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Preliminary Report on the Feasibility of Computer Matching in the National School Lunch Program

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Preliminary Report on the Feasibility of Computer Matching in the National School Lunch Program

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Executive Summary

The *Child Nutrition and WIC Reauthorization Act of 2004* (PL 108-265) directed the Secretary of Agriculture to conduct a study of the feasibility of using computer technology (including data mining) to reduce overcertification, waste, fraud and abuse in the National School Lunch Program (NSLP). Prior to enactment of this legislation, USDA's Food and Nutrition Service (FNS) contracted with Abt Associates, Inc. to study the feasibility of expanding computer matching for certification of school meal benefits. This study draws on experts in data matching and privacy issues, and will survey State Child Nutrition Directors, State Education officials, and State Medicaid officials to learn about current computer matching capabilities and issues involved in expanding matching. A final report will be available in April 2006.

To meet the requirements of the Act, FNS asked Abt Associates to prepare a preliminary report on the feasibility of computer matching in the NSLP. The report summarizes the results of an expert panel on computer matching, and exploratory interviews with three states. The full preliminary report is available at www.fns.usda.gov/oane. This summary provides background information and preliminary findings on the feasibility of computer matching.

Certification and Verification of Eligibility for the National School Lunch Program

FNS provides reimbursement for meals served under the NSLP and School Breakfast Program (SBP) to millions of children each school day. Children are eligible for free meals if household income is at or below 130 percent of the poverty level, and eligible for reduced price meals if household income is between 130 and 185 percent of the poverty level. Children are categorically eligible for free meals if enrolled in the Food Stamp Program (FSP), the Food Distribution Program on Indian Reservations (FDPIR), or some Temporary Assistance to Needy Families (TANF) programs.

Currently, children are certified for NSLP through application or direct certification. School officials may directly certify a child's categorical eligibility based on data provided by the FSP, FDPIR, or TANF programs. In 2001-02, 61 percent of public school districts used direct certification. In these districts, about 25 percent of students receiving free meals were directly certified, and another 18 percent of students receiving free meals were categorically eligible—meaning that their applications indicated participation in FS, TANF or FDPIR. (Gleason et al., 2003).

Children who are not directly certified may apply for free or reduced-price meals. The NSLP relies on self-declaration of eligibility and requires no documentation of income or program participation with applications. Self-declaration minimizes the cost of application processing and the barriers to the program. A USDA pilot study conducted in SY2001-02 found that requirements for up-front documentation of income were associated with reduced rates of certification among eligible students (Burghardt et al., 2004). Current regulations require verification of up to three percent of applications; in SY2000-01, 34 percent of households selected for verification lost benefits because they failed to respond to requests for documentation of eligibility.

Current Use and Benefits of Direct Certification and Computer Matching

NSLP agencies are authorized to use computer matching for three purposes: to *directly certify* categorically eligible children enrolled in FSP, TANF, or FDPIR; to *directly verify* income or categorical eligibility reported on applications using information from means-tested programs such as FSP, TANF, and Medicaid; and to *use wage and benefit information* maintained by government agencies to verify income information reported on applications. Direct verification of income eligibility was recently authorized by the *Child Nutrition and WIC Reauthorization Act of 2004* and has not yet been implemented. Computer matching with wage and benefit data for income verification is authorized by NSLP regulations, but USDA is not aware of any State or local agencies using this method of verification.

Computer matching is currently used by numerous State Child Nutrition agencies and School Food Authorities (SFAs) to directly certify children for free meals. An electronic file containing information for children in food stamp or TANF households is compared to a file of children enrolled in school. Children who are matched through this comparison can be directly certified for free meals without their households taking any action. While there are no current data on the exact percentage of children certified by computer matching, our study will survey State agencies to determine the prevalence of computer matching.

Where computer matching is not used, other methods of direct certification are the *letter method* and *manual matching*. Many States mail letters to food stamp and TANF households, and the letters are taken to schools in lieu of NSLP applications. Some SFAs manually match student records with a list of children in food stamp or TANF households to directly certify children.

Benefits of Computer Matching for Direct Certification

Direct certification reduces the burden of application for many households and SFAs, and has been found to increase certification among eligible children (Jackson, et al., 2000). With direct certification, the NSLP uses the certification and verification processes conducted by other means-tested programs. Thus, directly certified children do not have to be verified by NSLP, and SFAs do not have the problem of household nonresponse to verification requests.

Computer matching may be less burdensome and quicker than other methods of direct certification. With the letter method, States or SFAs send letters that can be used in lieu of applications, but this method works only if households receive the letters and take them to the school. With computer matching, SFAs may directly certify children prior to the start of the school year and send a notification letter to households. There is very little paperwork for SFAs, and no effort required from households (assuming passive consent). State-level computer matching has advantages over district-level matching, because the process is centralized and implemented in the same way for all school districts in the State, and each district does not have to obtain computer matching software or expertise. Computer matching can be performed several times during the year to certify students who move to a new school district during the school year.

One study found that direct certification is highly accurate, insofar as certified children are indeed eligible for benefits (Gleason et al., 2003). But no studies have examined the match rate — the

percentage of school-age children enrolled in food stamps or TANF who are correctly matched and thereby directly certified. Officials interviewed for this study reported that computer matches based on Social Security Number (SSN) yield high match rates, but matches based on name, date of birth, and other identifiers are not expected to identify all eligible children. To compensate for less than perfect match rates, a State may send letters to food stamp households with school-age children who are not matched to student enrollment files.

Options for Expanding Computer Matching

Computer matching could be expanded by increasing its use with Food Stamp and TANF programs, by increasing the number of means-tested programs that can be used to direct certify children, by implementing direct verification, and by matching to wage and benefit information to verify income eligibility for children not enrolled in means-tested programs. Key ingredients for computer matching, and possibilities for expansion, are described below.

Key Ingredients for Computer Matching

A computer matching system for direct certification or direct verification requires three key ingredients:

1. Electronic database of student records,
2. Electronic database of school-age children enrolled in a means-tested program, and
3. Common identifiers (such as name and date of birth) in the student enrollment database and the database of the means-tested program.

Electronic Database of Student Records: A potentially large barrier to State-level computer matching is the need for an electronic student enrollment database available to the State agency. Many State Education agencies have a Statewide Student Information System (SSIS), or are developing an SSIS that could be used for NSLP computer matching. Other States have developed systems to collect student enrollment data from school districts specifically for direct certification. Student enrollment data can be collected via e-mail, physical exchange of disks, or Internet file transfer. E-mail and the physical exchange of disks require labor time and may entail mailing costs. In Arizona, SFAs use an Internet file transfer system to upload student records to the computer matching system and download match results.

Common Identifiers: Computer matching requires common identifiers in the files being matched, such as Social Security Number (SSN), or name and date of birth. SSNs are unique identifiers and yield high match rates, but computer matching based on SSN is limited by the availability of SSNs in student enrollment records. According to the Family Educational Records Privacy Act (FERPA), schools can request a child's SSNs, but cannot require it. Furthermore, State agencies can request SSNs from school districts, but school districts are free to withhold the SSN for confidentiality reasons. There can be significant variation in the availability of student SSNs across districts within a State. Thus, States need to use a combination of identifiers to maximize the proportion of eligible children who are directly certified through computer matching.

Electronic Database of Children in Other Means-Tested Programs: NSLP computer matching is currently limited to direct certification of children enrolled in food stamps and some, but not all, State TANF programs. These programs maintain eligibility data in electronic form at the State level, and

collect Social Security Numbers (SSNs) and other key identifiers that can be used for computer matching. SSN disclosure is a condition of eligibility for these programs.

Expansion of NSLP computer matching to other means-tested programs would be most beneficial if focused on programs enrolling a large number of school-age children who are not already enrolled in food stamps or TANF. Taking into account this and other criteria, the best candidate is Medicaid, and the State Children's Health Insurance Program (SCHIP) is also worthy of consideration.

Expansion of Computer Matching to Medicaid and SCHIP

Four key characteristics of Medicaid make it suitable for NSLP computer matching:

1. The program is administered at the State level;
2. SSN disclosure is a condition of eligibility;
3. The eligibility information system is integrated with the databases of Food Stamp and TANF recipients in 35 States; and
4. The income eligibility level for children is consistent with free school meal eligibility in 33 States.

Medicaid income eligibility for children is consistent with reduced price meal eligibility in 13 States, and is above the school meals eligibility level in 5 States. In these States, income information would need to be obtained from the Medicaid program to determine NSLP eligibility category (free or reduced price). A possible limitation in some States is that the statewide eligibility information system may not include income data for all categories of Medicaid enrollees.

There is no readily available information about the suitability of SCHIP information systems for NSLP computer matching. Interviews with two States indicated that SCHIP and Medicaid eligibility information systems are not necessarily integrated, and income information collected on SCHIP applications may not be available in electronic form. In addition, SCHIP enrollees are not required to disclose their SSN. SCHIP income eligibility is between 130 and 185 percent of poverty in 10 States, and above 185 percent of poverty in 41 States. Therefore, SCHIP eligibility alone cannot be used to directly certify or verify children for free meals in any State, but SCHIP income information could be widely used for certification or verification.

The primary limitation of NSLP computer matching with Medicaid and SCHIP is uncertainty about the implications of the Health Insurance Portability and Accountability Act (HIPAA). HIPAA limits the disclosure of medical records. All Medicaid records are considered protected under HIPAA and SSNs are considered part of Protected Health Information (PHI). The implication of HIPAA is that use of Medicaid data for direct certification or direct verification may not be possible without legislation or regulations authorizing Medicaid agencies to release these data.

For direct certification or verification of categorical eligibility under current rules, the only information needed from the matching process is that a match is found with FSP or TANF records. As discussed above, if computer matching is expanded to additional means-tested programs such as Medicaid and SCHIP, then in some States, and for some programs, certification and verification of NSLP eligibility will require income information collected by the means-tested program. Medicaid and SCHIP programs with income eligibility limits above the NSLP limit for free meals (130 percent

of poverty) do not need to disclose household income to NLSP, but would need to provide an indicator of household income within the NSLP ranges for free, reduced price, and paid meals.

NSLP agencies were recently authorized to use data from Medicaid and other means-tested programs for direct verification of NSLP eligibility. However, because verification operates on a much smaller scale than certification, States may need authorization to conduct direct certification with Medicaid data before they have sufficient incentive to conduct direct verification using Medicaid.

Feasibility of Computer Matching to Verify Wage and Benefit Information

Computer matching to wage and benefit information is an option for verifying NSLP income applications from households that are not participants in means-tested programs. This type of computer matching is the least feasible option for the NSLP.

The FSP, TANF, and Medicaid programs verify income eligibility through the Income Eligibility and Verification System (IEVS) and other computer matches. The IEVS data sources include benefits data maintained by the Social Security Administration, quarterly wage data and unemployment insurance benefits maintained by State Wage Information Collection Agencies (SWICAs), and unearned income and bank account data from the Internal Revenue Service.

The IEVS and other income data sources have several important requirements that limit the feasibility of this type of computer matching for the NSLP. First, specific legal authority may be needed to use IEVS and other data sources, and data sharing agreements must be negotiated. NSLP income verification is conducted by individual SFAs, but it is not feasible for every SFA to establish data sharing agreements and maintain ongoing communications with agencies that provide income verification.

A second limitation is that all IEVS computer matches are based on Social Security Number (SSN), and income data are reported for individuals, not households. All relevant household members must be identified for verification of household income, and their SSNs must be obtained. Currently, the only SSN obtained on NSLP applications is that of the adult signing the application. The current NSLP verification process obtains SSNs of all adult household members, but the process entails burden for the SFA and the non-response rates are high.

Finally, follow-up is an essential part of the income verification process, because sources of income data may reflect reporting errors, particularly with data provided by employers or individuals. Most results of computer matching with income data are not sufficiently accurate and current to be used on their own to deny benefits. Income discrepancies require follow-up with the applicant, and the follow-up process would be very similar to the existing NSLP income verification process. Thus, computer matching to verify income information will not reduce the level of SFA effort for verification.

Preliminary Findings and Future Research

Computer matching for NSLP direct certification and verification is feasible, as indicated by the computer matching systems that are currently in place. Our research to date indicates that it may be possible to expand data matching to more Food Stamp or TANF recipients, as well as to children

enrolled in Medicaid/SCHIP; but there are likely to be technical, legal and resource barriers to overcome.

Preliminary results indicate that a statewide computer matching system is more efficient and effective than district-level matching. If so, more widespread use of this approach could increase direct certification among children receiving food stamps and TANF. Preliminary results also indicate that the Medicaid program would be well-suited for identifying NSLP-eligible children through computer matching in many states. However, a full assessment of the feasibility of these approaches requires more information about current computer matching practices and capabilities and about the variations in available data on school-age children and their receipt of Medicaid and other programs among states.

Our study will determine the prevalence of three key ingredients needed for widespread computer matching: an electronic database of student records, electronic databases containing information on school-age children's participation in other means-tested programs, and common identifiers in these databases. It will also identify promising practices with regard to matching and identify legal and technical barriers that may prevent more matching.

I. Introduction

The USDA provides reimbursement for meals served under the National School Lunch Program (NSLP) and School Breakfast Program (SBP) to millions of children each school day. Children in families with income at or below 130 percent of the Federal poverty level are eligible for free meals, and children in families with income between 130 and 185 percent of the Federal poverty level are eligible for reduced-price meals.[1] In fiscal year 2003, over half of the 28.4 million NSLP lunches served on an average school day were provided for free or at reduced-price, with 13.7 million children eligible for free lunch and 2.7 million eligible for reduced-price lunch. The average daily number of breakfasts served was 8.4 million, including 6.2 million free, 741,000 reduced-price, and 1.5 million paid (i.e., at full price). The total cost of NSLP subsidized lunches and breakfasts was nearly $8 billion.

Currently, children are certified eligible to receive free or reduced-price meals through application or direct certification, whereby school officials determine a child's eligibility based on data provided by the State or local welfare office about participation in other means-tested programs. Children are categorically eligible for free meals if they are eligible for the Food Stamp Program (FSP), the Food Distribution Program on Indian Reservations (FDPIR), or qualifying Temporary Assistance to Needy Families (TANF) programs. Research has shown, however, that over-certification is a significant problem. Among the major USDA food assistance programs, the NSLP is the only program relying on self-declaration of eligibility (with the exception of direct certification cases). In contrast, the FSP has statutory requirements for eligibility verification through computer matching systems, and the WIC program requires documentation of income or participation in Medicaid, Food Stamps, or TANF at the time of application (P.L. 105-336).

While recent studies suggest that a substantial number of ineligible children are being approved for free and reduced price meals, at the same time, USDA is concerned that a substantial number of income-eligible children are not approved for benefits. Therefore, USDA must improve the integrity of the NSLP certification process in ways that do not deter eligible households from applying to the program.

The *Child Nutrition and WIC Reauthorization Act of 2004* (P.L. 108-265) contains several provisions to improve NSLP program integrity (see Appendix Exhibit A.1). The legislation mandates use of household (or multi-child) NSLP applications to reduce paperwork; mandates direct certification of children in food stamp households to reduce applications and improve access; and authorizes direct verification of NSLP eligibility through use of systems of records from other means-tested programs. The legislation also required a study of the feasibility of using computer technology to reduce overcertification and waste, fraud, and abuse in the school lunch program.

This report addresses the Congressional request for a study of the feasibility of using computer technology in the NSLP. It is part of a larger study, begun in October 2003, to explore the feasibility of States and school districts using computer matching of wage records, benefit program information, and other data sources as a tool for determining and verifying the eligibility of households with school-aged children for free and reduced-price school meals.

[1] Children in families with income above 185 percent of poverty must pay "full price" for school lunches, although full price meals are subsidized through the NSLP.

The objectives of the larger study are enumerated in Appendix Exhibit A.2. The study will deliver a final report in May 2006 based on the following activities:

- ***Expert panel*** — Convened in January 2004 to examine computer matching issues relevant to the NSLP. Expert papers were prepared to address: a) sources of data for determining or verifying NSLP eligibility; b) computer matching processes; c) data acquisition; d) matching algorithms; and e) privacy issues.
- ***Exploratory interviews*** — Site visits were conducted in two States, in September 2004, to interview School Food Authorities and several State agencies, including Child Nutrition, Education, Food Stamps, Labor, and Medicaid. Additional focused telephone interviews were conducted with another State Child Nutrition agency and another State Food Stamp agency.
- ***State Surveys*** — Surveys will be conducted in Spring 2005 with State Child Nutrition, Education, and Medicaid agencies in all 50 States and the District of Columbia. These surveys will gather information about current practices and capabilities for computer matching for the NSLP and other K-12 student programs.
- ***In-Depth Interviews*** — Telephone interviews will be conducted in Fall 2005 with State and local agencies in six States selected to represent a variety of strong approaches to computer matching for the NSLP or other K-12 student programs.

This report summarizes information about the feasibility of computer matching from the expert panel and exploratory interviews, as well as from past studies conducted by USDA.

Computer Matching

The purposes of computer matching for the NSLP are to reduce NSLP error and fraud, reduce burden on households and SFAs, and increase certification among eligible children. This report examines:

- Use of computer matching for determining eligibility of children without application (direct certification), and
- Use of computer matching for verifying the eligibility of children certified by application.

One of the key differences between certification activities and verification activities is that verification involves only three percent or less, of all applications. The volume of applications is important, because the costs of computer matching are largely fixed, whereas the costs of manual processing vary directly with the number of applications. When matches are performed for certification, the need for verification is eliminated. Thus, computer matching is more likely to produce savings when used for certification than when used at a much smaller scale for verification.

Computer matching is currently used by some States and School Food Authorities (SFAs) to match student enrollment records with food stamp and TANF records to directly certify children for free school meals. As discussed in this report, computer matching has many benefits: it reduces or eliminates household burden in applying for benefits, while also reducing the workload for SFA staff.

Computer matching for direct certification is highly accurate, insofar as directly certified children are rarely ineligible (Gleason, et. al, 2003).[2]

Computer matching for verification of NSLP applications may reduce or eliminate the burden placed on households selected for verification. Some SFAs currently verify food stamp and TANF case numbers reported on applications by directly communicating with local welfare agencies. This method of direct verification reduces household burden and eliminates the problem of household nonresponse to verification requests. The challenge for NSLP is to extend direct verification to households applying on the basis of income and household size.

This report examines the feasibility of expanding the use of computer matching for direct certification and direct verification. Computer matching for direct certification may be expanded in four ways: first, by increasing the number of SFAs that use computer matching for direct certification; second, by broadening the range of means-tested programs used for direct certification of children for free meals; third, by using data from additional programs to directly certify children eligible for reduced-price meals; and fourth, by improving the accuracy of existing matches to directly certify a higher percentage of eligible children.

The use of computer matching to determine or verify NSLP eligibility is a complex process that depends on both the information technology environment and the legislative context in which NSLP and other programs operate. As discussed in this report, applicable laws include the National School Lunch Act (NSLA), Privacy Act, Computer Matching Act, Family Educational Records Privacy Act (FERPA), and potentially the Health Insurance Portability and Accountability Act (HIPAA).

Organization of the Report

Section II of the report provides background information about NSLP certification and verification processes, and current uses of computer technology. Section III examines the feasibility of increasing use of computer matching for determining and verifying the eligibility of children for free or reduced price meals. Section IV provides a summary of the main feasibility issues.

[2] Ineligibility would arise from errors in the matching process.

II. Certification for the National School Lunch Program

The NSLP is administered at the federal level by the USDA Food and Nutrition Service (FNS). In each State, a Child Nutrition Director oversees operation of the program and maintains agreements with School Food Authorities (SFAs). State Child Nutrition Directors reside within State Departments of Education, with the exception of New Jersey and Texas, where the Child Nutrition Director resides in the State Department of Agriculture. Most SFAs are public school districts, but some are individual schools, groups of public or private schools, or consortiums of public school districts.

At the present time, there are two main methods by which students are certified annually for NSLP free or reduced-price meals: direct certification and application. SFAs can reduce the frequency of certification by using Provisions 1, 2, or 3 of the National School Lunch Act.[3] Direct certification is authorized for students who are categorically eligible for free meals due to enrollment in the FSP, TANF, or FDPIR. Applications to the NSLP may be based on categorical eligibility or income eligibility.[4] Students who are certified for the NSLP are also certified for the School Breakfast Program (SBP) in schools participating in the SBP.

The general timeline for NSLP certification activities is shown in Exhibit 1. SFAs may begin the direct certification process prior to the beginning of the school year. Applications are generally distributed to households at the start of the school year. During the first 30 operating days of the school year, prior to processing applications or completing direct certification, children may be served reimbursable meals based on their approval for free or reduced price meals from the preceding year. SFAs are required to verify a sample of approved applications on file as of October 31, with verification completed by December 15.[5]

NSLP Direct Certification

Direct certification for free school meals was authorized by the *Child Nutrition and WIC Reauthorization Act of 1989* (PL 101-147) for children who are categorically eligible for free school meals. At the time of the legislation, categorical eligibility was available to children in households enrolled in Aid to Families with Dependent Children (AFDC), FSP, and FDPIR. These programs had income eligibility criteria consistent with the income limits for free school meals. SFAs were authorized to directly certify children, without application, by communicating with the appropriate State or local agency administering AFDC, FSP, or FDPIR to obtain a list of children enrolled in those programs.

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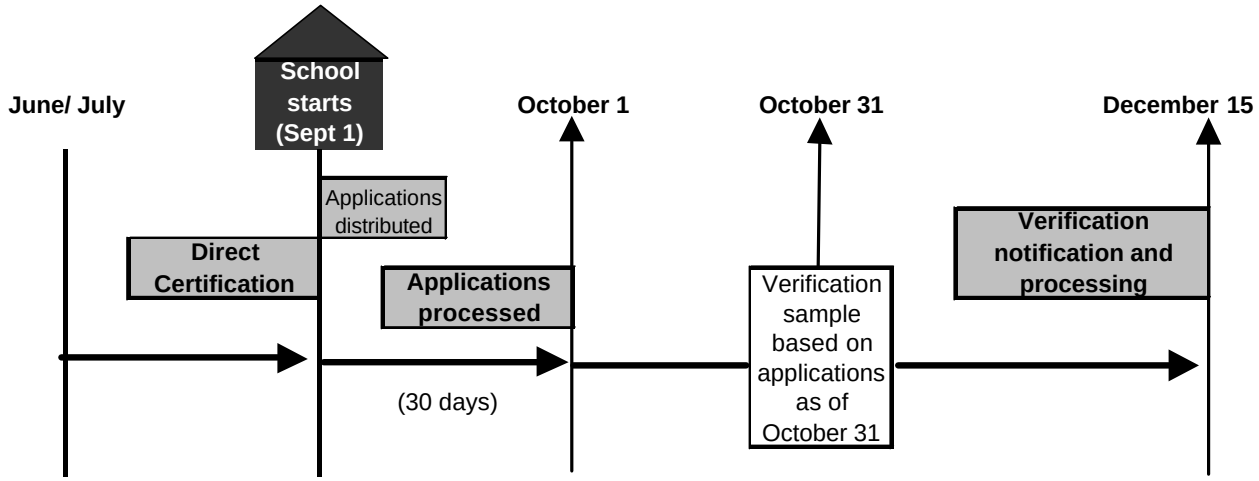
[3] Provision 1 allows a two-year certification period to be used for students certified for free meals in schools with at least 80 percent of students certified for free or reduced-price meals. Provision 2 allows schools to serve all meals at no charge for a 4-year period and receive USDA reimbursement based on claiming percentages established during the base year. Provision 3 allows schools to serve all meals at no charge for a 4-year period and receive the base year level of Federal cash and commodity support, with some adjustments. Further information on these provisions is provided at http://www.fns.usd.gov/cnd/.

[4] Students need not apply to participate in the NSLP through purchase of "full-price" meals. This report refers to NSLP applications as shorthand for "applications for free or reduced-price meals".

[5] The verification process and deadline will change for the 2005-2006 school year. The completion deadline will be November 15th.

Exhibit 1

NSLP Certification Procedures at Start of School Year[a]



[a] Dates shown are for example only.

Welfare reform, authorized by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), eliminated the AFDC program and replaced it with TANF. The income eligibility criteria for TANF vary across States. Since the passage of PRWORA, TANF information can be used for direct certification of children for free school meals only in States with TANF income criteria at or below the income criteria for free school meals.[6]

In 1996, both FSP and AFDC data were used for direct certification in 36 States, and FSP data alone were used for direct certification in 10 States (Jackson, et al., 2000). Use of AFDC data for direct certification was facilitated by the fact that statewide FSP eligibility information systems were integrated with AFDC/TANF in 35 states. More recent information on use of TANF for direct certification is not available (it will be collected in surveys conducted in Spring 2005).

Direct certification was used by 61 percent of school districts during the 2001-02 school year (Burghardt, et. al, 2003). This rate was virtually unchanged from 63 percent during the 1996-97 school year (Jackson, et al., 2000). Among all students certified for free meals in the 2001-2002 school year, 18 percent were directly certified.

The *Child Nutrition and WIC Reauthorization Act of 2004* mandates direct certification of children in households enrolled in the Food Stamp Program. The mandate is being implemented gradually according to school district enrollment. The mandate applies to districts with at least 25,000 students in SY2006-07; to districts with at least 10,000 students in SY2007-08; and to all districts in SY2008-09. Discretionary certification is also authorized—SFAs may choose to directly certify additional

[6] TANF programs qualify for direct certification if the income eligibility criteria of the TANF program are comparable to or more restrictive than those in effect on June 1, 1995 (P.L. 108-265).

children, without application, based on documentation of a child as a member of a family receiving assistance under a qualifying TANF program, a homeless child or youth (according to the McKinney-Vento Homeless Assistance Act), a child served by the runaway and homeless youth grant program (Runaway and Homeless Youth Act), and a migratory child (as defined by 20 U.S.C. 6399).

Direct Certification Methods

Three main methods have been used for direct certification of children in food stamp households:

- ***The letter method*** - Letters are mailed to food stamp households using address information in the food stamp database. Parents must deliver these letters to the child's school, in lieu of completing an NSLP application. This method does not require sophisticated computer technology, but requires computer resources for a mail-merge and printing. State Child Nutrition or Food Stamp Agencies typically take responsibility for mailing the letters to the Food Stamp households.

- ***State-level computer matching*** - This method involves a computer match of two databases: a) a list of children in food stamp households, and b) student enrollment data. Matching is based on individual identifiers present in both files, such as Social Security Number (SSN), or name and date of birth. The matching process is centralized at the State level and managed by the State Child Nutrition Agency. After children are identified for certification, match results are sent to SFAs, which send notification letters to households.

- ***District-level matching*** - This method decentralizes direct certification at the district level. SFAs receive, from the State Child Nutrition or Food Stamp Agency, an electronic or paper list of children in food stamp households residing in the district's geographic area. SFAs use computer matching or manual methods to identify children in food stamp households who are enrolled in the district. After children are identified for certification, the SFA sends notification letters to households.

In SY2001-02, 20 percent of school districts performing direct certification used the letter method, 27 percent used State-level computer matching, 41 percent used district-level matching, and 12 percent used mixed methods (Burghardt et al., 2003). Decentralization of the process at the district level was most common. Among districts using district-level matching, however, there is no information about the percent of districts using computer matching versus manual methods to identify students for direct certification.[7]

There are clear advantages to the letter method of direct certification—it is easily implemented at the State level, and requires few technology resources. This method, however, has two clear disadvantages. First, a household may not receive the letter if the address information in the food stamp database is incorrect or outdated.[8] Second, the letter method requires action from households; children cannot be directly certified if households do not return the notification letter to their school.

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[7] It is also possible that some districts use the letter method without matching food stamp data to district enrollment.

[8] Food stamp address information is collected at certification; the information could be up to twelve months old when used for direct certification. The average certification period for FSP households with children was 8 months in 2003 (Cunnyngham and Brown, 2004). Anecdotal evidence suggests that the accuracy of address information in food stamp information systems has deteriorated since the advent of Electronic

Matching methods of direct certification can overcome the problems inherent in the letter method. When a database of children in food stamp households is matched to a student enrollment database, household notification letters are sent to addresses on file at the school (not to addresses on file with the food stamp agency). Furthermore, direct certification can be implemented with either active or passive consent:

- Active consent – Households must actively consent to direct certification by response to a notification letter.
- Passive consent – Households do not need to respond to a notification letter unless they wish to decline direct certification.

During the 1996-97 school year, passive consent was used by nearly all SFAs that used matching methods (State or district-level matching) (Jackson, et. al, 2000). During the 2001-2002 school year, however, passive consent was used by only 74 percent of districts using matching methods, while 26 percent of districts required active consent for direct certification. The latter study was unable to explain why SFAs used active consent with matching methods.[9]

When direct certification is determined through matching with passive consent, the percent of eligible children certified depends on the accuracy of the match, but not on household response. There are no formal studies examining match rates (the percentage of eligible children certified) when computer matching is used. One State interviewed for this study reported that computer matches based on Social Security Number (SSN) yield high match rates because SSN is a unique identifier. Computer matches based on name, date of birth, and other identifiers are not expected to identify all eligible children. As a result, the benefits of computer matching may depend on the percentage of student records with Social Security Number.[10]

Some States combine computer matching with the letter method to account for the limitations of matching. Letters are sent to food stamp households with school-age children who are not matched to student enrollment records. This mixed method provides the advantages of computer matching, while offering a fail-safe to ensure that all eligible children have the opportunity to be directly certified.

State agency policies largely dictate the direct certification methods available to SFAs. A district cannot use State-level matching unless offered by the State, and, in most cases, the State Child Nutrition Agency coordinates the distribution of food stamp data to SFAs for district-level matching. For this report, State Child Nutrition web sites were reviewed to obtain information about State agency policies for direct certification for SY2004-05. Among 22 States with direct certification information posted on the Internet, 6 States used the letter method, 8 States used State-level computer

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Benefit Transfer (EBT), because households do not have to report a change in address to assure continued receipt of benefits.

[9] The authors suggested that SFAs may use active consent to address problems with the matching process, or, alternatively, that survey respondents didn't understand the questions and may not have been using matching methods.

[10] Information about SSN matches was from Nebraska. The Arizona CN Agency indicated a high degree of confidence in the ability to match student data with FSP records using child name, date of birth, and mother's first name. The State has not analyzed the match rate, but it determined that the rate of certification increased during the first year of computer matching, after adjusting for changes in enrollment.

matching, 13 States distributed data to SFAs for district-level matching, and 4 States used mixed methods (computer matching for some districts and the letter method for some districts).[11]

Benefits of Direct Certification

The impetus for direct certification was to reduce the application burden for households and schools, improve program integrity, and increase participation among the neediest children. It is clear that direct certification simplifies the certification process for households because it eliminates applications. When direct certification matching is implemented with passive consent, the need for household action is completely eliminated.

Direct certification improves program integrity because it allows the NSLP to piggyback on the certification and verification processes conducted by other means-tested programs. The FSP and TANF verify household income, thereby eliminating the need for NSLP to verify the eligibility of directly certified students and the possibility of error in determining meal eligibility.

Direct certification has been found to increase certification and participation in the NSLP. An analysis of data from SY1996-97 found that, for every year that a State used direct certification, the percentage of students certified for free meals rose 0.56 percentage points, and the percentage of students receiving free meals rose 0.27 percentage points (Jackson, et al., 2000). The authors concluded that the impact of direct certification increases over time, because States learn to implement direct certification more efficiently, and there is a gradual increase in the number of SFAs using direct certification. Data from SY2000-01 indicate that the impact of direct certification on certification and participation levels off over time. The long run impact (after five years) is, on average, an increase of 1.4 percentage points in the percentage of students certified for free meals in a State.

There is currently no nationally representative information about the administrative costs and savings associated with direct certification. The survey of SFAs conducted in SY 2001-2002 indicated that SFAs performing direct certification experienced a number of implementation costs, including: modifying a computer system (10 percent), and more mailing (20 percent). Additional operational difficulties were also cited by districts using direct certification: current staff lacking time to work on direct certification (15 percent), difficulty processing households in which direct certification for free meals was given for some but not all siblings (47 percent), difficulty in matching a child's name with parent's name (29 percent), and other problems (16 percent).

Interviews in two States, conducted for this study, indicate that direct certification greatly reduces the SFA workload associated with application processing, although SFAs could not quantify this effect. A study conducted by the Minnesota Food and Nutrition Service estimated that the cost to process manual applications is approximately five to six times more than processing the same number of direct certifications (MN, Food and Nutrition Service, 2002).[12]

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[11] This sample of 22 States is not representative. States are not in the sample if they do not post information on the Internet (these States may be less likely to support matching methods) or if they post information only behind secure logon screens (these States may be more likely to support matching methods).

[12] This estimate is based on a survey of Minnesota SFAs in Fall 2001; the survey achieved a 52 percent response rate.

In addition to reducing labor costs, direct certification can reduce non-reimbursable meal costs absorbed by SFAs. This is especially important in school districts with a policy to "feed all children."[13] When direct certification is completed prior to the start of the school year, eligible children may obtain free meals beginning on the first day of school, and SFAs obtain reimbursement for all meals served to these children.

NLSP Application

Households may apply for free or reduced price meals by completing application forms. NLSP applications are distributed to households at the start of the school year, generally after households have been notified about direct certification. Among children certified for free school meals, 82 percent are certified through applications such as the USDA prototype shown in Exhibit 2 (Burghardt et al., 2003). Households may submit an NSLP application to: (a) apply for free meals on the basis of food stamp, FDPIR or TANF certification (categorical eligibility), or (b) apply for free or reduced price meals on the basis of income and household size (income eligibility). The specific information required on the application depends on the eligibility category:

- Categorical eligibility—Application must include names of all children for whom benefits are sought and their food stamp, TANF, or FDPIR case number, and signature of adult household member submitting the application.
- Income eligibility—Application must include names of all children for whom benefits are sought, name of each adult in the household, last month's income, and signature and SSN of adult household member submitting application (or indication that they do not have an SSN).

SFAs are required to use a multi-child application form, on which the household lists all school-age children, as shown in Exhibit 2. When households apply on the basis of income, they must list all members of the household and report income by source: earnings from work; welfare, child support or alimony; pensions, retirement, or Social Security; and other sources. NSLP regulations define income as income received during the month prior to application (7CFR245.6(a)). Regulations further provide that "If such income does not accurately reflect the household's annual rate of income, income shall be based on the projected annual household income. If the prior year's income provides an accurate reflection of the household's current annual income, the prior year may be used as a base for the projected annual rate of income."

At the time of application, the NSLP requires no documentation of income or program participation other than the application. NSLP applications have always relied on self-declared eligibility, but application requirements have changed over the past 20 years. FSP recipients were first permitted to provide case numbers in lieu of income information in 1984, and in that year the application was changed to require all other applicants to report income by source and provide social security numbers for all adult household members. Applications were also modified to warn applicants of the consequences of making inaccurate income declarations (GAO, 1986). The requirement to report SSNs for all adult household members was dropped sometime after 1987.

[13] School districts with a policy to "feed all children" provide meals to all children requesting a meal, even if the child is not certified for free meals and has no money to pay for meals. In schools with electronic payment systems, the child's account accumulates a balance. The SFA cannot seek USDA reimbursement for free meals served to the child prior to certification.

Exhibit 2

USDA Prototype NSLP Application Form[a]

FREE AND REDUCED PRICE SCHOOL MEALS APPLICATION

Part 1. Children in School (Use a separate application for each foster child)

Names of all children in school (First, Middle Initial, Last)	School Name	Grade	Food Stamp or TANF case # (if any)

If you listed a Food Stamp/TANF case number for EACH child, skip to Part 4.

Part 2. Foster Child

If this application is for a child who is the legal responsibility of a welfare agency or court, list the amount of the child's personal use monthly income: $_____. Skip to Part 4.

Part 3. Total Household Income from Last Month—You must tell us how much and how often

1. Name (List **everyone** in household)	2. Last month's income and how often it was received *Example: $100/monthly $100/twice a month $100/every other week $100/weekly*				3. Check if NO income
	Earnings from work before deductions	Welfare, child support, alimony	Pensions, retirement, Social Security	Other	
(Example) Jane Smith	$200/weekly	$150/weekly	$100/monthly	$_____/_____	❑
	$_____/_____	$_____/_____	$_____/_____	$_____/_____	❑
	$_____/_____	$_____/_____	$_____/_____	$_____/_____	❑
	$_____/_____	$_____/_____	$_____/_____	$_____/_____	❑
	$_____/_____	$_____/_____	$_____/_____	$_____/_____	❑
	$_____/_____	$_____/_____	$_____/_____	$_____/_____	❑
	$_____/_____	$_____/_____	$_____/_____	$_____/_____	❑

Part 4. Signature and Social Security Number (Adult must sign)

An adult household member must sign the application. If Part 3 is completed, the adult signing the form must also list his or her Social Security Number or mark the "I do not have a Social Security Number" box. (See Privacy Act Statement on the back of this page.)

I certify (promise) that all information on this application is true and that all income is reported. I understand that the school will get Federal funds based on the information I give. I understand that school officials may verify (check) the information. I understand that if I purposely give false information, my children may lose meal benefits, and I may be prosecuted.

Sign here: X_____

Social Security Number: __ __ __ - __ __ - __ __ __ __ ❑ I do not have a Social Security Number

Part 5. Children's racial and ethnic identities (optional)

Mark one or more racial identities:

❑ Asian ❑ Black or African American ❑ American Indian or Alaska Native ❑ Native Hawaiian or Other Pacific Islander ❑ White

Mark one ethnic identity:

❑ Hispanic or Latino ❑ Not Hispanic or Latino

Don't fill out this part. This is for school use only.

Monthly Income Conversion: Weekly x 4.33, Every 2 Weeks x 2.15, Twice A Month x 2

Monthly Income: _____ Household size: ___ FS/TANF: ___ Date Withdrawn: _____

Eligibility: Free___ Reduced___ Denied___ Reason: _____

Temporary: Free___ Reduced___ Time Period: _____ (expires after __ days)

Determining Official's Signature: _____ Date: _____

[a] State and local forms may vary in appearance but must collect the same information.

Self-declaration of eligibility on NSLP applications minimizes the cost of application processing in a program that is highly decentralized and provides benefits valued at about $500 per student per year. Self-declared eligibility also minimizes barriers to the program. In SY2001-02, USDA conducted a pilot study of up-front documentation for NSLP (Burghardt et al., 2004). Nine pilot school districts required all NSLP applicants to provide documentation—either of their income or program participation—with the application. The study found that up-front documentation caused barriers to certification: the rate of certification among eligible students in pilot districts (42 percent) was significantly lower than in comparison districts (51 percent).[14]

Application Processing

Application processing is often seen as a burdensome task for local school food authorities; although, as noted above, this burden is reduced by direct certification. Most applications are processed within a very short period of time – during the first 30 days of the school year. The processing of applications includes:

- Distributing applications (by mail or sending them home with children),
- Reviewing applications for completeness and following-up with households to get complete applications,
- Making eligibility determinations for free and reduced price meals,
- Sending notification letters to households,
- Preparing rosters of eligible children, and
- Providing a list of eligible children or a medium of exchange for use at the point of sale (tickets, coded ID cards, electronic purchase system, etc.).

The Government Accountability Office (GAO) developed estimates of the cost of NLSP application processing at 10 SFAs during school year 2000-01 (GAO, 2002). GAO found that at the local level, costs varied from less than half a cent to 3 cents per program dollar; or from about $3,000 to nearly $160,000 for SFAs administering program dollars ranging from $315,000 to nearly $28 million. GAO found that various staff supported the application process; one SFA hired temporary staff while other SFAs involved non-foodservice staff in the process.

Interviews conducted for this study, with two SFAs in September 2004, confirmed that application processing is considered very burdensome. One SFA reported that application processing is a demanding job that begins the second week of September and continues until October 15th; numerous staff persons are involved in the process —the SFA director, four SFA staff persons, and secretaries from the schools. During this very busy period at the start of the school year, the SFA reported that staff members work many late nights and weekends to keep up with all of the requirements of the NSLP. Another SFA reported that 2.5 full-time equivalents work from mid-August through the end of September processing approximately 7,000 NSLP applications. Both of these SFAs use computers for application processing.

[14] School districts volunteered for the pilot study, and comparison districts were matched to pilot districts based on district characteristics. The rate of certification among eligible students is not representative of the rate in all districts.

These interviews, and other research, indicate that there are three main methods of NSLP application processing:

- ***Manual processing*** — involves a manual review of reported information to determine completeness, manual calculation of household income, and manual comparison of household size and income with eligibility criteria to determine eligibility status.

- ***Computer processing*** — usually involves manual review of applications for completeness, and use of computers to enter application data into an electronic database for computerized determination of eligibility status.

- ***Scanning*** — involves use of scanners and OCR (Optical Character Recognition) software to convert scanned images of specially designed NSLP applications into text that is stored and processed in a database, and used for computerized determination of eligibility status.

USDA currently has no nationally representative information about the prevalence of computer use and scanning for NSLP application processing. Information on these topics will be collected from State Child Nutrition Directors in a survey planned for Spring 2005.[15] During exploratory interviews conducted in September 2004, two State Child Nutrition Directors indicated that the largest SFAs in their States use computer processing (as described above), but small SFAs and SFAs with few children eligible for free or reduced price meals are not likely to use computer processing.

Commercial software packages are designed for the school food service market and provide integrated solutions in which application processing is part of the same software system used for point-of-sale, nutrient analysis, and other NSLP functions. The "2002 Software Buying Guide" published by the School Nutrition Association (SNA) identified 30 software products, of which 21 included application processing capabilities, and 8 included application scanning capabilities. [16] Commercial software, however, is not necessary for computerized application processing.

Computerized key-entry or scanning of NSLP applications may provide the following advantages:

- Reducing burden on SFA staff by reducing labor cost for processing applications,
- Standardizing eligibility determination and reduces errors,
- Creating a database for verification sampling and verification tracking,
- Creating a database of food stamp and TANF case numbers that can be transmitted to the appropriate public agencies to verify categorical eligibility,
- Creating a database that might be used in computer matching to verify income eligibility.

Scanning may provide two advantages over other computer systems for application processing: 1) scanning is faster than data entry and may be less prone to human error, and 2) scanning provides for

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[15] A Census of State Child Nutrition Directors was planned for Fall 2004 and postponed by USDA until Spring of 2005.

[16] "2002 Software Buying Guide," *School Foodservice and Nutrition Magazine*, January 2002. For most software products, the buying guide did not indicate the cost because it varies with the number of modules purchased, or by other measures of scale. The SNA was called the American School Food Service Association (ASFSA) at the time of this publication.

electronic storage of images of NSLP applications. Replacing paper files with digital images may yield increased efficiency and security for document storage and retrieval. These considerations are particularly important for NSLP applications, which include sensitive and confidential income information, and are subject to annual audits. (Whether electronic record storage is more secure than physical record storage depends on the strength of access controls.)

Computer processing, with or without scanning, may reduce errors and save labor time by automating NSLP eligibility determination. A USDA study, conducted in SY2001-02, found that the rate of administrative error in processing applications was 5.7 percent (Strasberg, 2003).[17] This study did not, however, relate administrative error to the method of application processing.

There are no formal studies to indicate the savings in labor costs associated with computerizing application processing when scanning is not used. The labor savings from scanning are quite significant, but scanning requires a large fixed cost for the purchase of scanners, software, and application redesign. One SFA interviewed for this study found that 10,000 applications are needed to make scanning cost effective.[18] New Jersey is currently piloting the use of scanning technology to process applications in one medium-sized school district (11 schools and approximately 6,000 students) at a cost of $40,000.

NSLP application scanning was pioneered by the East Baton Rouge Parish School System (EBR) in Louisiana in 1997. The EBR district has 101 schools and processes approximately 26,000 multi-child NSLP applications per year, certifying approximately 35,000 children for free or reduced-price meals. Before EBR used scanning technology, 12 staff persons were needed to process NSLP applications; after adopting scanning technology, 2 staff persons process applications.

The East Baton Rouge (EBR) school district also cut the cost of audit preparation by 98 percent, from $4,320 to $64.[19] Before the use of electronic imaging, the EBR staff spent time manually sorting applications in preparation for auditors, and re-filing applications after the audit. With the use of electronic imaging, EBR now sorts applications electronically, and copies images to a CD-ROM for delivery to State auditors. Savings are realized by State agencies as well, because audits are completed more quickly and off-site, without travel expense.

NSLP Eligibility Verification

NSLP regulations require all SFAs to verify a sample of approved applications on file as of October 31 of the school year; verification must be completed by December 15. SFAs may satisfy the regulations by verifying a random sample of 3 percent of all applications (with a maximum sample of 3,000 applications), or by choosing a focused sample. Focused samples must include 1 percent of all applications, selected from those with monthly income within $100 of the income eligibility limit (up to a maximum of 1,000), plus 0.5 percent of applications that provided a case number for FSP,

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[17] The study abstracted records of verified applications in a convenience sample of 14 SFAs.

[18] The SFA has about 7,000 students certified for free or reduced price meals by household applications. They couldn't say exactly how many applications were processed.

[19] Mann, Nadine and Judy Stracener. "Images of Multi-Child Applications for Meal Benefits: Have I Got Your EAR (Electronic Application Review)," American School Foodservice, www.asfsa.org/childnutrition/research/ear.asp.

TANF, or FDPIR (up to a maximum of 500). When direct certification is used by an SFA, directly certified students are not included in the population sampled for verification.

One of the largest problems for NSLP verification is the high rate of non-response by households selected for verification. This problem was first documented in the *Study of Income Verification in the National School Lunch Program* (St.Pierre et al., 1990), which examined the verification process for the 1986-87 school year and found that 10.1 percent of households failed to respond to verification requests. According to unpublished data submitted to FNS by State agencies for SY2000-01, 34 percent of all households selected for verification lost benefits due to nonresponse (Frost, 2002). This problem of household nonresponse is an important reason why FNS is examining the feasibility of computer matching for verification of NSLP eligibility.

Methods of Verification

Verification is generally conducted by providing written notice to sampled households requesting documentation of current NSLP eligibility. Failure to respond with documentation, or providing documentation of income in excess of NSLP eligibility limits, results in termination or reduction of benefits.

Verification of categorical eligibility may be done without contacting households. SFAs interviewed for this study indicated that they verify food stamp and TANF case numbers reported on NSLP applications by contacting the local welfare office. This process varies across States. In some States the process may be very informal and determined by the local agencies; other States may prescribe specific forms for SFAs to complete and transmit to the welfare agency. In Arizona, SFAs perform a case number search through the State Child Nutrition web site to verify food stamp and TANF case numbers listed on applications.[20] The State Child Nutrition web site provides a secure link to the food stamp/TANF eligibility database maintained by the Department of Economic Security (DES).[21] Match results indicate if the case number is valid (match) or not valid (no match or approval pending).

Current NSLP regulations also authorize the use of records "maintained by other government agencies" for verification of income reported on applications (7 CFR 245.6(b)(3)). USDA is not aware of any State or local agencies using computer matching for income verification at this time, although information will be collected from State Child Nutrition agencies in Spring 2005. The Minnesota Child Nutrition agency requested funding in FY2002 to implement a pilot test of computer matching with income data maintained by other Minnesota State agencies. Their request for reallocation of administrative funds was not approved by FNS.[22]

The *Child Nutrition and WIC Reauthorization Act of 2004* authorizes direct verification. Direct verification is defined as a process of verifying approved applications using income and program participation information from a public agency administering FSP, FDPIR, TANF, State Medicaid

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[20] The State requires SFAs to validate food stamp/TANF case numbers for all categorically eligible children; validation is not limited to a verification sample.

[21] Secure access to the State web system is tracked by usernames and passwords; SFAs are only permitted to obtain direct certification data for their school district.

[22] FNS determined that the proposal "lack(ed) sufficient detail to warrant funding"; it did "not contain a clear set of objectives, or a description of the ways to measure the impacts of the methods being tested."

program, or a similar income-tested program. Direct verification of food stamp case numbers reported on applications is already done by many SFAs, as described above. Direct verification of income applications would utilize income information collected by other means-tested programs to verify NLSP income eligibility for applications selected for verification.

III. Feasibility of Computer Matching for the NSLP

The purpose of computer matching for the NSLP is to improve program integrity, reduce burden on families and SFAs, and increase certification of eligible children. Six types of computer matches are potentially feasible, with four types currently authorized by law:

Currently Authorized Computer Matching Options:

1. **Direct certification of categorically eligible children for free meals** — Matches with food stamp (FS) and TANF programs
2. **Direct verification of categorical eligibility** — Matches with food stamp and TANF programs to verify FSP/TANF case numbers reported on NSLP applications
3. **Direct verification of income eligibility** — Matches with means-tested programs to verify income eligibility of children in households reporting income and household size on NSLP applications
4. **Other computerized verification of income eligibility** — Matches with wage and benefit information to verify the accuracy of household income reported on NSLP applications, for households not participating in means-tested programs.

Potential Computer Matching Options Not Currently Authorized:

5. **Direct certification of income-eligible children for free meals** — Matches with other means-tested programs to certify children in households with income no greater than 130 percent of poverty
6. **Direct certification of income-eligible children for reduced-price meals** — Matches with means-tested programs to certify children in households with income between 130 and 185 percent of poverty

USDA is studying the feasibility of expanding direct certification by adding the last two computer matching options.

Computer matching for direct certification (Options 1, 5, and 6) has the greatest potential to reduce burden on households and SFAs, increase certification among eligible children, and reduce certification error. Direct certification reduces the number of applications (and the potential for errors in application processing), and thereby reduces the number of applications that must be verified. Computer matching for verification (Options 2, 3, and 4) will reduce burden for a smaller number of households, and will have only a small impact on error and fraud, because only three percent of applications are sampled for verification under current legislation.[23] Thus, the biggest "bang for the buck" is likely to come from expansion of direct certification.[24] An improved certification error rate, however, depends on use of "matching databases" that have a high degree of data accuracy.

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[23] Routine use of computer matching for verification might be expected to have a deterrent effect on all households. But under current regulations, households have only a three percent chance of being sampled for verification, and there is no penalty for fraud other than loss of the school meal benefits.

[24] This conclusion is based only on the number of certifications affected by direct certification versus verification. At this time, USDA has no plans for a formal cost benefit analysis of computer matching. It

The remainder of this section discusses the feasibility of the six different types of computer matching listed above. Computer matching with means-tested programs (Options 1-3,5, and 6) are discussed first; followed by a discussion of computer matching with wage and benefit information (Option 4).

Computer Matching with Means-Tested Programs

Computer matching with means-tested programs for direct certification and direct verification involves essentially the same process: a list of students is matched to a list of school-age children enrolled in a means-tested program.[25] Information needed from the means-tested program varies by the type of match. Enrollment in FSP and TANF is sufficient to directly certify categorically eligible students. Information about enrollment in other means-tested programs must be accompanied by information indicating income level to allow certification or verification for free or reduced-price categories. The basic process and conditions for computer matching, however, are the same regardless of the means-tested program.

Exhibit 3 illustrates the computer matching process for direct certification of children enrolled in the Food Stamp Program. Computer matching is indicated by two shaded boxes, corresponding to State-level computer matching (by the State Child Nutrition Agency) or district-level computer matching (by the local SFA). Information identifying children in food stamp households originates with the Food Stamp Agency. The Food Stamp Agency sends this information to the State Child Nutrition Agency (for computer matching or distribution to districts), or to local school districts (for computer or manual matching).

A computer match of student records with records of children enrolled in a means-tested program requires:

- Electronic database of student records,
- Electronic database of school-age children enrolled in the means-tested program,
- File transfer capabilities on the part of SFAs and State agencies,
- Common identifiers in the student enrollment database and the database of the means-tested program, and
- Computer matching expertise or software.

Each of these conditions for computer matching is discussed below. Electronic databases for means-tested programs is discussed within a larger discussion of "data sources for computer matching" at the end of the section.

Electronic Database of Students

Most, but not all, school districts maintain an electronic database of students. The States interviewed for this study reported that school districts have a wide variety of record keeping systems, ranging from sophisticated commercial Student Information Systems (SIS) to paper-based student registers in very small districts.

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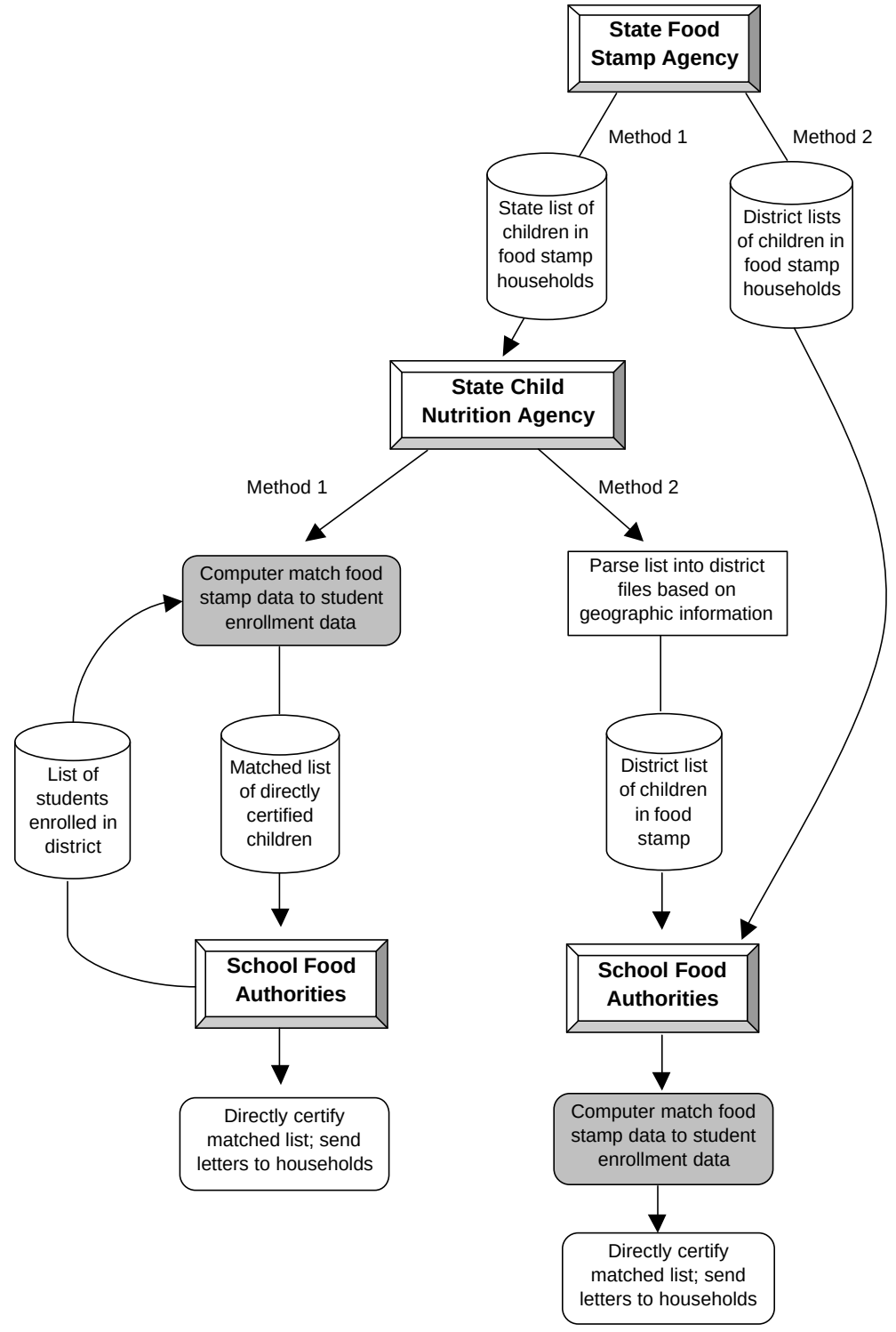
is conceivable that computer matching could make the incremental cost of verifying an application so low that the size of the verification sample could be increased without a net increase in the burden on families and SFAs. Such a change would, however, entail additional legal and policy issues that are beyond the scope of this report.

[25] For some means-tested programs, computer matching may need to be based on parent/guardian name.

Exhibit 3

Example of Computer Matching for NSLP Direct Certification



Note: Student directory information may be provided to the Food Stamp agency for matching; but education agencies may not release student record information protected by FERPA (such as student SSN) to external agencies.

State-level computer matching requires an electronic student enrollment database available to the State agency. This requirement is met in two ways:

- A Statewide Student Information System (SSIS, i.e., a central database of student records maintained by the State Education Agency), or
- An "ad hoc" system to collect student enrollment data from school districts specifically for the computer matching program.

A USDA survey of 26 States in December 2002 found that 10 States had implemented an SSIS and another 8 States planned to implement an SSIS within 5 years (Cole, 2003). An SSIS is increasingly important for meeting the reporting requirements of The No Child Left Behind Act of 2001 (NCLB). NCLB requires States to collect and report information on student and school performance, and to track the progress of students over time. The fact that all States must meet the same federal reporting requirements is leading to similarities in SSIS data elements across States. All states must have a plan to meet the NCLB requirements, but the U.S. Department of Education has not imposed a specific timetable for implementation.

There are different models of SSIS implementation. The most common model includes a central warehouse of data submitted by school districts through a secure website. An SSIS might be used as a platform for State-level computer matching for NSLP. There may, however, be two limitations of an SSIS for direct certification:

- ***Data elements*** – If direct certification is not considered during the development of the SSIS, the system may not contain sufficient student identifiers to support direct certification matching. The combination of student name and social security number provides the most reliable and efficient basis for computer matching. Additional identifiers are needed when SSN is not available; for example, date of birth, gender, parent or guardian name, or address.

- ***Timing*** – NSLP direct certification is conducted before the start of the school year, but an SSIS typically receives fall membership data after the start of the school year. Some States use their SSIS for direct certification and accept that kindergarten students and transfer students will have to apply to NSLP by application. Arizona uses an SSIS but gives SFAs the option of receiving direct certification results based on SSIS matches, or submitting up-to-date student enrollment data in September for direct certification matching.

Some States that conduct State-level computer matching for NSLP direct certification use an "ad hoc" system to collect student records specifically for this purpose. Such States may lack an SSIS capable of providing data for NSLP computer matching, or the "ad hoc" system may predate the SSIS and meet the State's needs. The State CN agency may define the variables and layout for the student record files, or SFAs may individually establish agreement with the State on these and other parameters. SFAs then extract the relevant portions of student records from their SIS and prepare files for transfer to the State CN agency. Several State CN agencies receive student enrollment data from SFAs via email, data disks, or web-based file upload. Similar "ad hoc" systems have been developed to collect student data for Medicaid Administrative Claiming (MAC).

Compared with the use of an SSIS for NSLP computer matching, the "ad hoc" approach has both advantages and disadvantages. The advantages are: simpler system requirements and development process, direct communications between the State CN agency and the SFAs, and use of the minimum data needed for this specific use. The disadvantages are the redundancy of the ad hoc system when an SSIS is also present and the need for the State CN agency to bear the entire cost of acquiring and compiling the student data. In the long run, it is likely that the use of an SSIS will be more efficient for the NSLP than an ad hoc system for compiling student records.

USDA surveys of State agencies in Spring 2005 will provide updated information about the prevalence of statewide student information systems, use of these systems for NSLP computer matching, and data elements maintained in these systems that could support NSLP computer matching. Information will also be collected about systems of student record collection for NSLP computer matching and Medicaid Administrative Claiming.

File Transfer Capabilities

As depicted in Exhibit 3, SFAs need file transfer capabilities to participate in either State-level or district-level computer matching. For State-level matching, SFAs send student enrollment data to the State (for the SSIS or specifically for NSLP matching) and receive match results. For district-level matching, SFAs receive a data file identifying school-age children in food stamp households in the district's geographic area.

File transfer methods vary across States: disks are sent through the mail, files are sent via email, or files are transmitted through secure Internet sites.[26] Interviews with two States suggest that the file transfer method is dictated by the State agency that directs the file transfer process. (This may be the State Child Nutrition Agency or the State Food Stamp Agency.)

Use of the Internet for direct certification file transfers has become more common over time. The feasibility of Internet use for direct certification, however, appears to depend on whether the State Child Nutrition Agency has implemented web-based data collection for other purposes. For example, many States have implemented web-based systems for SFAs to report monthly claims for reimbursement. The States interviewed for this study reported that systems for submitting monthly claims were the best place to begin web development because SFAs have a financial interest in the claims system (it provides for quicker payment).[27] Internet access has not been considered a barrier to web-based data collection, because SFAs lacking Internet connectivity can obtain Internet access at their school or local library.[28]

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[26] This information is based on a review of information available on State web sites. The distribution of methods used across all States will be determined through a survey of States conducted in Spring 2005.

[27] The States interviewed used different development approaches for their web-based claims system: one implemented a vendor provided system, while the other used in-house expertise to design and develop a system. Both States reported that considerable training and technical assistance was needed to bring SFAs into the "web world", but that future web-based systems would build on this base.

[28] Use of non-SFA computers for file transfer poses some risk of disclosing private data. Even if the user does not intentionally copy private data onto the non-SFA computer, the file transfer process may create temporary files that could be viewed by an unauthorized user. Thus, additional security measures are needed in this situation.

SFA capability for file transfer is not a barrier to direct certification because of the many options available, but the method chosen by the State will affect the costs. An SFA with even minimal computer capabilities can transfer files through the physical exchange of disks, but this method requires labor time for processing and costs for mailing. On the other hand, an initial investment in an Internet system for file transfer, and automated edit checks on the data can result in very low ongoing costs for the State agency. Arizona chose the Internet-based approach for direct certification because the system requires little ongoing staff time. The cost of implementing the system was equal to less than three years' cost for mailing direct certification notices statewide.

Social Security Numbers and Other Common Identifiers for Matching

Agencies interviewed for this study reported that the most reliable matching method for direct certification is a match-merge based on social security number. When SSN is not available, alternative methods are used to establish a match based on a combination of identifiers, such as student name, date of birth, and gender; or student name, date of birth, and parent name.

Computer matching of student records based on SSN is limited by the availability of SSNs on student enrollment records. According to the Family Educational Records Privacy Act (FERPA), schools can request reporting of a child's SSN, but cannot require it.[29] Furthermore, State agencies can request that school districts include SSNs on student enrollment files, but school districts are free to withhold SSNs for confidentiality reasons. Typically, student SSNs are available for some but not all students, and there can be significant variation in the availability of student SSNs across districts within a State.[30]

Computer matching with FSP, TANF and Medicaid can be based on SSN (when available in student records), because Federal statutes require FSP, TANF, and Medicaid applicants to provide their SSN, or make application to obtain an SSN, as a condition of eligibility.[31] When means-tested programs cannot require SSN disclosure, they usually request voluntary SSN disclosure from applicants. Program policies are discussed below under "potential data sources for NSLP computer matching."

Computer matching with data from FSP, TANF, and Medicaid is highly reliable when the match is based on SSN. These programs can identify all participants by valid SSN because SSNs are verified with the Social Security Administration through the State Verification and Exchange System (SVES). Student enrollment records from education agencies may, however, contain missing or invalid SSN for some students (due to intentional misreporting or unintentional errors). Invalid SSNs can result in false matches if the match is based on SSN alone. False matches can be avoided by matching with SSN and at least one confirming variable, such as date of birth.

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[29] According to a review compiled for the Nebraska Department of Education, the SSN is used as a Student ID number for the SSIS in Arkansas, Florida, Nevada, and Texas. The Nebraska review did not explain how these States addressed the FERPA regulations.

[30] One State interviewed for this study conducts computer matching for the two largest SFAs in the State. The percent of student records with SSNs in those districts was 94 percent and 25 percent.

[31] Disclosure of SSN is authorized by the Food Stamp Act of 1977 as amended (7 U.S.C. 2011-2036); and by Title IV and Title XIX of the Social Security Act as amended, for TANF and Medicaid, respectively.

As noted above, when the SSN is not available on student records, alternative methods are used to establish a match based on student name, date of birth, and gender; student name, date of birth, and parent name; or other combination of identifiers.

The choice of algorithm for computer matching depends on the common identifiers available for the match. Agencies interviewed for this study indicated that, when SSN is used for direct certification computer matching, the match process is typically implemented in two passes. First, all student records with SSNs are matched to FS/TANF data by an exact match on SSN. Second, all student records without SSNs are matched to FS/TANF data by some combination of student name, date of birth, and other identifiers (such as gender or mother's name). Matches on name require a second confirming variable (such as date of birth) because more than one child may have the same name. Only a limited number of agencies were interviewed for this study, but all reported that their matching routines required exact matches.[32] Requiring an exact match on name, however, will not identify all eligible children because names are subject to typographical error, differences in format (e.g., with our without middle name/initial), and spelling variations.

USDA does not currently have information about the accuracy of matches based on identifiers other than the SSN. Surveys conducted in Spring 2005 will collect information about matching algorithms and match rates.

Matching Software and Methods

Computer matching may be implemented with commercial off-the-shelf software (COTS) or custom programming. State agencies may be less likely to use COTS products, because they are more likely to have the technical expertise to develop custom solutions. In addition, COTS software to perform direct certification matching may be part of a larger food service management package that is useful to SFAs but not to States. One advantage of State-level matching is that the matching process is centralized and implemented in the same way for all school districts in the State. With district-level matching, each SFA must develop its own process.

Another advantage of State-level matching is that match rates are potentially higher because the computer match is not restricted by geographic area. District-level matching uses a food stamp file limited to children residing in the district's area, as determined by food stamp address information, which may be up to twelve months old. Thus, transfer students to new school districts will not be directly certified by district-level matching.[33]

As discussed previously, most SFAs use COTS products designed for the school food service market for point-of-sale, nutrient analyses, and other functions. Many of these products contain optional modules for direct certification matching. These modules will import a list of children in FS/TANF households and match the list to a student enrollment database. Within the software application, direct certification information is automatically integrated with NSLP application information to provide a single registry of children eligible for free or reduced price meals.

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[32] One agency combines last name and first name into a single string and truncates the string to eleven characters; the exact match is required for the truncated string plus date of birth and gender.

[33] Even under a statewide match, students whose families are new FSP participants and those who have recently transferred from another state may be missed.

Districts that do not use commercial food service management software, or lack financial resources for direct certification modules, may customize standard office software to match food stamp data to student enrollment data. One State that supports district-level matching reported that Microsoft Access is the most commonly used software for matching the food stamp data with student enrollment data.

A third option for district-level computer matching is for SFAs to contract with vendors. A review of direct certification procedures in California reported that many food service software vendors provide matching services; furthermore they report that the fee of between $0.02 and $0.06 per name and many SFAs find the use of vendors to be cost-effective.

While many States and SFAs have developed or purchased software solutions for direct certification of children enrolled in the FSP, existing systems may need modification if direct certification is expanded to include additional means-tested programs. The need for modifications depends on how direct certification is expanded. If direct certification remains limited to eligibility for free school meals, then software modifications at the district level can be avoided by State agency consolidation of information from multiple means-tested programs prior to distributing data to SFAs. In most States, data from FS, TANF, and Medicaid can be consolidated at the source because, in 35 States, these programs have integrated eligibility information systems.[34] In States without integrated information systems, consolidation would entail computer matching to unduplicate separate lists of school-age children from FS, TANF, and Medicaid.

An expansion of direct certification to include eligibility for reduced price school meals would require modification of SFA software systems. In this case, a consolidated data file would contain student identifiers and an indicator of certification category (free or reduced price). SFA software systems may need modification because current systems are designed to read student identifiers but not certification category.

Data Sources for Direct Verification and Potential Expansion of Direct Certification

At present, direct certification is limited to certifying children enrolled in food stamps and TANF without application. Use of FS/TANF data for this purpose is feasible because FS/TANF programs confer categorical eligibility, data are available in electronic form from a State agency, and FS/TANF programs collect SSNs and other key identifiers that can be used for computer matching.

Direct verification was recently authorized by the Child Nutrition and WIC Reauthorization Act of 2004 to streamline the verification process by obtaining and using income and program participation information from FSP, FDPIR, TANF, Medicaid, or a similar means-tested program. Conceptually, data that can directly verify free or reduced-price eligibility may also be used to directly certify free or reduced price eligibility.

Means-tested programs must meet the following conditions to be used for NSLP computer matching:

- Income eligibility level is consistent with NSLP free meals (≤ 130% poverty), or household income is identified in the program's eligibility database,

[34] Surveys conducted in Spring 2005 will collect information about SCHIP integration with Medicaid eligibility information systems.

- SSNs are collected for program enrollees, or sufficient other identifiers are available to ensure accurate matches,
- Cycles for collecting eligibility data are frequent enough to provide timely information for NSLP uses, and
- A statewide electronic database identifies school-age children enrolled in the program.[35]

Exhibit 4 lists means-tested programs currently authorized for direct certification (FSP, TANF), and programs that are potential sources for direct verification or expanded direct certification. FDPIR is not included in this discussion because the program is administered at the tribal level, it is very small relative to the other programs under discussion, and electronic databases may not be available for computer matching.[36] The table includes Medicaid, State Child Health Insurance Program (SCHIP), Low Income Home Energy Assistance Program (LIHEAP), and the Supplemental Nutrition Program for Women, Infants, and Children (WIC).

The Supplemental Security Income (SSI) program is not included in Exhibit 4. SSI is available to needy aged, blind, and disabled persons. Children may receive SSI cash assistance. However, SSI is not likely to identify children eligible for NSLP who are not identified through computer matches with FSP/TANF. SSI law requires that SSI applicants file for all other benefits for which they may be entitled. Since its inception, SSI has been viewed as the "program of last resort" (DHHS, 2001). Furthermore, all SSI children are categorically eligible for Medicaid, so matching with both Medicaid and SSI would be redundant.

Income eligibility levels. As shown in Exhibit 4, only the FSP has income eligibility consistent with free school meals in all States. TANF, Medicaid, SCHIP, and LIHEAP income eligibility vary by State. WIC income eligibility is consistent with NSLP reduced price eligibility.

In most States, school-age children enrolled in Medicaid are income eligible for free school meals. Medicaid income eligibility limits for school-age children are equal to the Federal poverty level in 33 States. Among States with Medicaid limits above the poverty level, 13 States have limits between 133 and 185 percent of poverty, and 5 States have limits above 185 percent of poverty (see Appendix Exhibit A.3). Of the entire U.S. population of 72.2 million children under age 18 (as of 2000, including all income levels), 49 percent live in States with Medicaid eligibility limits for school children equal to the Federal poverty level, and 34 percent live in States with Medicaid eligibility limits between 133 percent and 185 percent of the Federal poverty level.

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[35] A program database for a large area within a State (such as a major county) could theoretically be used for NSLP computer matching, but opportunities for efficient computer matching with such local area systems are likely to be rare. The means-tested programs of significant size (notably FSP, TANF, WIC, and Medicaid) generally have either statewide systems or mechanisms for data exchange between local area systems that could be used to compile statewide data.

[36] Average monthly FDPIR participation in FY2003 was 107,594 adults and children (www.fns.usda.gov/fdd/programs/fdpir/pfs-fdpir.pdf).

Exhibit 4

Means-Tested Programs for Direct Certification and Direct Verification of NSLP Eligibility

Program	Income Eligibility Limit	SSNs Required?	Certification Period/ Timeliness of Data[a]
Direct Certification/Direct Verification[b]			
Food Stamp Program	130% FPL	Required of all persons in household	3 to 12 months
TANF	Varies by State[c]	Required of all persons in family	6 or 12 months
Direct Verification			
Medicaid	Varies by State and assistance category: 100-250% FPL[d]	Required of applicant; Requested of other family members	6 or 12 months
SCHIP	Varies by State: 130-350% FPL[d]	Requested of applicant and other family members	6 or 12 months
Other candidate programs			
Low Income Home Energy Assistance Program (LIHEAP)	Varies by State: 110-200% FPL	Required of all persons in household	
Supplemental Nutrition Program for Women, Infants, and Children (WIC)	185% FPL	Requested of applicants	6 months; 12 months for infants

Notes

a Certification periods shown in table are those that apply to most applicants.

b FDPIR can be used for direct certification, but this program is not considered a potential source for computer matching as discussed in the text.

c TANF income eligibility levels are determined by a complex formula and cannot easily be expressed as a percent of the poverty level.

d See Appendix Exhibit A.3 for Medicaid and SCHIP eligibility levels by State.

SCHIP eligibility alone cannot be used to directly certify children or verify applications for free meals in any State, but SCHIP eligibility could be used in some States to certify children for reduced price meals, and SCHIP income information could be widely used for certification or verification. SCHIP income eligibility is between 130 and 185 percent of poverty in 10 States, and above 185 percent of poverty in 41 States (see Appendix Exhibit A.3).[37] Interviews with two States indicated that SCHIP

[37] Information about the number of TANF programs that qualify for NSLP direct certification will be collected from Child Nutrition Directors in Spring 2005.

and Medicaid eligibility information systems are not necessarily integrated, and income information collected on SCHIP applications may not be available in electronic eligibility information systems. USDA will conduct a survey of State Medicaid agencies in Spring 2005 to assess the feasibility of computer matching with Medicaid and SCHIP across all States.

Federal statute specifies the minimum and maximum LIHEAP income eligibility levels that may be set by States; income eligibility currently ranges from 110 to 200 percent of the poverty level.[38] While LIHEAP income eligibility levels make this program a potential candidate for NSLP direct certification or verification, discussions with State FSP and Medicaid officials suggest that use of LIHEAP data may identify few eligible school-age children not already enrolled in other means-tested programs. In addition, most LIHEAP applications are processed in winter months, which precludes this program as a data source for direct certification prior to the school year. In 30 states, LIHEAP assistance is administered by the State agency administering TANF; in 21 states, agencies administering LIHEAP included Departments of Commerce, Development, Housing and Community Development, and the State Energy Office (NCAT, 2004).[39]

The WIC program differs from other programs shown in Exhibit 4 because WIC does not enroll school-age children. WIC enrolls pregnant and postpartum women, infants, and children up to age five. In some SFAs, the NSLP includes preschool children who might be WIC participants, and many WIC children have older school-age siblings. In the 2001-2002 school year, there were 866,969 pre-kindergarten students enrolled in public schools, approximately 2 percent of the total enrollment of 47.7 million students in public elementary and secondary schools (U.S. Department of Education, 2004).

WIC income eligibility is based on household income at or below 185 percent of the poverty level. Information from the WIC program might potentially be used for NSLP direct certification and verification, but computer matching would have to be based on identifying information for parents and guardians, particularly if the goal is to directly certify all school-age children in WIC households. Student information systems vary in the parent information that they maintain, with name, address, and telephone number being the data most likely available for matching to WIC data.

SSN disclosure policies. Exhibit 4 indicates, for each means-tested program, the policy for collection of social security numbers from applicants. The Privacy Act of 1977 prohibits Federal, State and local government agencies from requiring disclosure of SSN as a condition of program eligibility except in cases where disclosures of SSN are required by Federal statute, or by regulations adopted prior to 1975. Furthermore, any requests for disclosure of individuals' SSNs must specify whether disclosure is mandatory or voluntary.

Federal statutes require FSP, TANF, and Medicaid applicants to provide their SSN, or make application to obtain an SSN, as a condition of eligibility.[40] The food stamp and TANF programs

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[38] Federal statute allows States to set LIHEAP eligibility from 110 percent of the poverty level to 150 percent of the poverty level or 60 percent of the State's median income, if higher.

[39] We do not currently know whether LIHEAP eligibility information systems identify school-age children in households enrolled in the program, or whether information systems identify only household heads.

[40] Disclosure of SSN is authorized by the Food Stamp Act of 1977 as amended (7 U.S.C. 2011-2036); and by Title IV and Title XIX of the Social Security Act as amended, for TANF and Medicaid, respectively.

provide benefits to households/families, enroll each member of the household/family, and thereby collect SSNs for each household member. In contrast, Medicaid enrolls individuals and collects the SSN only for the program applicant. Medicaid cannot require disclosure of SSNs from nonapplicant parents of children applying to Medicaid. Federal regulations allow Medicaid to request SSNs from other family members, for the purpose of verifying household income used in making the child's eligibility determination, but SSNs cannot be required from nonapplicant family members (DHHS and USDA, 2000). SCHIP cannot require disclosure of SSNs, but the program requests SSNs of applicants and other family members. When Medicaid or SCHIP family members do not provide SSNs at application, they must provide income documentation. WIC also cannot require disclosure of SSNs but requests SSNs of applicants and requires income documentation.

There are no formal studies indicating the national rate of compliance with SSN disclosure requests in programs that do not require disclosure. Evidence from three States indicates that the rate of compliance in WIC varies across States and WIC eligibility category. One State did not collect the SSN for any infants and children; the other two States had the SSN reported for about 95 percent of children, and 86 and 99 percent of women (Cole and Lee, 2004).[41]

Timeliness of eligibility data. Certification periods are shown in Exhibit 4 to indicate the average timeliness of data obtained from means-tested programs. For example, the average FSP certification period for households with children is 8 months, and 37 percent of these households have 12-month certification periods (Cunnyngham and Brown, 2004).[42] Thus, at a point in time, the information collected at application on FSP households with children may be up to twelve months old. The extent to which households provide updated information between certifications depends on the household's circumstances and the State's FSP reporting policy. The State FSP agency may also update household information through computer matching with employer wage data or other sources. Certification periods for TANF, Medicaid, and SCHIP vary by State and are 6 or 12 months (see Appendix Exhibit A.3 for Medicaid and SCHIP).[43] WIC certification periods are 6 months for most participants and 12 months for infants.

The importance of certification periods in determining the timeliness of income eligibility information depends on the extent of income verification activities. FSP and TANF verify income eligibility at application and periodically throughout the certification period. For Medicaid, federal regulations require verification of income at application and redetermination. Federal regulations require verification of SCHIP income eligibility at application, but there are no federal verification requirements at redetermination.[44]

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41 This study was conducted for the USDA, Economic Research Service to test the feasibility of linking FS and WIC records to estimate rates of multiple program participation.

42 Certification periods may be longer for some households with children, such as those receiving transitional food stamp benefits after termination of TANF cash assistance. Elderly households generally have longer certification periods.

43 Households losing TANF benefits can obtain at least six months of transitional Medicaid benefits without reapplying, so the effective certification period for these households may be longer than six months.

44 States may allow self-declaration of income to determine Medicaid and SCHIP eligibility at application and redetermination, but Medicaid is required to verify self-declared income under the IEVS system.

Statewide information systems. As discussed earlier, in 1996, 35 States had integrated statewide eligibility information systems for FSP and AFDC/TANF. In many States these integrated eligibility information systems also include the Medicaid program. The most recent information about the prevalence of integrated information systems programs is from a survey of 26 States conducted in 2001. At that time, 20 of 26 States had integrated information systems for FSP, TANF, and Medicaid; and another three States had integrated systems for FSP and TANF.

Food stamp and Medicaid officials interviewed for this study reported that FSP, TANF, and Medicaid cover most of the school-age children enrolled in means-tested programs. Additional means-tested programs will identify few additional children income-eligible for the NSLP. USDA has not, however, examined the distribution of school-age children enrolled in the array of means-tested programs administered by State agencies.

Computer Matching to Wage and Benefit Information

Computerized income verification is an option for verifying NSLP income applications from households that are not participants in means-tested programs and thus cannot be directly verified through computer matching with means-tested programs. Although NSLP legislation authorizes the use of *systems of records* to verify NSLP income applications, USDA is not aware of any State or local agencies verifying eligibility in this way. Verification of household income via computer matching to information on wages, unearned income, and benefits is a complex process. Information on household income must be compiled from information stored about each individual household member, located in potentially numerous data sources, each with its own rules and limitations.

Income Verification Conducted by Other Means-Tested Programs

Computer matching is routinely used by FSP, TANF, Medicaid, and other means-tested programs to improve program efficiency and integrity. These programs perform computer matches for four purposes: a) to identify ineligible participants (via matches with the Social Security Administration Death Match file and the Prisoner Verification System), b) to detect dual participation (through matches with neighboring States), c) to verify income eligibility (through the Income Eligibility and Verification System (IEVS)), and d) to identify unreported assets (through motor vehicle registrations and bank records).

The Income Eligibility and Verification System (IEVS) was established as part of the Deficit Reduction Act (DEFRA) of 1984, which required State agencies administering TANF, Food Stamps, and Medicaid to conduct computer matches as part of the verification process.[45] IEVS matches are no longer mandated for the Food Stamp Program (PRWORA, 1996) but continue to be used because they are perceived to provide useful data (Borden and Robbi, 2002). IEVS data include benefits data maintained by the Social Security Administration, quarterly wage data and unemployment insurance benefits maintained by State Wage Information Collection Agencies (SWICAs), and unearned income and bank account data from the Internal Revenue Service. IEVS matches are used to verify income of applicants at the time of application, and periodically thereafter.

The mandatory IEVS data sources include:

[45] IEVS requirements also apply to SSI and other programs under regulations of the Office of Family Assistance, Administration for Children and Families, U.S. Department of Health and Human Services (DHHS) at 45 CFR 205.

- Quarterly wage information provided by employers to the State Wage Information Collection Agency (SWICA),
- Unemployment compensation (UC) benefits,
- Social Security Administration records, including SSN verification, earnings, and benefit data, and
- Unearned income information reported to the Internal Revenue Service by banks and other institutions (Form 1099 data).

States use additional matches outside the IEVS to verify income or employment status. Means-tested programs frequently conduct matches with the State Directory of New Hires (SDNH), a mandatory component of the Child Support Enforcement (CSE) program, and with CSE payment data. Other common state-level sources include state employee and retiree payrolls, Workers' Compensation, and tax records.

Cross-program matches between the TANF, Medicaid, and Food Stamp Programs are required if these programs are not part of an integrated data system. IEVS regulations also require interstate matches of SWICA, UC, TANF, Medicaid, and other state-level data "as necessary" (45 CFR 205.55(a)(5)). A detailed description of the IEVS sources and their use is presented in a recent FNS report of a survey of computer matching in the FSP (Borden and Ruben-Urm, 2002).

All computer matches conducted by FSP, TANF, and Medicaid are based on Social Security Number (SSN). SSNs reported to FSP, TANF, and Medicaid are verified with the Social Security Administration prior to matching with other data systems.

Food Stamp and Medicaid agencies interviewed for this study reported that the most useful matches for income verification are matches to quarterly wage data maintained by SWICAs, matches to the State New Hires Database, and matches to the databases maintained by the Social Security Administration. These matches provide the timeliest data, and the data are relevant for a large percentage of their caseloads.[46]

Availability of Quarterly Wage Data For Verification of Program Eligibility

Each State has an agency to administer the Unemployment Compensation (UC) program —usually the Department of Workforce Development or similar entity. This agency collects quarterly wage data from employers for determination of UC benefits, processes applications for UC, and issues payments to eligible workers. The UC agency is referred to in federal IEVS regulations by the generic term of State Wage Information Collection Agency (SWICA). SWICAs make quarterly wage and UC payment data available to the State IEVS and other authorized users for income verification.

Because SWICAs collect quarterly wage data for the UC system, the data are collected only for employees covered by UC laws and do not include self-employment, partnerships, and certain categories of employees exempt under Federal or State law. SWICA wage files include employees' SSNs, quarterly earnings, and employer identifiers. Additional data such as number of weeks worked, occupation, and industry may be included, depending on state regulations and voluntary

[46] In 2003, 39.5 percent of food stamp households with children had earned income from wages or salary, and 23.2 percent received benefits from the Social Security Administration (Cunnyngham and Brown, 2004; Table A-6).

employer compliance. Employee names may be truncated. The SWICAs' role in IEVS is governed by regulations and policy of the Employment and Training Administration (ETA), U.S. Department of Labor, in addition to the HHS regulations. (For ETA regulations regarding IEVS, see 20 CFR 603.)

Employers submit quarterly wage data to the SWICA via paper reports, computer disk or tape, or electronic transmission via the Internet. These reports are due by the 30th day of the month following the end of each quarter. The SWICA receives employers' submissions, key-enters paper reports, compiles electronic submissions, cleans the data, and makes the complete earnings file available to authorized users, generally no earlier than 60 days following the end of the reporting quarter. Depending on their needs and capabilities, users may directly access the earnings file in batch or on-line mode, receive match results in electronic form, or receive paper reports of inquiries on individuals.

Other Computer Matches For Income Verification

The Social Security Administration (SSA) maintains several databases that are used by the IEVS. Agencies participating in the IEVS verify SSNs against the SSA's master index. The SSA's earnings database includes self-employment income and other earnings that are subject to FICA taxes but not covered by UC. The SSA is also the primary source for information on benefits paid under the Old Age, Survivors, and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs.

The Internal Revenue Service (IRS) provides information to IEVS on unearned income. These data are reported annually to the IRS by banks and other institutions. State agencies interviewed for this study indicated that IRS data are costly and difficult to use because of the stringent data safeguarding requirements imposed by the IRS. In addition, IRS data are not relevant to a large percentage of the low-income populations served by the food stamp, TANF, and Medicaid programs.[47] IRS data are reported annually, and they are not available until five months or more after the end of the tax year. Due to this lag, the IRS unearned income data are not useful for determining eligibility at application, but food stamp and TANF agencies use these data to adjust household benefit levels and identify overpayments.

Another source of unearned income is child support payments. TANF recipients are generally required to cooperate with the Child Support Enforcement (CSE) program, and States use CSE collections from non-custodial parents to offset TANF payments. Thus, all States must have methods for sharing CSE information with the TANF database, either through integrated data systems or data matching. Computer matches with CSE are used in 28 states for FSP income verification (Borden and Ruben-Urm, 2002). Child support may be quite irregular, however, due to intermittent payments and recovery efforts (e.g., tax refund intercepts).

A primary source of information about current employment status is the State Directory of New Hires (SDNH), a mandatory component of the Child Support Enforcement (CSE) program in each State. Employers are required to report new hires to the SDNH within 10 days of employment. SDNH exchanges this information with other States through the National Directory of New Hires (NDNH)

[47] In 2003, only 4.2 percent of food stamp households received "other unearned income" , including dividends, interest, alimony, and foster care payments (Cunnyngham and Brown, 2004; Table A-6).

maintained by DHHS. The SDNH and NDNH do not provide income information, but they can be used to identify unreported employment for follow-up.

Computer Matching Process for Income Verification

State agencies use IEVS and other sources to verify the eligibility of applicants and current participants. There are three basic parts of the IEVS process.

- **SSN verification.** Client SSNs are verified with the SSA before SSNs are used for computer matching to verify income. To verify SSNs, agencies submit an applicant's reported SSN, name, date of birth, and gender to the SSA. SSA returns a code indicating the degree of agreement with its records. If the SSA does not report a valid match, the agency must follow up with the applicant to obtain a correct SSN.

- **Wage and income matching.** User agencies, such as the FSP, use computer matching to verify income data with SWICA, SSA, IRS and other databases. All IEVS matches are based on SSN. Match results indicate discrepancies between income reported by the client and IEVS records.

- **Follow-up.** User agencies, such as the FSP, set criteria to identify discrepancies (differences between reported income and match results) that require action and to determine how workers should respond. For most match discrepancies, caseworkers must contact the client to obtain further information before changing the client's eligibility status or benefits.

Use of other State data for income verification in the FSP is similar to IEVS. The FSP agency establishes a data matching agreement with the data provider and, where necessary, has specific legal authorization for data sharing. Matches are conducted using SSNs, and FSP workers follow up when discrepancies with client-reported income are identified through computer matching.

Potential Benefits and Limitations of Income Data Matching for the NSLP

Computer matching for income verification permits States to identify errors and fraud in the reporting of income by clients of TANF, FSP, Medicaid, and other programs. This process provides independent verification of income from sources reported by clients without the labor-intensive process of contacting employers. In addition, computer matching identifies unreported sources of income.

The IEVS and other income data sources have several important limitations.

- Agencies must have legal authority to use the data source.
- Matches require a valid SSN. This is a requirement of IEVS and SWICAs. Thus, if applicants to a program are not required to provide SSNs for all household members, the IEVS cannot be used to verify household income.
- Most sources of income data are individual-level databases. Thus, all relevant household members must be identified to determine household income.
- Depending on the reporting process, there is a lag of weeks or months before income data are available to the IEVS or other data matching system. The lag varies by data source according to reporting protocols and time needed to process and prepare the database for use.

- Follow-up is an essential part of the income verification process because sources of income data may reflect reporting errors, particularly with data provided by employers or individuals.
- Participating agencies must provide adequate safeguards, including physical, procedural, and computer system controls, to prevent unauthorized access or release of confidential data.
- The Computer Matching Act requires that clients receive notice and an opportunity to respond before their benefits are changed on the basis of a computer match.

These limitations have several implications for the use of computer matching for NSLP income verification.

- ***Additional legal authority may be needed.*** NSLP regulations give States and SFAs the authority to use systems of records in verifying income, but IEVS sources and other potential providers must be authorized to share their data. The SWICAs have broad authority to share information with public agencies for legitimate government uses, as long as adequate safeguards are in place. The SSA and IRS, on the other hand, may release information only for programs that are specifically authorized by law, and these programs may not share this information with other programs. Similar constraints may apply to State-level data sources.

- ***The need to use SSNs for IEVS and other income matches is a critical issue for the NSLP.*** Currently, the only SSN obtained on NSLP applications is that of the adult signing the application. Thus, the IEVS cannot be used for NSLP verification without contacting the household and obtaining SSNs for all members who may have income to be verified. (The definition of whose income needs to be verified is a separate issue.) The current verification process obtains SSNs of all adult members of households, but the process entails burden for the SFA and the household, and non-response rates are high.

- ***Income verification may need to be centralized at the State-level.*** A critical issue for NSLP, in considering computer matching for income verification, is how to adapt this process to the decentralized environment of the NSLP. Currently, income verification is the responsibility of individual SFAs, with oversight from the State Child Nutrition agency. However, it is not feasible for every SFA to establish data sharing agreements and maintain ongoing communications with agencies that provide income verification. The SWICAs interviewed for this study suggested that a State sponsoring agency would be needed, because it was not feasible for them to communicate with individual SFAs. Furthermore, few SFAs are likely to have the necessary technical resources to maintain physical and systems safeguards required by provider agencies. From both the NSLP and the data providers' perspective, the most practical approach to income matching is to centralize the process at the State level.

- ***Computer matching does not eliminate the need to follow-up with applicants.*** Computer matching is used to verify income reported by applicants and to identify unreported sources of income. But most match results require follow-up with the applicant. Only payments issued by government agencies (such as SSI or UI) can be considered as verified upon receipt of the data, and even these are subject to reporting lags. The follow-up process would be very similar to the existing income verification process in the NSLP: a representative of the SFA would have to request information from the applicant, review the information, and provide the applicant an opportunity to respond if a reason was found to reduce benefits. **Thus, computer matching with**

wage and benefit data sources for income verification has the potential to identify errors and fraud, but not to reduce the level of effort for verification.

A final policy issue is the scope of income to be verified. In the FSP and other programs, the array of verified income sources ranges from the most common (wages) to the very rare (lottery winnings). The definition of income for the NSLP is comprehensive, but the cost of verifying each type of income—including follow-up—must be weighed against the benefit (i.e., the likely impact on the accuracy of benefit determinations). The cost includes both the workload for State or local agencies and the burden on applicants, which could reach a level that would discourage participation.

Computer Matching and Privacy Concerns

The **Privacy Act of 1974**, amended by the **Computer Matching and Privacy Act of 1988**, governs the conduct of data matching programs for all federal agencies.[48] By law, agencies are required to include the following privacy protections in the development of computer matching programs:

- Notice disclosures must inform individuals of the intent to share data for computer matching,
- Data sharing contracts are required between data users to ensure accountability,
- Security provisions are required to restrict access to both paper forms and electronic data,
- Safeguards are required to prevent secondary use of matched data,
- Cost/benefit analyses are needed to justify computer matching programs.

The Privacy Act also governs the use of Social Security Numbers, as discussed previously. Federal agencies cannot require disclosure of SSN unless required by Federal statute, and any requests for disclosure of individuals' SSNs must specify whether disclosure is mandatory or voluntary.

The wider use of SSNs for NSLP computer matching would require legislation. States and SFAs currently use SSNs for direct certification matching, but access to SSNs that are already present in student records may be limited in some States. In addition, SSNs are not collected for all family members on NSLP applications; these SSNs are collected during the verification process. One option for the NSLP is to request voluntary SSN disclosure on applications, with notice to households that these data are requested for possible verification activities. This practice would be consistent with SCHIP procedures.

The development of computer matching for the NSLP must also meet the requirements of the National School Lunch Act (NSLA), the Family Educational Rights and Privacy Act (FERPA), the Health Insurance Portability and Accountability Act (HIPAA), and The E-Government Act of 2002.

- The National School Lunch Act — limits the disclosure of information collected on NSLP applications and information obtained for direct certification. This information is confidential, and unauthorized access or disclosure is a criminal offense. A child's name and certification status may be disclosed without parental consent to State or federal education officials under certain specific conditions connected with the administration of education programs, or to officials of a means-tested program (such as Medicaid/SCHIP) for identifying

[48] Appendix Exhibit A.2 provides a summary of federal statutes relating to computer matching programs.

children who may be eligible for these programs. All other certification information may not be disclosed without the parent's consent.

- FERPA — protects student records from disclosure: "schools must have written permission from the parent or eligible student in order to release any information from a student's education record." Student records are defined as information directly related to a student and maintained by an education agency. Social security numbers are part of the student record, and schools can ask for a child's SSN but cannot require it. Schools are allowed to disclose student records without prior consent only to certain parties or under certain conditions; prior consent is not needed for release of data designated by the school as directory information (which may include a student's name and school activities, address, telephone number, date and place of birth, and family members' names).[49]

- HIPAA — limits the disclosure of medical records. All Medicaid records are considered protected under HIPAA. Social security numbers are considered part of Protected Health Information (PHI). The implication of HIPAA is that use of Medicaid data for direct certification or direct verification may not be possible without legislation or regulations authorizing Medicaid agencies to release these data.

- E-Government Act of 2002 — requires a Privacy Impact Assessment (PIA) whenever a federal agency initiates a new or revised data collection program. A PIA measures risks, potential harms and unintended consequences of any new program or service. It also addresses why information is being collected, how the information will be used and with whom it will be shared. The PIA requirement is designed to provide an early warning system for privacy risks.

There are several implications of these provisions for NSLP computer matching:

- NSLA currently requires computer matching for NSLP income verification be conducted by SFAs or the State Child Nutrition Agency, since the income data collected on applications may not be disclosed to other agencies without parents' consent.

- If a computer match is based on student data (such as student SSNs) that are not defined as directory information, only an education agency is allowed by FERPA to manage the match. An education agency may receive food stamp records for direct certification matching, but an education agency may not release FERPA-protected student records to the food stamp agency.

- Student directory information, however, may be released to the food stamp agency for matching. Thus, the feasibility of NSLP computer matching by the food stamp agency depends on whether sufficient information is available as directory information.

[49] Forum on Education Statistics, *Forum Guide to Protecting the Privacy of Student Information: State and Local Education Agencies*, NCES 2004-330. Washington, DC, 2004 (pages 11, 80). Schools must notify parents of the data designated as directory information and provide them the opportunity to disallow release of this information.

- FERPA limitations on disclosure of SSNs result in variation in availability of student SSNs across SFAs, depending on the degree of voluntary disclosure. Since SFAs cannot be required to share SSNs with State education agencies, the proportion of State records with SSNs is likely to be lower than the proportion of SFA records with SSNs.

Social Security Numbers are needed for verification using wage records. The legislative authorization for employer quarterly reporting of wage data requires the SSN as part of the wage record (7 CFR 603). All matches against wage data must be based on the SSN. Similarly, legislation mandating Income and Eligibility Verification Systems (IEVS) require that all matches be based on the SSN.

IV. Conclusions

Computer matching for NSLP direct certification and verification is feasible, as indicated by the computer matching systems that are currently in place. Computer matching to wage and benefit information is an option for verifying NSLP income applications, but this type of computer matching is the least feasible option for the NSLP.

The main challenge for the NSLP is expanding computer matching to encompass a larger percentage of children eligible for free and reduced price meals. The feasibility of expanding computer matching depends on the information technology environment in which SFAs and State Education Agencies operate, the characteristics of means-tested programs, and the legislative environment.

Information Technology Environment of NSLP

For SFAs, State Child Nutrition Agencies, and State Education Agencies, the key technological requirements for NSLP computer matching are (1) electronic databases of student records, (2) file transfer capabilities, (3) availability of suitable identifiers, and (4) computer matching expertise or software. For each of these requirements, current information and issues are summarized below. Future data collection as part of the study of NSLP computer matching will clarify the ability of SFAs and States to meet these requirements.

- **Electronic databases of student records.** SFA information systems vary from paper-based systems at some SFAs to sophisticated student information systems at other SFAs. Variation in capabilities is also found at the State level, but State Education Agencies are working toward or have achieved implementation of Statewide Student Information Systems to support reporting requirements of the No Child Left Behind Act.
- **File transfer capabilities.** State Child Nutrition Agencies and SFAs currently use a variety of means to transfer data for direct certification, including manual and automated processes. Child Nutrition Agencies are increasingly developing web-based systems for NSLP reimbursement claims that can provide a platform for other program functions, including data exchange for computer matching.
- **Availability of suitable identifiers for computer matching**. Current legislation substantially restricts the availability of student and parent SSNs for use in computer matching. Alternative combinations of identifiers are available but are less reliable and require more complicated matching algorithms. If computer matching is used for income verification, a failure to match can lead to omission of a source of income and thus cause a false determination of eligibility. In other uses, a failure to match due to lack of SSNs merely means that a manual process for application or verification must be used.
- **Computer matching expertise and software.** These capabilities are most likely to be available (a) at the State level, (b) in SFAs with sophisticated information systems, and (c) in SFAs with existing computer matching programs using student data (such as the MAC program). Centralization of computer matching at the State level by the Child Nutrition or Education Agency is the simplest way to eliminate the need for individual SFAs to acquire software or expertise.

Characteristics of Means-Tested Programs

The feasibility of expanding NLSP direct certification or direct verification to means-tested programs in addition to FSP and TANF depends on the characteristics of the programs. Key characteristics are the income-eligibility level for the program, the policy on SSN disclosure, and the timeliness of the data.

- **Income eligibility levels**. Medicaid income eligibility is consistent with eligibility for free school meals in 33 States, and consistent with eligibility for reduced price meals (130-185 percent of poverty) in 13 States. SCHIP income eligibility is consistent with eligibility for reduced price meals in 10 States. If a program's income eligibility limit is greater than the eligibility limit for free or reduced price meals, the program is suitable for NLSP direct certification or direct verification only if it can release information about the income category of enrolled children. This limitation applies to Medicaid in 5 States, SCHIP in 41 States, and WIC in all States.

- **SSN disclosure policies.** Medicaid requires SSN disclosure for all applicants; SCHIP and WIC request, but cannot require SSN disclosure.

- **Timeliness of data.** Medicaid and SCHIP have certification periods of 6 or 12 months. Medicaid verifies income eligibility periodically throughout the certification period so that timeliness is not a problem for this program.

Legislative Authorization

Privacy laws impact the methods that may be used for NSLP computer matching, but do not preclude the use of computer matching. The Privacy Act limits the disclosure of social security numbers to some means-tested programs; and FERPA protects the confidentiality of SSNs in student records. As a result, SSN is not available to match the records of all children eligible for NSLP direct certification. Matching methods using other identifiers—such as student name, date of birth, and gender—cannot be expected to directly certify all eligible children.

Legislative provisions may also affect the potential to use computer matching to verify NSLP income applications for households not participating in means-tested programs. NSLP cannot require disclosure of SSNs for all members of an applicant's household, but matches against SWICA quarterly wage data must be based on SSN. Similarly, all matches for the Income and Eligibility Verification Systems (IEVS) must be based on SSN. SSNs collected on NSLP applications and verification forms are not considered student records and thus are governed by the National School Lunch Act (as amended), not FERPA.

Questions to be addressed in the legislative or regulatory forum include:

- How does HIPAA affect the potential for direct verification (or direct certification) with Medicaid data? Do State Medicaid agencies need legislative authority for releasing Medicaid records to NSLP?

- Should SSNs of all household members be collected on NLSP applications? Should this disclosure be mandatory or voluntary? Or should computer matching for income verification be restricted to verification responders?
- For free/reduced price applicants who do not participate in FSP, TANF, or other programs used for direct certification or verification, what income sources should be verified through computer matching, and what is an acceptable level of accuracy?

A final report, expected in April 2006, will provide more information to help FNS determine the feasibility of expanding computer matching for NSLP certification and verification. The report will provide more information on the computer matching capabilities of Child Nutrition, Education, and Medicaid agencies. It will also provide more information on implementation and privacy concerns. If the results indicate that expansion of computer matching is warranted, the information will help FNS develop a plan of action.

Exhibit A.1

Key Provisions of Child Nutrition and WIC Reauthorization of 2004 Affecting NSLP Certification

The Child Nutrition and WIC Reauthorization Act of 2004 mandates several changes for NSLP to improve program integrity and encourage greater use of computer technology in the NSLP certification and verification processes. These include:

- **Direct certification** of food stamp households is mandated, with gradual implementation such that all SFAs use direct certification by SY2008-2009 to certify children in food stamp households for free meals without further application.
- **Discretionary certification** is authorized and defined as the certification of children as eligible for free meals, without further application, by directly communicating with the appropriate State or local agency to obtain documentation of the child as:
    - A member of a family receiving assistance under TANF,
    - A homeless child or youth (according to the McKinney-Vento Homeless Assistance Act),
    - A child served by the runaway and homeless youth grant program (Runaway and Homeless Youth Act),
    - A migratory child (as defined by 20 U.S.C. 6399).
- **Verification samples** must include the lesser of three percent or 3,000 of approved applications selected from among error-prone applications (defined as having household monthly income within $100 of the income eligibility limit for free or reduced price meals. Random samples may be used only under certain conditions related to the verification response rate.
- **Direct verification** is authorized and defined as a process of verifying approved applications selected for verification using income and program participation information from a public agency administering FSP, FDPIR, TANF, State Medicaid program, or a similar income-tested program.
- **Household applications** – NSLP applications will identify the names of each child in the household for whom benefits are requested; agencies may not request a separate application for each child.
- **Eligibility period** for free and reduced-price meals is to remain in effect beginning on the date of eligibility for the current school year and ending on a date during the subsequent school year.

Exhibit A.2

Study Objectives of *The Feasibility of Computer Matching in the National School Lunch Program*

The Feasibility of Computer Matching in the National School Lunch Program will collect data from State Child Nutrition, Education, and Medicaid agencies in all 50 States and the District of Columbia in Spring 2005. These surveys will provide information about computer matching systems for NSLP and other K-12 student programs.

The *Survey of State Child Nutrition Directors* will provide information about:

- The prevalence of State-level computer matching for NSLP direct certification and application verification;
- The characteristics of computer matching processes and procedures across States;
- The benefits and the challenges encountered by States with computer matching programs;
- The perceived barriers to NSLP computer matching;
- The use of computer technology for NSLP application processing, and the benefits and challenges of computerized application processing;
- The use of computer technology and Internet systems for electronic reporting of NSLP monthly claims for reimbursement, which indicate a web-based platform that might be expanded for statewide computer matching programs.

The *Survey of State Education Agencies* will provide information about:

- The prevalence of statewide student information systems with student-level data, and use of these systems for NSLP computer matching;
- The prevalence of computer matching for the Medicaid Administrative Claims (MAC) program that provides Medicaid reimbursements to school districts;
- The experience of SEAs with computer matching to SWICA data for Workforce Investment Act (WIA) performance reporting.

The *Survey of State Medicaid Agencies* will provide information about:

- The prevalence of statewide Medicaid eligibility information systems with income data that could be used to directly verify children for free or reduced-price meals;
- The prevalence of State eligibility information systems that integrate FSP, TANF, and Medicaid;
- Data sharing by State Medicaid programs to verify eligibility for other means-tested programs.

The surveys will provide information to document State and local computer matching practices and capabilities. This information will identify States with strong approaches to computer matching for the NSLP and six States will be selected for In-Depth Interviews to be conducted in Fall 2005. In-depth interview information will be used to present case studies of the development and implementation of computer matching systems for NSLP and other student programs.

Exhibit A.3

Medicaid and SCHIP Eligibility Standards, 2003

	SCHIP Program Type	Income Eligibility, as Percent of Poverty Level		Asset Test Required for Enrollment of Children		Allows Self-Declaration of Income		Continuous 12-Month Eligibility	
		Medicaid, Ages 6-19	SCHIP	Medicaid	SCHIP	Medicaid	SCHIP	Medicaid	SCHIP
Alabama	S	100	200				Y	Y	Y
Alaska	M	200	-						
Arizona	S	100	200				Y		Y
Arkansas	M	200	-			Y			
California	C	100	250					Y	Y
Colorado	S	100	185	Y					Y
Connecticut	S	185	300			Y	Y		
Delaware	S	100	200						Y
District of Columbia	M	200	-						
Florida	C	100	200			Y	Y		
Georgia	S	100	235			Y	Y		
Hawaii	M	200	-						
Idaho	M	150	-	Y		Y		Y	
Illinois	C	133	185					Y	Y
Indiana	C	150	200						
Iowa	C	133	200						Y
Kansas	S	100	200					Y	Y
Kentucky	C	150	200						
Louisiana	M	200	-					Y	
Maine	C	150	200					Y	Y
Maryland	C	200	300			Y	Y		
Massachusetts	C	150	200[b]						
Michigan	C	150	200			Y	Y		Y
Minnesota	C	275	-			Y			
Mississippi	S	100	200			Y	Y	Y	Y
Missouri	M	300	-						
Montana	S	100	150[c]	Y					Y
Nebraska	M	185	-						
Nevada	S	100	200	Y					Y
New Hampshire	C	185	300						

See footnotes at end of table.

Exhibit A.3

Medicaid and SCHIP Eligibility Standards, 2003

	SCHIP Program Type	Income Eligibility, as Percent of Poverty Level		Asset Test Required for Enrollment of Children		Allows Self-Declaration of Income		Continuous 12-Month Eligibility	
		Medicaid, Ages 6-19	SCHIP	Medicaid	SCHIP	Medicaid	SCHIP	Medicaid	SCHIP
New Jersey	C	133	350						
New Mexico	M	235	-					Y	
New York	C	133	250					Y	
North Carolina	S	100	200					Y	Y
North Dakota	C	100	140						Y
Ohio	M	200	-						
Oklahoma	M	185	-						
Oregon	S	100	185		Y				
Pennsylvania	S	100	200[b]						Y
Rhode Island	C	250	-						
South Carolina	M	150	-					Y	
South Dakota	C	140	200						
Tennessee	M	100	-						
Texas	S	100	200	Y					Y
Utah	S	100	200[c]	Y					Y
Vermont	S	225[a]	300			Y	Y		
Virginia	C	133	200						
Washington	S	200	250			Y	Y	Y	Y
West Virginia	S	100	200					Y	Y
Wisconsin	M	185	-			Y			
Wyoming	S	100	133			Y	Y	Y	Y

Source: StateHealthFacts.org, Internet site maintained by The Henry J. Kaiser Family Foundation.

a Vermont Medicaid covers uninsured children in families with income at or below 225% FPL; uninsured children in families with income between 226 and 300% FPL are covered under a separate SCHIP program. Underinsured children are covered under Medicaid up to 300% FPL.

b Massachusetts and Pennsylvania provide state-financed coverage to children with incomes above SCHIP levels. Massachusetts covers children with family incomes of 400% FPL and below and Pennsylvania covers children with incomes up to 235% FPL.

c Utah and Montana suspended SCHIP enrollment at some point between June 2002 and April 2003. Montana places children on a waiting list; in Utah, children may only enroll in the separate SCHIP program during an open enrollment period.

Exhibit A.4

Federal Statutes Relating to Computer Matching Programs

Privacy Act of 1974

- Creates administrative, technical and physical safeguards to ensure security and confidentiality of personally identifiable information
- Restricts collection, use and dissemination of personal information held in federal records systems
- Requires that data collection must be "relevant and necessary" to agency's mission
- Prohibits disclosures for "incompatible purposes" without consent; exceptions include disclosures for "routine use"
- Requires information be collected directly from the person "to the greatest extent practicable"
- Prohibits state agencies from denying a benefit because a person declines to disclose SSN; some exceptions are enumerated
- Grants a right to access one's own records to correct inaccuracies and delete 'irrelevant' information
- Requires monitoring of subcontractors, researchers and others to insure proper procedures and practices are followed
- Provides civil and criminal penalties for violations

Family Educational Rights and Privacy Act of 1974 (FERPA)

- Protects confidentiality of student records
- Prohibits educational institutions from disclosing records without consent of the student/parent
- Allows students to inspect and review their own records
- Provides redress from educational institution or Secretary of Education

Computer Matching and Privacy Protection Act of 1988 (amended the Privacy Act of 1974)

- Creates procedural safeguards for federal data sharing that involves benefits programs and the use of records form federal personnel or payroll systems
- Computer matching that is exempt from the law's proscriptions include statistical studies and projects involving non-identifiable data, law enforcement or research
- Requires creation of procedural agreements (contracts) with other participating agency/s to control data exchange
- Agreements (contracts) must:
    - Spell out purpose and legal authority of the matching program
    - Justify the program and its anticipated results
    - Describe the information that will be matched
    - Spell out procedures to verify, retain and secure data
    - Extend no longer than 18 months unless adjusted by Data Integrity Board
    - Be submitted to select Senate and House committees
- Prohibits any adverse action against any individual based on computer matching results unless the individual has received notice containing a statement of findings

Exhibit A.4

Federal Statutes Relating to Computer Matching Programs

Computer Matching and Privacy Protection Act of 1988 (amended the Privacy Act of 1974) ¾ Continued

- Requires notification to applicants and beneficiaries whose records are subject to matching programs
- Requires matching reports to Congress and OMB
- Requires publication of changes to matching program in the *Federal Register*
- Creates limited situations where secondary uses of matched information may be permitted
- Creates Data Integrity Boards at the agency level with responsibility to:
    - Review written computer matching agreements and contracts
    - Approve or reject data matching program and/or agreement
    - Insure compliance with laws and regulations
    - Review disposal and archiving policies

Education Sciences Reform Act of 2002 (ERSA 2002)

- Requires the confidentiality of all identifiable information about students, their families and their schools be maintained
- Limits collection of such information only for statistical purposes…with exception of the Patriot Act

E-Government Act of 2002

- Requires federal agencies to conduct privacy impact assessments (PIA) before developing or using IT or initiating new data collection
- Spells out obligations and proscriptions for privacy impact assessments
- Creates a committee to study adoption of standards to enable government information to be searched inter-agency

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