issued in 1999 suggested that not all eligible individuals and families were receiving benefits to which they were entitled under federal law. In particular, a July 1999 report by the General Accounting Office indicated that as welfare reform measures were implemented nationally, food stamp use declined more in Wisconsin than in any other state. Nationally, average monthly participation in the Food Stamp Program declined by 23 percent between federal fiscal year (FFY) 1995-96 and FFY 1997-98. In contrast, the decline was 31.9 percent in Wisconsin. Although a decline in food stamp use is consistent with the Governor's and the Legislature's long-term goal of reducing dependence on public assistance, concerns were raised because the federal report indicated that nationwide, the number of children receiving food stamps was declining faster than the number of children in poverty.

In addition, a 1999 USDA report indicated that Milwaukee County and several private agencies that provide services under Wisconsin Works (W-2) and help to administer the Food Stamp Program in Milwaukee County were not providing prospective recipients with sufficient information on the availability of food stamp benefits and were not always processing food stamp applications correctly. Consequently, questions were raised about the extent to which the decline in program



participation was at least in part the result of misinformation about continued program eligibility.

In response to these concerns, and at the direction of the Joint Legislative Audit Committee, we reviewed:

- trends in program participation;
- federal eligibility requirements and benefit levels;
- federal and state policies and procedures for determining eligibility and delivering services; and
- available data on the use of alternative food programs, such as the use of food pantries.

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**Food stamp participation and welfare reform issues are related.**

Because the issues associated with food stamp participation are closely related to W-2—the State’s replacement for Aid to Families with Dependent Children—and because W-2 administrative agencies play a role in administering the program, the Joint Legislative Audit Committee directed that a review of food stamps be incorporated into our financial and program audits of W-2 that are required by s. 49.141(2g)(a), Wis. Stats. This is the second of several reports that will be issued in response to that requirement. The first, report 99-3, was released in February 1999 and included an analysis of W-2 contract expenditures from September 1997 through December 1998. Subsequent reports are expected to be issued on child care services and W-2 performance.

In conducting this evaluation, we interviewed officials and staff in the Department, counties, and W-2 administrative agencies, as well as representatives of local food pantries and interest groups. We analyzed program expenditures; reviewed state and federal laws, policies, and procedures for the Food Stamp Program; collected and analyzed data on program participation; and reviewed efforts to inform low-income individuals and families of food stamp availability.

### **Program Administration**

Federal rules and regulations require the Department of Workforce Development to:

- ensure proper certification of applicant households;
- oversee the issuance of benefits, which in the past has involved the distribution of food stamp coupons but by the end of 2000 is expected to involve the use of electronic debit cards;

- maintain adequate records of expenditures and participation;
- submit regular, required reports to the federal government, including reports on program utilization and the extent to which food stamp benefit levels have been determined accurately; and
- administer the Food Stamp Employment and Training (FSET) Program, under which food stamp recipients between the ages of 16 and 60 who are capable of doing so are required to participate in job-related activities and educational programs in order to improve their basic skills and enhance employability.

Currently, food stamp coupons are mailed monthly to recipients by Systems and Methods, Inc., a Georgia-based contractor that is paid approximately \$877,000 annually for this service. As the paper coupons have been phased out and electronic benefits provided, Citicorp Services, Inc., has assumed responsibility for ensuring the proper distribution of electronic benefits through debit cards that are issued to recipients. In January 1999, Citicorp Services entered into a contract with the State to provide these services through 2005. The value of that contract is based on the number of food stamp recipients and is estimated to total \$12.4 million in state and federal funds over the contract's life.

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**Federal law requires that government employees determine eligibility for food stamps.**

In order to facilitate public access to a number of social, employment, and other services, the State has for a number of years worked to provide public assistance services in an integrated manner through a single location, or job center, in each county. However, this objective has been complicated by federal regulations that require food stamp eligibility and benefit levels to be determined by public employes, even in the 11 counties in which W-2 is administered by private agencies (Milwaukee, Forest, Florence, Juneau, Kewaunee, Monroe, Oneida, Shawano, Vilas, Walworth, and Waukesha).

The private agencies administering W-2 have made arrangements to have county workers make food stamp eligibility determinations and monitor food stamp cases, as necessary. However, under the terms of their W-2 contracts, all W-2 agencies, including the private agencies, are responsible for providing program services to FSET participants. Consequently, applicants in any of the 11 counties with private W-2 agencies are required to see more than one caseworker to apply for different benefits and programs. In 6 of the 11 counties in which a private agency administers W-2, county employes are not available to take food stamp applications in the same facility on a full-time basis.

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**No response has been received to a request that would allow private W-2 agencies to determine food stamp eligibility.**

To facilitate program administration, Wisconsin applied for a waiver of federal rules that would allow private W-2 agencies to determine eligibility and benefit levels. The Department submitted its initial waiver request in May 1996, and because the waiver had not been approved or denied by USDA, resubmitted its request in August 1998. To date, the federal government has not issued a decision with respect to these requests. However, a similar request by Arizona officials has been denied.

### **Eligibility and Benefits**

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**Under federal law, food stamps are an entitlement to those eligible to receive them.**

Under federal law, food stamps are an entitlement available to those who meet both nonfinancial and financial eligibility requirements. Federal regulations require local administrative agencies to make prospective participants aware that food stamps are available to those who qualify and to encourage qualified individuals to apply for benefits on the first day they learn of their availability. Applicants who are determined eligible must be provided with food stamps within 30 days of application unless they are eligible for expedited food stamps, which must be provided within 7 days of application to those whose monthly income is less than \$150 and who have less than \$100 in assets, to those whose monthly shelter costs exceed their monthly income, and for migrant workers under some circumstances. In order to continue receiving benefits, food stamp recipients must regularly report and verify relevant eligibility information, such as their current monthly income and allowable deductible expenses.

Table 1 provides a profile of food stamp recipients in Wisconsin in January 2000. The total value of the benefits provided to recipients depends on income, assets, and the number of individuals in a "food assistance group," which may or may not include all members of a household. Assistance groups composed of W-2 or Supplemental Security Income recipients are typically eligible for food stamps automatically, although the amount of their benefits is adjusted based on a number of factors. In December 1999, 11.0 percent of those receiving food stamps participated in W-2, and 68.8 percent received Medical Assistance benefits. For those individuals with earnings, average earned income was approximately \$11,200 annually.

Table 1

**Profile of Food Stamp Recipients**

January 2000

	<u>Number</u>	<u>Percentage of Total</u>
<b>Age of Recipients</b>		
Under 18	106,210	56.0%
18 to 60 (able-bodied)	48,467	25.6
18 to 60 (disabled)	19,434	10.3
Over 60	<u>15,438</u>	<u>8.1</u>
Total	189,549	100.0%
<b>Gender of Recipients</b>		
Female	113,583	59.9%
Male	<u>75,966</u>	<u>40.1</u>
Total	189,549	100.0%
<b>Ethnicity of Head of Assistance Group</b>		
White	34,470	45.8
African-American	26,203	34.8
Other/Unknown	7,352	9.7
Hispanic	4,413	5.9
Asian	1,779	2.4
American Indian/Eskimo	<u>1,080</u>	<u>1.4%</u>
Total	75,297	100.0 %
<b>Earned Income of Assistance Groups</b>		
Number with earned income	24,385	32.4 %
Number with no earned income	<u>50,912</u>	<u>67.6</u>
Total	75,297	100.0 %

### **Nonfinancial Eligibility Criteria**

During the application process, nonfinancial criteria for eligibility are determined first. To be eligible to receive food stamp benefits, individuals must:

- be United States citizens or qualified resident aliens;
- live in the county in which the application for benefits is being made and not reside in an institution that provides meals as part of its normal operation, such as a nursing home;
- provide social security numbers for all members of the assistance group; and
- participate in FSET unless they have been exempted.

In general, those who receive food stamps but are not employed, participating in W-2, or exempt because of disability or another reason are required to participate in the FSET program. Department policies require caseworkers to prepare employability plans within three weeks of the dates participants enroll in FSET. An employability plan outlines the participant's goals for reaching unsubsidized employment and details the components of the program in which he or she will be required to participate, which may include employment search, disability and occupational assessments, adult basic education, on-the-job training, classroom training in job skills, or work experience gained through unsubsidized employment.

### **Financial Eligibility Criteria**

The rules governing the financial eligibility for food stamps are complex. In general, to be eligible for program services, assistance groups must not exceed gross income, net income, asset, and vehicle value limitations.

The gross income limit for a food assistance group is 130 percent of the federal poverty level (for example, it is currently \$18,048 annually for a family of three), unless the assistance group has elderly or disabled members. In that case the gross income limit is waived. Net income must be below 100 percent of the federal poverty level. Net income is determined by applying deductions to an assistance group's gross income, including deductions for child care, child support, medical expenses, utilities, and some shelter costs.

In addition to these income limits, an assistance group's assets are limited to no more than \$2,000 in cash, checking and savings account balances, stocks, bonds, or individual retirement accounts. The asset limit increases to no more than \$3,000 if the assistance group has a member who is at least 60 years old. Finally, the value of an assistance group's vehicle is limited to no more than \$4,650. Vehicle worth in excess of this amount counts against the food assistance group's asset limitation.

Table 2 shows monthly gross and net income limits for assistance groups of various sizes, as well as the maximum monthly food stamp benefit for FFY 1999-00. In January 2000, the average assistance group in Wisconsin included 2.5 individuals and received a benefit of \$141 per month.

Table 2

**Food Stamp Income Limitations and Benefits**  
October 1999 through September 2000

<u>Assistance Group Size</u>	<u>Monthly Net Income Limits</u>	<u>Monthly Gross Income Limits</u>	<u>Maximum Monthly Benefit*</u>
1	\$ 687	\$ 893	\$127
2	922	1,199	234
3	1,157	1,504	335
4	1,392	1,810	426
5	1,627	2,115	506
6	1,862	2,421	607
7	2,097	2,726	671
8	2,332	3,032	767
9	2,567	3,338	863
10**	2,802	3,644	959

\* The actual benefit typically is significantly less than these amounts.

\*\* For each additional assistance group member \$235 is added to net income, \$306 to gross income, and \$96 to the maximum benefit.

Actual benefits received by food assistance groups varied substantially. As shown in Table 3, in January 2000, 28.6 percent of food assistance groups received benefits of \$10 or less per month, while only 3.9 percent received more than \$500 per month.

Table 3

**Value of Food Stamp Benefits Received by Assistance Groups  
January 2000**

<u>Benefits</u>	<u>Number of Food Assistance Groups</u>	<u>Percentage of Total</u>
\$10 or less	21,549	28.6%
\$11 to \$50	7,370	9.8
\$51 to \$100	8,632	11.4
\$101 to \$200	16,679	22.2
\$201 to \$300	9,665	12.8
\$301 to \$400	5,539	7.4
\$401 to \$500	2,905	3.9
Over \$500	<u>2,958</u>	<u>3.9</u>
Total	75,297	100.0%

**Program Expenditures and Participation**

**Expenditures for program benefits declined 47 percent over six years.**

As shown in Table 4, the total value of food stamps provided to recipients declined by 47.0 percent from FY 1992-93 through FY 1998-99, from \$231.4 million to \$122.7 million. During the same period, administrative costs increased by 10.6 percent, from \$40.7 million in FY 1992-93 to \$45.0 million in FY 1998-99.

Table 4

**Food Stamp Program Expenditures**  
 FY 1992-93 through FY 1999-00  
 (in millions)

<u>Fiscal Year</u>	<u>Food Stamp Benefits</u>	<u>Administration</u>	<u>Total Expenditures</u>
1992-1993	\$231.4	\$40.7	\$272.1
1993-1994	224.6	44.8	269.4
1994-1995	217.2	53.1	270.3
1995-1996	204.4	53.5	257.9
1996-1997	167.4	49.2	216.6
1997-1998	136.9	48.9	185.8
1998-1999	122.7	45.0	167.7
1999-2000*	126.6	44.1	170.7

\* Estimated

It should be noted that expenditures associated with FSET are not included in these totals because this program is administered by W-2 agencies under their contracts to provide employment services to W-2 and food stamp recipients. FSET expenditures and services will be analyzed more fully in a subsequent report that reviews the performance of W-2 administrative agencies.

Wisconsin's administrative costs for the Food Stamp Program are higher than other midwestern states'. For FFY 1998-99, USDA indicates the federal portion of administrative costs for the Midwest ranged from Wisconsin's high of 21.7 percent of total program costs to Indiana's low of 10.1 percent. At 16.6 percent of total program costs, Minnesota's administrative costs were second-highest. Department staff attribute Wisconsin's high administrative costs to several factors, including the decentralized nature of Wisconsin's program. The three midwestern states whose counties administer the program—Wisconsin, Minnesota, and Ohio—tend to have higher administrative costs than those that administer the program at the state level.

**Administrative expenditures have increased despite falling caseloads.**

Table 5 details the growing administrative costs of Wisconsin's Food Stamp Program. The cost increase is associated with the development, implementation, and operation of the data processing system used to track case-specific information, including eligibility determination and benefit calculations. In addition, caseloads for other programs, such as W-2, have fallen faster than the food stamp caseload, causing a greater percentage of the shared costs for public assistance programs to be



allocated to the Food Stamp Program. Expenditures for eligibility determination, which primarily include local agency staff costs, have consistently made up more than one-half of all administrative expenditures. Fraud prevention expenditures have decreased markedly in the past few years because of a decrease in federal funding and an increased focus on W-2 activities. Quality-control expenditures have increased in an attempt to reduce the high rate at which food stamp benefit levels are calculated incorrectly. Finally, issuance costs have declined, largely because the number of individuals receiving food stamps has declined.

Table 5

**Food Stamp Administrative Expenditures**  
 FY 1992-93 and FY 1998-99  
 (in millions)

<u>Type of Administrative Expenditure</u>	<u>FY 1992-93</u>	<u>FY 1998-99</u>	<u>Percentage Change</u>
Eligibility determination	\$22.2	\$24.8	11.7%
Data processing	3.8	9.7	155.3
Other*	2.4	4.3	85.0
Quality control	1.4	3.1	121.4
Fraud prevention	4.8	1.6	-66.7
Issuance costs	6.1	0.9	-85.2
Electronic benefit transfer	0.0	0.6	-
<b>Total</b>	<b>\$40.7</b>	<b>\$45.0</b>	<b>10.6%</b>

\* Includes smaller general administrative expenditures that vary from year to year and cannot easily be placed into larger categories.

**The decline in benefit expenditures is directly related to reduced caseloads.**

The overall reduction in food stamp benefit expenditures is directly related to reduced caseloads. Although eligible income levels and maximum monthly benefits provided to assistance groups have increased each year since 1992, the number of food stamp recipients has declined at a rate that has reduced total spending. As shown in Table 6, except for 1995, the annual total of food stamp recipients has declined every year, decreasing from 522,334 in 1992 to 309,117 in 1999. Data on the number of recipients and benefits paid in each county are provided in Appendix I.

Table 6

## Change in the Number of Food Stamp Recipients

Calendar Year	Monthly Total for January*	Percentage Change	Annual Total (Unduplicated)*	Percentage Change
1992	341,977	-	522,334	-
1993	340,728	-0.4%	511,137	-2.1%
1994	332,323	-2.5	438,930	-14.1
1995	326,610	-1.7	458,538	4.5
1996	296,060	-9.4	411,719	-10.2
1997	244,260	-17.5	353,244	-14.2
1998	204,155	-16.4	314,423	-11.0
1999	184,938	-9.4	309,117	-1.7

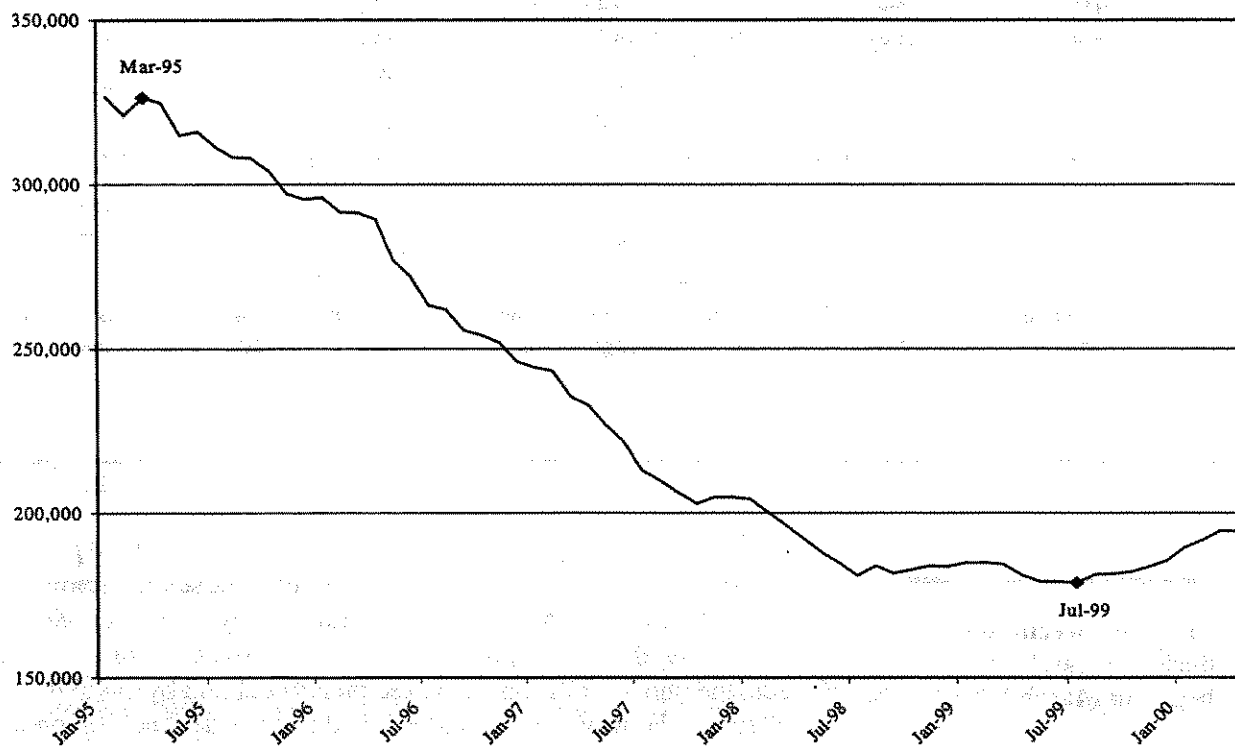
\* Overstates the actual number of recipients because we were unable to remove those individuals who are considered recipients under federal regulations but whose level of benefits was \$0 in one or more months.

**The most precipitous decline in caseloads began in March 1995.**

The most precipitous decline in the number of food stamp recipients began in March 1995. As Figure 1 illustrates, between March 1995 and July 1999, the lowest point for food stamp participation in the past decade, the number of food stamp recipients declined by 147,370, or 45.2 percent. However, it should be noted that the decline in program participation was less pronounced in Milwaukee County than in other areas of the state. Between March 1995 and July 1999, the number of food stamp recipients in Milwaukee County declined by 37.1 percent, compared to a decline of 52.0 percent in the rest of the state. From July 1999 to April 2000, the number of food stamp recipients increased at an average of 0.8 percent each month. It was 194,451 in April 2000. However, it is unclear whether this trend is likely to continue.

Figure 1

**Wisconsin Food Stamp Recipients  
by Month from January 1995 to April 2000**



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## DECLINING FOOD STAMP PARTICIPATION

Some argue that the decline in food stamp participation reflects the improved economic condition of Wisconsin families during the past several years, including the positive effects of the W-2 program, which encourages employment and economic self-sufficiency for low-income families. However, this does not fully explain the decline because the percentage of individuals living in poverty who receive food stamps has decreased in the last five years. A number of factors account for the decline in program participation among those eligible for food stamps, including programmatic and policy changes associated with administration of the Food Stamp Program, as well as the effects of W-2. The decline in Food Stamp Program participation is likely to have contributed to reported increases in the use of alternative food programs statewide, but we were unable to independently verify reported increases in food pantry and other alternative food program use.

### Estimating the Decline in Food Stamp Participation

#### Data for measuring declining participation are limited.

It is difficult to measure the number of eligible individuals who do not receive food stamps. Estimates vary widely. For example, a January 2000 report issued by the University of Wisconsin-Milwaukee estimated that 41,400 low-income working families in Milwaukee County may have been eligible for food stamps in 1998, whereas approximately 9,000, or 21.7 percent, received them. In contrast, a report by the General Accounting Office indicated that in 1997, the percentage of children living in poverty nationwide who received food stamps was 84.1 percent.

Data maintained by state agencies do not permit a definitive analysis of the number of eligible individuals who did not apply for or receive food stamps. For example, if applicants for social services indicate they do not wish to apply for food stamps, not all of the income, asset, and deductible expense information needed to determine eligibility for the Food Stamp Program is obtained. Tax returns submitted to the Department of Revenue provide some useful information, but the data are limited because those most likely to qualify for food stamps are not required to submit tax returns based on their limited income. In 1999, single individuals earning less than \$5,280 annually and married couples earning less than \$9,040 annually were not required to file income tax returns.

In an attempt to quantify the change over time in the percentage of individuals who may be eligible and those who actually received food stamp benefits, we compared United States Census Bureau data on the number of Wisconsin residents living in poverty with data on food stamp caseloads. Because the most recent Census Bureau data on household income identifies those at the federal poverty level, and individuals and families with gross incomes as high as 130 percent of the poverty level may qualify for food stamps, our estimate of the number of individuals who may be eligible for food stamps but do not receive them is likely to be somewhat conservative.

**Between 1994 and 1998, the percentage of individuals living in poverty who received food stamps declined from 97 to 70 percent.**

As shown in Table 7, the decline in the number of individuals receiving food stamps was significantly greater than the decline in the number of individuals at the federal poverty level for 1996 through 1998. We estimate that the number of individuals living in poverty who may have been eligible for food stamps but did not receive them increased from 14,100 in 1994 to 134,600 in 1998, the most recent year for which Census Bureau data are available.

Table 7

**Estimated Percentage of Wisconsin Individuals Living in Poverty Who Receive Food Stamps**

<u>Year</u>	<u>Number of Individuals in Poverty*</u>	<u>Number of Individuals Receiving Food Stamps</u>	<u>Difference</u>	<u>Percentage of Individuals in Poverty Receiving Food Stamps</u>
1994	453,000	438,900	14,100	97%
1996	460,000	411,700	48,300	90
1998	449,000	314,400	134,600	70

\* Based on US Census Bureau data estimates

**Reasons for Declining Participation**

There are a number of reasons for the disparity between the number of individuals who may have been eligible for food stamps and the number actually receiving them. For example, some have traditionally resisted receiving public assistance of any kind, while others have been unaware of their eligibility. However, it is likely that other reasons account for the growth in the disparity among those who are eligible and those who

receive food stamps. The effects of W-2 and other welfare reform initiatives; changes in the frequency of recertification for benefits; increased work requirements for some recipients; and administrative problems among W-2 and county human services agencies appear to be contributing factors to the decline in participation.

### **Effects of W-2**

The decline in food stamp participation began before implementation of W-2; when W-2 was implemented in September 1997, the caseload had already dropped from March 1995 levels. Nevertheless, W-2 has affected participation in the Food Stamp Program in ways that were intended and in ways that were not, in part because W-2 policies were developed and disseminated before the program was implemented. As noted, the primary purpose of W-2 is to encourage participant self-sufficiency. Therefore, administrative agencies were directed to require work and to impose time limits on receipt of public assistance benefits. The introduction of W-2, and earlier welfare reform programs, encouraged Food Stamp Program participants and those who had been receiving Aid to Families with Dependent Children (AFDC) to enter the workforce.

There have been a number of positive effects of W-2. As some low-income individuals have gained employment, either on their own initiative or as a result of their participation in W-2, their incomes have increased. However, as income increases, food stamp benefits typically decrease. We confirmed this trend from January 1995 to January 2000, when the number of assistance groups receiving a monthly food stamp allotment of exactly \$10 increased by 17 percent, from 11,945 to 13,994. In January 2000, approximately one-third of assistance groups received benefits of \$25 or less per month. A number of agency staff with whom we spoke believe that even though many individuals continue to qualify for benefits, the reduction in the level of their benefits has discouraged them from continuing to participate in the program.

Staff in 10 of 16 local agencies at which we conducted site reviews during the course of our audit indicated that there also was confusion as a result of the implementation of W-2, either on the part of caseworkers who found it difficult to reconcile the goals of the entitlement program with W-2, which emphasizes economic self-sufficiency, or on the part of participants, who were confused about whether they continued to qualify for food stamps and Medical Assistance. Moreover, policy directives issued by the Department may have been misinterpreted by some administrative agencies. In its August 1996 request for proposals for implementation of W-2, the Department indicated that "the W-2 system provides only as much service as an eligible individual asks for

or needs. Many individuals do much better with just a 'light touch'." In addition, in February 1998, as part of its monthly newsletter to W-2 staff, the Department included an article entitled "Case Management with a Light Touch," in which it indicated that "light touch" is a philosophy rather than a process and that "it means that we don't offer every support available to a family until we know a need exists."

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**Some caseworkers believed they were prohibited from informing applicants of the availability of food stamps during implementation of W-2.**

As a result of confusion caused by these and other documents, as well as information conveyed during meetings and training sessions, some staff with whom we spoke indicated that W-2 agency workers applied the concept of "light touch" to all assistance programs, including the Food Stamp and Medical Assistance programs, during the seven-month transition period between AFDC and W-2. For example, caseworkers in some of the agencies we visited indicated that at least during the first few months after W-2 was implemented in September 1997, they did not routinely offer food stamps to individuals who did not ask about the program directly. A number of caseworkers indicated they felt prohibited from telling families about food stamps, Medical Assistance, and child care unless these services were specifically requested.

In response to concerns, the Department undertook more directed training efforts. Beginning in 1998, state trainers and local caseworkers discussed the need to ask additional questions and understand each person's specific situation before asking what services applicants were interested in receiving. In addition, some of the Department's regional offices issued clarifying statements. In February 1998, in response to the Department Secretary's concern about a dramatic decrease in Medical Assistance caseloads, the Green Bay regional office issued a policy clarifying caseworkers' responsibilities associated with informing applicants of support services. The policy states that caseworkers "should not only tell families about these services, they should also be proactive in helping customers do long-term planning for the day when they are no longer eligible for the support services." However, it is not clear whether these efforts have sufficiently resolved all misunderstandings and made local agencies aware of their responsibilities to inform applicants of the continued availability of food stamps.

### **More Frequent Recertification of Participant Eligibility**

In order to continue receiving benefits, recipients must regularly report and verify relevant eligibility information, such as their current monthly income and allowable deductible expenses, to ensure the amount of food stamp benefits provided is appropriate. A change in program policies requiring more frequent recertification for food stamp benefits appears to have contributed to lower program participation. In order to be consistent with W-2 and Medical Assistance program requirements, the Department in October 1997 changed how benefits are determined from a system that used past income to a system that estimates future income.



Because calculating benefits based on an estimate of future income could be less accurate than using historical income data, USDA encouraged the Department to implement shorter recertification periods.

**Since FFY 1994-95, Wisconsin's error rate in benefit calculations has been among the highest in the nation.**

The Department chose to reduce the amount of time for recertification as an initial measure to address a benefit payment error rate problem, as Ohio and Indiana had done. The benefit payment error rate includes instances in which the amount of benefits provided was either higher or lower than the amount for which the assistance group was eligible. As shown in Table 8, Wisconsin's benefit payment error rate has been higher than the national average during the past five years, and Wisconsin has had one of the ten highest error rates in the nation since FFY 1994-95. Based on USDA's calculations, in FFY 1998-99, 9.6 percent of benefits paid in Wisconsin, with a value of \$11.9 million, were too high; 3.8 percent, with a value of \$4.7 million, were too low.

Table 8

**Food Stamp Benefit Payment Error Rates**  
Federal Fiscal Years 1994-95 through 1998-99

	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>
Wisconsin's Error Rate	12.2%	11.4%	13.7%	14.6%	13.4%
National Average	9.7%	9.2%	9.8%	10.7%	9.9%
Wisconsin's Error-rate Ranking	6	7	3	5	8

**The benefit calculation error rate for Milwaukee County is higher than in other parts of the state.**

The error rate in Milwaukee County, which accounts for about one-half of the State's food stamp caseload, has been consistently higher than in the rest of the state. For example, in FFY 1998-99, the error rate in Milwaukee County was 14.2 percent, compared to 8.7 percent in the remainder of the state. Federal, state, and local staff with whom we spoke believe this is because urban centers such as Milwaukee typically have more difficult cases for which to correctly determine eligibility, and because staff turnover among Milwaukee County eligibility workers has been high.

Because food stamp benefits are federally funded, USDA can impose monetary sanctions on states with error rates above the national average. Since 1994, USDA has imposed a total of \$2.7 million in sanctions for Wisconsin's high error rates. To date, rather than withholding or



requiring the return of federal funds, USDA has allowed the State to invest the sanctioned amounts in programs that attempt to improve payment accuracy. However, there is no guarantee that USDA will allow Wisconsin to reinvest future sanctioned amounts if error rates do not improve further.

Although more frequent recertification was implemented in response to concerns about the high error rate in benefit calculations, some believe it has created a barrier to program participation. Many of the caseworkers with whom we spoke indicated because of the three-month recertification requirement, individuals must take time off from work, find transportation, arrange child care, and provide documentation of their assets and sources of income more frequently. They believe it is a barrier to participation for those who are unable to attend these appointments because of scheduling conflicts, and that the effort required discourages some eligible individuals from participating in the program.

However, these concerns are not shared by all caseworkers. Other caseworkers stated that the change to three-month recertification is beneficial because it ensures greater agency contact with food stamp recipients, thereby allowing caseworkers to become better informed about their clients' current circumstances, to prevent fraudulent claims, and to better address their changing needs. With this recertification change, the Department also eliminated monthly reporting requirements for recipients. As noted, the precipitous decline in Food Stamp Program participation began in March 1995. Although food stamp participation continued a steady decline for a number of months after the change to three-month recertification, the extent to which this change influenced a continued decline or delayed the time at which participation began to increase cannot be quantified.

### **Increased Work Requirements for Some Recipients**

Increases in work requirements under FSET that took effect in October 1996 may have contributed to the reduction in the number of individuals receiving food stamps. As noted, the FSET program is administered by W-2 agencies under their contracts to provide employment and training services to both W-2 participants and food stamp recipients. Food stamp recipients who do not participate in W-2, are not otherwise employed, or do not have any dependents are required to participate in the FSET program.

FSET participants without dependents must now meet specific work requirements:

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**Some may have been discouraged from participating based on increased work requirements.**

- either the number of hours they work in a subsidized employment position or their participation in a work-based training program is generally required to equal their food stamp allotment divided by the minimum wage, and
- if they are sanctioned for nonparticipation three times, they must comply with the FSET requirements of working 80 hours in a 30-day period before regaining eligibility for food stamps. In contrast, other FSET participants are able to receive food stamps upon application and before engaging in participation requirements.

In addition, participants without dependents may receive food stamps for only 3 months in a 36-month period without meeting these work requirements. Local agency staff with whom we spoke indicated that many FSET participants found it easier to find jobs on their own or decided to leave the program rather than comply with these new requirements.

#### **Administrative Issues**

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**Administrative problems have likely contributed to the decline in food stamp participation.**

Finally, administrative problems in W-2 and county human services agencies, including a failure to post and make required information accessible, have likely contributed to the decline in Food Stamp Program participation. In 1999, USDA conducted special reviews of the administration of food stamps in three of the five Milwaukee W-2 administrative agencies: Employment Solutions, Inc.; Maximus, Inc.; and YW Works, Inc. These reviews were conducted, in part, as a response to concerns raised by a Milwaukee-area congressman. As noted, county staff who remain responsible for determining eligibility for food stamps are stationed in W-2 agencies, which also have responsibilities associated with providing individuals access to information about food stamps and other public assistance benefits.

Among the findings in its reviews, USDA determined that:

- applicants were not always permitted to file an application on the same day that they inquired about the Food Stamp Program or were not always notified of their right to do so under federal law;

- applicants were provided with paper application forms only when the State's automated eligibility determination, benefit calculation, and caseload management system (CARES) was not in operation, even though agencies are required to provide paper applications forms to whomever requests them;
- applicants were not always permitted to apply for food stamps after 4:00 p.m. on certain days, even though the offices processing the applications were still open;
- agencies did not have adequate quantities of informational materials, such as posters and brochures, that were easily accessible to prospective recipients;
- not all individuals who were eligible to receive food stamps within seven days of application actually received expedited benefits; and
- staff sometimes incorrectly established the starting date from which food stamp benefits would be provided.

In following up on the USDA findings, we conducted on-site reviews of 16 W-2 and county human services offices throughout the from February through May 2000. Offices, job centers, and other locations at which food stamp applications are taken are required by federal law to make available the information contained on two posters: the *Food Stamp Rights* poster, which outlines five basic rights of food stamp applicants, and the *Justice for All* poster, which explains in several languages the federal policy prohibiting discrimination in the administration of benefits. In addition, since April 1999, the Department has required local agencies to make three food stamp publications accessible to applicants at each location applications are taken: one that provides basic information on the Food Stamp Program, a second that describes individuals' rights and responsibilities with respect to food stamps, and a third that provides information on the fair hearings procedures for food stamps and Medical Assistance.

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**Many of the agencies we visited did not have all required information displayed or accessible.**

Although the sites visited by USDA in 1999 were almost entirely in compliance at the time of our visits, we found that a number of other offices did not have the posters displayed and did not have the required brochures visible or in an accessible location. For example:

- 11 offices did not display brochures discussing fair hearings;

- 8 offices did not display brochures discussing food stamp rights and responsibilities;
- 7 offices did not display a basic informational food stamp brochure;
- 6 offices did not display the *Justice for All* poster; and
- 4 offices did not display the *Food Stamp Rights* poster.

Appendix II provides more detailed information on the information displayed at each of the 16 locations we visited.

### Use of Alternative Food Programs

Many have questioned whether the decline in Food Stamp Program participation has increased reliance on alternative food sources, such as food pantries and on-site meals provided by community-based organizations, religious organizations, and local charity groups. Advocates argue that the increase in reliance on these programs has been substantial, and the data reported by private organizations suggest use of their programs has increased in recent years. However, we could not independently verify the reported increase.

In general, three types of alternative food programs are operated by local organizations:

- food banks, which collect food from businesses and other donors and distribute it to pantries;
- food pantries, which package food for individual and family distribution and provide facilities where it may be claimed; and
- meal programs, which provide meals to individuals at designated sites or home delivery of meals to the elderly and disabled.

These alternative food programs generally intend only to provide supplementary food to low-income families. For example, some food pantries restrict the receipt of food to once per month, while others limit receipt to four times per year or less. Meal programs vary, but few provide meals more than a few days each month. Most food programs require recipients to provide identification, such as a driver's license or other photo identification, and some require social security numbers,

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**Food banks, food pantries, and meal programs are the main types of alternative food programs.**

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**Alternative food programs are not intended to provide all of the food needed by low-income households.**

addresses, and telephone numbers. However, the extent to which they document recipients' need varies. For example, while some food programs do not require any documentation of low-income status, others require individuals to be referred by county human or social services departments.

The types of individuals served by alternative food programs vary by location and need. However, based on preliminary results from an as yet unpublished study of food pantry users by the University of Wisconsin-Extension, service recipients are:

- mainly female (approximately 73 percent);
- households with children 17 years old or younger (44 percent);
- age 65 or older (19 percent); and
- those with low educational levels (37 percent lack a high school diploma).

Only 17 percent of those using alternative food programs reported using food stamps. However, it is not known how many of those surveyed would have qualified for food stamps had they applied.

In an attempt to quantify the extent to which alternative food program use has changed in the past few years, we contacted five of the larger food banks serving Wisconsin:

- the Hunger Task Force of Milwaukee, which distributes food to 83 pantries in southeastern Wisconsin;
- the Second Harvest Food Bank of Wisconsin in Milwaukee, which distributes food to more than 1,100 food pantries and local charities in 36 Wisconsin counties;
- the Second Harvest Food Bank of Southern Wisconsin, in Madison, which distributes food to 260 pantries and local charities in 17 southern Wisconsin counties;
- the Second Harvest Food Bank of St. Paul, which distributes food to more than 17 pantries, local charities, and other locations in northern Wisconsin;

- Feed My People, which distributes food to pantries and other hunger prevention organizations in a 13-county area in northwest Wisconsin.

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**Food pantries and other programs have reported increased demand.**

In addition, we contacted a number of hunger prevention organizations and local food pantries throughout the state. Most of these organizations obtain food, as well as funding to buy food, through donations and do not rely extensively on public funds to support their operations. Because they do not record food distribution data in a uniform manner or over identical time periods, a single measure of the change in the use of their services could not be calculated. However, the data reported to us by these organizations suggest the amount of food they distribute has increased. For example:

- the Hunger Task Force of Milwaukee reported increasing its food distribution by 83 percent over two years, from 1.2 million pounds in 1997 to 2.2 million pounds in 1999;
- the Second Harvest Food Bank of Wisconsin in Milwaukee reported increasing its food distribution by 16 percent over three years, from 9.2 million pounds in FY 1996-97 to 10.7 million pounds in FY 1998-99;
- the Second Harvest Food Bank of Southern Wisconsin reported increasing its food distribution by 21 percent from 1997 to 1998 and 35 percent from 1998 to 1999, from an estimated 1.4 million to 1.7 million and then 2.3 million pounds;
- the Second Harvest Food Bank of St. Paul reported increasing its food distribution in northern Wisconsin by 49 percent over two years, from 492,628 pounds in 1997 to 732,078 pounds in 1999; and
- Feed My People reported increasing its food distribution by 20 percent in one year, from 353,382 pounds in 1997 to 424,058 pounds in 1998.

It should be noted that an increase in pounds of food distributed by alternative food programs does not necessarily mean an increase in need. These organizations rely on donations to create their supply, and with the strong economy and more generous giving, more food has been available to distribute. However, some of these same organizations have also reported increases in the number of households or individuals served. For example:

- the Hunger Task Force of Milwaukee reported a 32 percent increase in the average number of people served per month from 1995 through 1999, from 26,841 to 35,366;
- the Second Harvest Food Bank of St. Paul reported a 66 percent increase in households served in northern Wisconsin over two years, from 7,612 in 1997 to 12,645 in 1999; and
- The ECHO Food Pantry in Rock County reported a 15 percent increase in the number of individuals served over two years from 12,389 in 1997 to 14,247 in 1999.

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**One alternative food program reported decreased use.**

Only one of the alternative food programs we contacted reported a decrease in use during the past few years. The Community Action Coalition, which operates the Dane County Food Pantry Network, reported a 10 percent decrease in the number of individuals served over three years, from 140,414 in 1996 to 125,867 in 1998. However, participation increased to 139,167 in 1999.

In general, the organizations we contacted project increased demand for their food services through 2000. Representatives of these organizations are concerned that use of their food programs has increased while the economy has been strong, and they generally believe that the increase is a direct consequence of declining participation in the Food Stamp Program. Others, however, suggest that the larger role private organizations are playing in providing food to low-income individuals is both expected and appropriate. They believe that reduced reliance on governmental assistance is one of the goals of welfare reform and suggest that individuals may be choosing to use food programs rather than publicly funded food stamps.

Regardless of one's position on this issue, food stamp benefits remain an entitlement under federal law and, although individuals may choose not to take advantage of the benefit, federal regulations require that prospective recipients be made aware that program benefits are available to those who qualify and that qualified individuals be encouraged to apply on the first day they learn of the availability of benefits. Therefore, we reviewed efforts taken to respond to the concerns that have been identified and to improve the provision of food stamps to low-income individuals and families.

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## **EFFORTS TO IMPROVE THE PROVISION OF SERVICES**

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In response to concerns prompted by federal reviews and raised by local administrative agencies, a number of efforts have been undertaken to improve Food Stamp Program administration and increase participation. Although the specific effects of these efforts have not been measured, program participation has increased slightly since July 1999. In addition, some administrative problems have not yet been adequately addressed.

### **Improving Program Administration**

In an effort to improve the quantity of informational materials available to interested parties, the Department issued an operations memorandum in April 1999 reminding local agencies of their obligations under federal law to provide written information and to display information about the Food Stamp Program in places visible to applicants at all times and at all service locations. Despite this action, however, we noted a number of agencies that did not have food stamp posters or brochures displayed. Therefore, it is unclear how successful the Department's efforts to improve program administration have been in this area.

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**Steps have been taken to address administrative problems.**

In June 1999, the Department emphasized that potential recipients should be given the opportunity to file an application on the same day they first contact a local agency for program information. In addition, the Department developed a one-page form for applicants to complete if it is not possible to complete the standard electronic CARES client registration process at the time of initial inquiry. This is important because it establishes the initial filing date that is used in calculating the point from which food stamp benefits will begin to be provided.

In response to questions and requests for policy clarification, the Department also issued three operational memoranda in June 2000 intended to address agencies' questions and concerns regarding the one-page application form, setting application filing dates, processing mail-in reviews, making accurate priority service determinations, and a number of other issues. Finally, the Department has undertaken specific efforts to reduce errors in determining appropriate benefit levels. These efforts are financed using the \$2.7 million in funding USDA has sanctioned since 1994 and include:



- requiring participants to recertify their eligibility more frequently;
- planning to establish, at the suggestion of USDA, a call center in Milwaukee to receive participant-reported changes in circumstances that affect eligibility and benefits;
- establishing two teams of quality-control reviewers, one in 1999 and one in 2000, to intensively review cases for errors on an ongoing basis; and
- convening an error-reduction conference in March 2000 in Milwaukee that was attended by 450 eligibility workers from both public and private agencies throughout the state.

#### **Enhancing Outreach Efforts**

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**Local agencies have worked to enhance their outreach efforts.**

In addition to the efforts undertaken by the Department to address administrative concerns with the Food Stamp Program, several local agencies have taken steps to improve their outreach efforts and to increase program participation. In general, these efforts have focused on increasing the number of locations at which individuals can apply for benefits and expanding the hours during which applications will be taken.

Since FY 1995-96, local agencies have reported spending approximately \$668,900 in state and federal funds on outreach. In addition, in 1999 the five private W-2 agencies in Milwaukee County provided \$150,000 for outreach activities for the Food Stamp and Medical Assistance programs. The Department did not keep data or measure the effectiveness of local agencies' outreach activities. However, we discussed outreach efforts with local agencies that administer food stamp benefits and found that all had made efforts to improve the accessibility for interested applicants. Although the extent of these efforts has varied among agencies, the outreach efforts generally included expanding hours of service, establishing additional application sites, and working with alternative food programs.

## Expanding Hours of Service

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### Local agencies have expanded their hours of operation to receive applications.

In general, local agencies are open to receive applications for food stamps between 7:30 a.m. and 5:00 p.m., Monday through Friday. However, in an effort to accommodate those who are employed or otherwise find it difficult to make application during standard hours of operation, all of the agencies we contacted have increased the number of hours they are open or have taken other steps to facilitate the application process. For example:

- in December 1999, each of the five W-2 administrative agencies in Milwaukee County was open three Saturdays before the Christmas holiday, in an attempt to provide greater access to those seeking to apply for benefits;
- in June 1998, Dane County first provided a 24-hour drop box at its job center so that applicants can leave materials needed to verify their eligibility during off-hours;
- in June 1999, Dane County expanded its hours of operation on Wednesdays from 7:00 a.m. to 7:00 p.m.; and
- in January 1998, Kenosha County began requiring its economic support staff to allow applicants and recipients to schedule appointments outside normal business hours, including after 5:00 p.m.

Local agencies indicate that modifying their hours of operation has been challenging because of limitations in the availability of their own staff, who are needed to complete the application process, and because of the limited availability of the CARES system, which is maintained centrally by the Department. CARES is generally available for case processing weekdays between 6:30 a.m. and 7:00 p.m.; on Wednesdays it is available until 9:00 p.m., and on Fridays it is available until 5:00 p.m. CARES is also usually available for two Saturday mornings each month. Officials in the Department indicate that local agency access to the CARES system must be limited to allow time for processing the day's cases. Although paper applications could still be taken and entered into CARES when it is in operation, agency officials do not believe that this would be an efficient way to process applications.