STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES
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REASON FOR THIS TRANSMITTAL

[ ] State Law Change
[X] Federal Law or Regulation Change
[ ] Court Order
[ ] Clarification Requested by One or More Counties
[ ] Initiated by CDSS

August 1, 2008

ALL COUNTY LETTER NO. 08-37

TO: ALL COUNTY WELFARE DIRECTORS
ALL FOOD STAMP COORDINATORS
ALL CONSORTIUM PROJECT MANAGERS

SUBJECT: FOOD CONSERVATION AND ENERGY ACT OF 2008 (FARM BILL): MANDATORY CHANGES EFFECTIVE OCTOBER 1, 2008

REFERENCE: Public Law (P.L.) 110-246, All County Letter (ACL) 05-04 dated March 11, 2005, All County Information Notice (ACIN) I-24-07 dated May 11, 2007, ACIN I-32-08 dated May 19, 2008

The purpose of this letter is to transmit implementing instructions to county welfare departments (CWDs) regarding changes to the Food Stamp Program (FSP) resulting from the Food Conservation and Energy Act of 2008, which is part of the Farm Bill of 2008 (P.L. 110-246). Regulations and any relevant forms and notices reflecting these changes will be developed as soon as possible. Implementation of several of the provisions listed below will necessitate the issuance of a mass-informing notice to recipients. The Department is currently discussing the most efficient process for providing such information. CWDs will be informed of the result of these discussions as soon as possible.

> Note: The implementation of provisions effective October 1, 2008 is contingent upon an approved State Budget. The Department will notify CWDs once the Budget is approved.

There are additional provisions in P.L. 110-246 that cannot be implemented until the federal rulemaking process is completed. Information regarding those provisions will be provided at that time. In addition, the Farm Bill contains a number of optional provisions. The Department will be discussing these options with CWDs and other stakeholders, and any relevant instructions will be transmitted at such time that decisions are reached regarding implementation of the options.

**RENAMING THE FOOD STAMP ACT AND PROGRAM
(P.L. 110-246 SEC. 4001)**

This provision renames the Food Stamp Program the "Supplemental Nutrition Assistance Program" or SNAP and renames the Food Stamp Act of 1977 the "Food and Nutrition Act of 2008" effective October 1, 2008. State agencies may continue to use state-specific program names. Changing the program name in California will require a change in state law. Currently, there is state legislation (Assembly Bill 433) pending to direct the California Department of Social Services (CDSS) to convene stakeholders to develop a new name for the program in California.

- Impact to Applicants/Recipients

  None.

**EXCLUDING CERTAIN MILITARY COMBAT PAYMENTS FROM INCOME
(P.L. 110-246 SEC. 4101)**

This provision excludes combat-related military pay from consideration as income when determining eligibility and benefit levels if the additional pay is the result of deployment to or service in a combat zone and was not received immediately prior to serving in a combat zone. This codifies current policy for payments made under section 5 of Title 37 of United States Code (U.S.C.), which are already excluded from income.

- Impact to Applicants/Recipients

  None. As stated above, this section merely codifies current policy regarding exclusion of Military Combat Payments. Refer to ACL 05-04, ACIN I-24-07, and ACIN I-32-08.

**RAISING THE STANDARD DEDUCTION
(P.L. 110-246 SEC. 4102)**

This provision raises the minimum standard deduction for households with one to three members from $134 to $144 for Federal Fiscal Year (FFY) 2009 and indexes it to inflation starting in FFY 2010. The standard deduction remains unchanged for larger households, which already receive a larger standard deduction indexed to inflation.

- Impact to Applicants/Recipients

  Households with one to three members may see an increase in benefits due to the increase in the standard deduction. More specific information will be provided when the United States Department of Agriculture, Food and Nutrition Service (FNS) issues updated allotment and deduction amounts effective October 1, 2008.

ELIMINATING THE DEPENDENT CARE DEDUCTION CAP (P.L. 110-246 SEC. 4103)

This provision eliminates the cap on the deduction for dependent care expenses (currently $175 or $200 per month, depending on the age of the dependent), and allows families eligible for the deduction to deduct the entire amount of dependent care expenses when calculating benefit levels.

- Impact to Applicants/Recipients

  This provision must be applied to new applicants beginning on October 1, 2008. CWDs should notify potentially eligible households of the availability of the increase in the dependent care deduction. If this change cannot be automated in time for implementation by October 1, 2008, CWDs must develop manual workarounds to implement the change.

  - ✓ For Quarterly Reporting (QR) households with a Submit Month of September 2008, actual child care costs must be allowed for the October/November/December quarter. Otherwise, actual costs must be computed for the household no later than by the next Submit Month and benefits must be restored back to October 1, 2008.

  - ✓ For change reporting households, the change must be completed no later than the next recertification, or the next reported change, whichever occurs first. However, if the CWD is unable to make the changes in the October allotments, lost benefits must be restored retroactive to October 1, 2008.

**INDEXING THE ASSET LIMIT
(P.L. 110-246 SEC. 4104(A))**

This provision adjusts the current food stamp asset limits ($2,000 for most households and $3,000 for households with elderly or disabled members) by indexing the limits to inflation, rounded down to the nearest $250, beginning October 1, 2008. Each adjustment will be based on the unrounded amount for the prior 12-month period.

- Impact to Applicants/Recipients

  None for a number of years; in order to require an adjustment, the inflation rate would have to be over 12.5 percent for the $2,000 limit, and over eight percent for the $3,000 limit. The Congressional Budget Office estimates that this provision will not actually necessitate a change until the year 2012.

**EXCLUDING EDUCATION AND RETIREMENT ACCOUNTS FROM RESOURCES
(P.L. 110-246 SEC. 4104(B))**

This provision excludes all tax-preferred education accounts (e.g., 529s) and retirement accounts (e.g., IRAs), from countable resources in determining eligibility. It excludes any funds in a plan, contract, or account, described in sections 401(a), 403(a), 403(b), 408, 408(a), 457(b), and 501(c)(18) of the Internal Revenue Code of 1986 and the value of funds in a federal thrift Savings Plan account as provided by 5 U.S.C. 8439. It also provides for the exclusion of any successor retirement accounts that are exempt from federal taxes.

- Impact to Applicants/Recipients

  This provision will benefit applicants who were previously ineligible due to excess resources, and may provide an incentive for current recipients to open or supplement retirement accounts. Effective October 1, 2008, CWDs must exclude the referenced education and retirement accounts from consideration as resources.

**INCREASING THE MINIMUM BENEFIT
(P.L. 110-246 SEC. 4107)**

This provision increases the minimum benefit for one and two-person households from the current ten dollars to eight percent of the cost of the maximum benefit allotment for a household containing one member. Since the maximum allotment is indexed to inflation, the minimum benefit will increase with annual increases in the maximum allotment.

- Impact to Applicants/Recipients

  The minimum benefit amount will increase for one or two-person households. More specific information will be provided when FNS issues updated allotment tables effective October 1, 2008.

ACCRUAL OF BENEFITS
(P.L. 110-246 SEC. 4114)

This provision makes two changes to Electronic Benefit Transfer (EBT):

1. The EBT account will become dormant when a household has not accessed its benefits after 180 days. This is a change from the current 90-day timeframe.

   Impact to Recipients

   This change extends the current 90-day period to 180 days in which an EBT account that has not been accessed will become dormant.

2. Benefits will be expunged from an EBT account when they have not been accessed after 365 days from the date benefits were posted to an EBT account.

   Impact to Recipients

   This provision codifies federal rules on when benefits must be expunged, which will essentially nullify the state's existing waiver for a shorter timeframe (i.e., 270 days) to expunge benefits. Therefore, California's EBT system will be changed to expunge benefits after 365 days.

Both of these changes will apply to the food stamp and cash assistance programs and will need to be automated in the EBT vendor system. A system notification will be sent to the county EBT coordinators once the automated changes are completed. The state EBT Project will coordinate with the Statewide Automated Welfare consortia on automating the revised state EBT notices that correspond with these changes. As stated earlier, the notices and appropriate translations will be issued as soon as possible and will be transmitted via a separate ACL.

Notices

For both of these changes, CDSS will be revising the M16-120A, M16-120B, TEMP 1232, and TEMP 2214 and client training materials to reflect these changes. The timeframe for issuing the initial notices (M16-120A for cash and TEMP 1232 for food stamps) that inform clients their account may become dormant will be extended from the current 45 days to 135 days from the date that the EBT account was last accessed. This extended timeframe will continue to provide clients with approximately 45 days advance notice to access their benefits before their account becomes dormant.

ISSUANCE AND USE OF PROGRAM BENEFITS (P.L. 110-246 SEC. 4115(a)

This provision prohibits CWDs from issuing paper coupons as of the date of the enactment of P.L. 110-246, June 18, 2008. The provision also de-obligates paper coupons as legal tender one year from that date. Therefore, food stamp coupons may no longer be redeemed at stores after June 17, 2009. In addition, the provision requires that EBT cards be the sole method of benefit delivery as of June 18, 2009.

- Impact to Applicants/Recipients

  Clients holding paper coupons will need to negotiate the coupons (either by spending them at a retail location or by having them converted to EBT benefits) no later than June 17, 2009.

FUNDING OF EMPLOYMENT AND TRAINING PROGRAMS (P.L. 110-246 SEC. 4122)

This provision makes 100 percent federal funds allocated to the state (counties) for Food Stamp Employment and Training (FSET) programs available for only 15 months rather than until expended. This provision does not affect federal/state 50/50 administrative overmatch or participant reimbursement for dependent care or transportation expenses.

- Impact to Applicants/Recipients

  Beginning October 1, 2008, counties offering an FSET program in FFY 2009 will have 15 months or until December 31, 2009, to use their 100 percent federal FSET fund allocation. CDSS is seeking clarification to determine if obligated 100 percent federal funds are considered to be expended and no longer available.

Until CDSS receives further clarification, counties should ensure that expeditious use is made of the county's federal 100 percent funds and that expenditure claims are submitted in a timely fashion to avoid a loss of funds and reduction in services to FSET participants.

QUALITY CONTROL

There is a 120-day quality control hold-harmless period from the effective date of October 1, 2008, for the mandatory provisions.

If you have any questions regarding the above information, please contact David Badal, Manager of the Food Stamp Policy Development Unit at (916) 653-5528 or by email at david.badal@dss.ca.gov. For questions regarding the EBT provisions, please contact Tonya Zuniga of the Program Technology and Support Bureau at (916) 654-1421 or by email at tonya.zuniga@dss.ca.gov.

Sincerely,

Original Document Signed By:

CHARR LEE METSKER
Deputy Director
Welfare to Work Division