

## Background

The total cost of State administrative expenses (SAE) in the Food Stamp Program (FSP) was \$5.5 billion in FY 2007. (On October 1, 2008, the Food Stamp Program will change its name to the Supplemental Nutrition Assistance Program or SNAP). While the Federal Government pays 100 percent of the cost of food stamp benefits, SAE are shared about 50/50 between the States and the Federal Government. These costs vary substantially between States. While the national average SAE was \$469 per case in FY2007, State averages ranged from \$169 in South Carolina to \$1,169 in California.

Causes of this variation are not well understood. Many factors influence administrative costs. They include differences in caseload profiles, operational procedures, and policy choices. States also vary in how they measure and report costs. Together, these factors make it hard to disentangle the impact of the separate factors.

This study examines the feasibility of assessing causes of variation in SAE by addressing two fundamental sets of questions:

- Is it possible to **measure SAE consistently across States** to credibly assess the degree of variation? Are alternative ways to measure SAE needed? If so, what level of effort is needed?
- Can SAE **variation be explained in the absence of a controlled experiment**? If yes, what are the alternative approaches? Which are recommended?

## Study Findings

SAE can be measured consistently across States. This requires decomposition of the data reported and more detailed information on State cost reporting practices. There is a wealth of data that can be used. National databases with State

level time series include case counts and characteristics; frequency of certification and recertification; pay rates for public welfare workers; State economic conditions; State revenues and expenditures; political and social conditions; and FSP and welfare rules.

Other desirable data, such as frequency of case management activities and prices for inputs other than labor, are not available in existing State-level time series. Exploratory analysis is needed to select variables for analysis models of SAE from the large number of possible factors.

An experimental design is the “gold standard” for explaining reasons for SAE variation, but such a design is not feasible. However, non-experimental approaches can provide important insights into the sources of State SAE variation.

There are several feasible research options that would combine data sources and analytic approaches, in different ways, to decompose and explain variation in SAE. These different options would use existing national databases of State information, State accounting records, and, for some options, new data collection from case records or FSP workers.

There are clear trade-offs among the options. Relying only on existing national databases requires broad assumptions and limits the number of explanatory variables. Collecting accounting records provides more realistic assumptions and increases the ability to explain variation at a relatively low cost and burden to States. New data collection would support more robust and definitive analysis, but would entail significant cost and burden.

## Recommended Approaches

The report recommends a sequence of feasible studies that, if completed, would provide a substantially enhanced understanding of State

variation in SAE. First, the two least expensive studies would provide important insights and information on the feasibility and value of the more expensive alternatives. Next, three studies are recommended that would, at a greater cost, explore additional cost factors and guide the choice among the alternatives for comprehensive study. The sequence would culminate in one of three ambitious potential studies obtaining and analyzing the richest data.

1. The sequence begins with an **exploratory regression analysis of existing State-level time series of aggregate costs**. It would attempt to model, for the first time, the relationship of certification costs to average eligibility worker pay, market pay for related occupations, case characteristics, frequency of certification and recertification, and State fiscal conditions and budget constraints.
2. The second study would **decompose certification costs** based on a national survey of States. The survey would collect data on total FSP eligibility worker time and cost, average eligibility worker pay, cost allocation methods, and availability of data for other studies. Using both survey data and information from Study 1, this project would identify major factors likely to affect eligibility worker time, eligibility worker pay, and overhead.
3. The third study is an **exploratory study of automated data processing (ADP) costs**. Extant data would be analyzed and new data collected through interviews on the components of ADP costs and information system features, including the characteristics and costs of ADP systems in States with high or low performance relative to their SAE costs. Study results would guide future analysis of the relationship of ADP and certification costs.
4. The fourth study, a **pilot study of approaches to collect and disaggregate eligibility worker time per case**, would collect time-use data, including case type or task information, or else be merged with case records. This study would demonstrate the feasibility of following one or both of these approaches on a national scale.

5. Study five is an **in-depth collection of accounting data and interviews with experts in all States**. This study would identify the composition of SAE and the major factors likely to affect the components of SAE other than eligibility worker pay.
6. Based on the findings from previous studies, the analysis would culminate in one of the following three options:
  - a full-scale study collecting and using richer eligibility worker time-use data,
  - a full-scale study merging case records with eligibility worker time-use data, or
  - a full-scale study collecting data on average time per task by case type.

For each option, new information is combined with routinely reported aggregate data for all States. For the second and third options, case records would be analyzed to determine the frequency of tasks and the relationship of case characteristics to task frequency.

### For More Information

Logan, Christopher and Jacob Alex Klerman. *Feasibility of Assessing Causes of State Variation in Food Stamp Program Administrative Costs*. Prepared by Abt Associates, Inc., for FNS (available online at [www.fns.usda.gov/fns](http://www.fns.usda.gov/fns)).

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