

August 14, 2008

SUBJECT: Benefit Adjustments in Combined Application Projects

TO: All Regional Directors
Food Stamp Program

This memorandum sets forth the adjustments to be made by States operating Combined Application Projects (CAP). These changes are needed to implement provisions of the Food, Conservation, and Energy Act of 2008 (the Farm Bill), the annual Food Stamp Program (FSP) benefit adjustment, the Supplemental Security Income (SSI) cost-of-living (COLA) adjustment, and State standard utility allowance adjustments. Please notify the affected States in your Region that, effective October 1, 2008, they must adhere to the following procedures and provide this office written notification, no later than January 31, 2009, (and each January 31 thereafter), of their new CAP benefit amounts.

FARM BILL CHANGES: Two important Farm Bill changes are the increase in the monthly minimum benefit from \$10 to \$14 and the increase in the Standard Deduction from \$134 to \$144. Both the minimum benefit and Standard Deduction will be indexed to the rate of inflation beginning in fiscal year (FY) 2010.

Under a CAP, benefit amounts are either standardized based on household shelter expenses or calculated using standardized shelter expenses. At a minimum, there are two standardized benefit levels: one for households with low shelter expenses and another for those with high shelter expenses. CAP households receive a benefit amount comparable to what they might receive under the regular Food Stamp Program, which, for many low-shelter households, would be the minimum benefit.

• **STEPS FOR STATES WITH STANDARDIZED BENEFITS:**

- ♦ New Minimum Benefit: 1) If necessary, raise standardized CAP benefit levels of less than \$14 to \$14 and 2) Increase the standard CAP benefit for all households in the low-shelter expense group by an additional \$2. The Food and Nutrition Service (FNS) determined that amount to be appropriate to most low-shelter standards. States with very few minimum benefit households included in their CAP should note that this \$2 increase may be too large to ensure cost neutrality and increase the minimum benefit by \$1 instead.
- ♦ New Standard Deduction: Increase benefits by \$2 for households in the low-shelter expense group and by \$3 for high-shelter expense households. These figures also were deemed appropriate by FNS given the number of households and their benefit levels affected by the increase. NOTE: This change ignores interactions with the excess shelter expense deduction. On balance, this may cause the CAP benefit to be slightly lower than a traditionally calculated benefit, but may help the State remain within cost neutrality.

- **STATES WITHOUT STANDARDIZED BENEFITS:** Increase the minimum benefit to \$14. Increase the Standard Deduction to \$144 and calculate the CAP benefit normally.

ADJUSTMENTS TO FOOD STAMP MAXIMUM ALLOTMENTS: Adjustments to the food stamp maximum allotments, which are effective October 1 each year, generally have a dollar-for-dollar effect on the CAP benefit and will remain in place for 3 months until the benefit values are adjusted again in January to account for the SSI COLA. However, an increase in the maximum allotments will not increase benefits to many households that receive the minimum benefit. Because the low-shelter expense households usually contain a disproportionately large number of minimum benefit households, the \$14 increase for FY 2009 must be reduced to \$10 (because many of these households would not see a higher benefit under standard program rules).

To summarize, a low-shelter CAP household already receiving a standardized benefit that exceeds the new minimum will see an increase of \$14 in its allotment effective October 1: a \$2 minimum benefit increase plus the \$2 increase resulting from the new Standard Deduction, plus \$10 resulting from the new maximum allotments.

SSI COLA: States that do not standardize CAP benefits should incorporate SSI COLAs in the same way they do for regular food stamp recipients. Standardized benefits are affected by the SSI COLA depending on whether or not the CAP household is receiving a benefit reflecting the excess shelter deduction. The following examples illustrate how standardized benefits are to be adjusted (calculations ending in 1 through 49 cents are rounded down).

- **NO EXCESS SHELTER DEDUCTION:** Absent other changes to income or to the benefit calculation, effective each January 1, States must reduce the standardized benefits of households with no excess shelter deduction by an amount equal to 30 percent of the COLA. This corresponds to the 30 percent of net income subtracted from the maximum food stamp allotment when computing regular food stamp benefits. For example, the 2008 SSI individual COLA of \$14 resulted in a \$4 decrease in the standardized benefit ($\$14 \times .30 = \4).
- **EXCESS SHELTER DEDUCTION:** Absent other changes to income or to the benefit calculation, effective each January 1, States must reduce the standardized benefits of households eligible for an excess shelter deduction by an amount equal to 30 percent of the net income increase. For example, the 2008 SSI COLA of \$14 reduced the excess shelter deduction by \$7, resulting in a \$21 net income increase (\$14 COLA plus the \$7 reduction in the excess shelter deduction), and the standardized food stamp benefit fell by \$6 ($\$21 \times .30 = \6). A simpler way to determine the benefit reduction is to multiply the COLA by 45 percent and subtract the result from the standardized benefit ($\$14 \times .45 = \6).

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STANDARD UTILITY ALLOWANCES: Changes to a State's Standard Utility Allowance (SUA) will also affect benefit levels in States that incorporate SUAs in standardizing CAP benefits for households eligible for the excess shelter deduction. Typically, each one dollar increase in an SUA results in a benefit increase of thirty cents.

If your CAP States have questions concerning these procedures, or the new reporting requirement, please have them contact Shelia Little at 703-305-2762 or Shelia.little@fns.usda.gov (FL, KY, MS, NC, PA, SC, VA, NJ, WI) or Micheal Atwell at 703-305-2449 or micheal.atwell@fns.usda.gov (AZ, LA, MA, NY, TX, WA, SD).

/s/

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cc: Robert Dalrymple, ORNA