



**JAN 22 2010**

United States  
Department of  
Agriculture

Food and  
Nutrition  
Service

3101 Park  
Center Drive

Alexandria, VA  
22302-1500

**SUBJECT:** Federal Support for Enrollment and Application Processing Costs  
Supplemental Nutrition Assistance Program (SNAP)

**TO:** All Regional Directors  
Supplemental Nutrition Assistance Program (SNAP)

Under Secretary Kevin Concannon sent a letter to all State SNAP Commissioners on November 20, 2009 setting forth the Department's concern that outsourcing functions of the SNAP intake and application process has resulted in more complex and cumbersome enrollment procedures that have not furthered the mission of the program. The following guidance is intended to identify those areas of program administration that require review and approval from FNS as a condition of Federal financial participation (FFP).

Privatization is the use of non-merit system staff in the SNAP application process. As required by section 11(e)(6) of the Food and Nutrition Act of 2008 (Act) and 7 CFR 272.4(a)(2), the certification interview and final decision on eligibility determination has been exclusively a merit pay staff function and use of any other private staff in these activities requires a demonstration project waiver under section 17 of the Act. Several States have such waivers to test the impact of using community-based organization (CBO) staff to interview households. These are relatively small scale projects in limited geographic areas that supplement rather than supplant the State agency role in certification. Applicants have had the choice of going through the CBO or going directly to a merit systems State employee.

Over the past few years several States have used vendor staff to help households complete the application, gather verifying information about household circumstances, answer case specific questions from call centers and/or enter information into the State's automated data processing system. State merit staff would then conduct an interview with the household and make a determination regarding the household's eligibility and benefit level. While these projects did not require a waiver from FNS, the two largest projects have reported to FNS on key measures of access and customer service. In both cases State leadership has either abandoned or significantly altered these projects based upon poor performance in serving SNAP households. After a careful review of the impact of these projects on program administration, FNS has determined that it is not in the best interest of the households entitled to SNAP to support such projects with Federal Financial Participation (FFP).

Accordingly, FNS is requiring States to report to receive prior FNS approval if they plan to use non-merit pay staff to perform discretionary tasks in the intake and enrollment process. FNS will work with States to determine if FFP is warranted. States do not need prior approval for (1) application assistance by CBO's that is approved as part of the SNAP outreach plan that facilitates rather than replaces the role of the State worker,

(2) non-discretionary tasks such as data entry, typing, data matching, and document scanning, and (3) ancillary support services such as building security, maintenance, and technology support.

FNS continues to strongly support innovations in program delivery that enhance customer service and program efficacy. Through policy, technical assistance, and funding, FNS has and will support improved technology, enhanced process design, and partnerships with community agencies. FNS also recognizes the critical role that vendors play in automation and benefit issuance through electronic benefits transfer. We believe that this guidance will enable FNS to work with States more effectively as a Federal partner by better identifying roles and responsibilities early in designing new delivery strategies.

### Questions and Answers

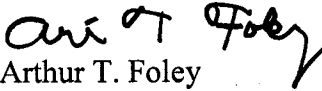
- **Why is FNS taking this position?** Based upon the experience of the States that have introduced private workers into the certification process, FNS believes that such an operation has inherent flaws that result in an inefficient and ultimately ineffective operation of the SNAP. In these models, applicants have been required to go through vendor staff in order to secure an interview with State workers. This has added complexity and opportunities for slippage to the enrollment process.
- **What evidence did FNS have to make this determination?** In the States where private staff has been used in the application process FNS has conducted numerous on-site reviews, and scrutinized both routine and special reports on a wide range of program metrics. In the site reviews, FNS has seen overlap and duplication in case processing. For example, a private worker verifies household information, but to do so requires the worker to ask the household several of the same questions that are asked by the State worker during the interview. This is inefficient and, in a time of growing caseloads and diminished State resources, impedes States ability to process cases timely. FNS has also seen disruption of the process as records are passed between offices without the proper controls and are delayed or lost. Private staff has sometimes lacked sufficient SNAP policy training to provide satisfactory customer service. Furthermore, FNS has reviewed data on application processing, improper denials, and payment accuracy to reach this conclusion. In particular, severe problems with the timeliness of application approvals were identified.
- **What authority does FNS have to take this position?** Under section 16 of the Act, the Secretary is authorized to pay up to 50 percent of allowable State costs for certification of SNAP households and other administrative expenses. Pursuant to Program regulations at 7 CFR Part 277, App. A; 7 CFR Part 30116 and applicable OMB Circulars, in order to be allowable costs must be necessary and reasonable for the efficient administration of the Program. If the costs associated with the use of vendor staff in the SNAP application process are not cost effective or hinder the purpose of improved program access, they could be determined unallowable.

The purpose of prior approval is to prevent States from incurring costs that are not allowable and therefore not eligible for FFP. Section 276.4 of the SNAP regulations requires FNS to determine if States' administration of the SNAP is efficient and effective. When they are not, FNS may suspend or disallow administrative funding after warning the State. FNS has determined that use of private staff in the certification process raises urgent questions regarding efficient and effective program access and integrity. We also note that section 4116 of the Food, Conservation, and Energy Act of 2008 amended section 11 of the Act to require the Secretary of Agriculture to identify and review major changes in operations by State agencies including substantial increases in the reliance on automated systems for the performance of responsibilities previously performed by State merit pay employees.

- **If a State were to contract for services with a private firm to perform certification activities as described above without FNS approval, what action would FNS take?** FNS would have a number of options. If it determines that costs associated with the contract are not necessary and reasonable for efficient administration of the program as required by 7 CFR Part 277, App. A; 7 CFR Part 3016; and applicable OMB Circulars, FNS could disallow FFP for those costs pursuant to 7 CFR 277.16(b). For example, if a State contracted for \$5 million with a firm to verify SNAP household information, FNS would normally reimburse the State \$2.5 million, but because this cost is for the use of private staff in the application process, if FNS determined that the costs were not allowable, FFP would not be provided. Other alternatives include, but are not limited to, requesting the Attorney General to seek injunctive relief against the State in the Federal courts pursuant to section 11(g) of the Act.
- **Can States use data broker services without FNS approval?** States do not need to report contracts with firms for making data available and matching that data. However, the function of making a determination as to whether the data is sufficient for verification or should result in further client contact is a key element in the certification process that would require FNS review and approval if handled by non-merit system staff.
- **Are all functions included in the application process included in the FNS position on this matter?** Any activity that involves direct contact with applicants and participants would be included. Interviewing and determining eligibility are clearly included. Taking applications or change reports over the phone at a processing (aka call) center and providing case status would also be included. Screening cases prior to interview and obtaining verification involves contact with the household so would also be a merit pay staff function. Functions that do not involve household contact (e.g., data entry may not involve contact with SNAP households) would not be included.

In addition staff providing general information on a State's hot line would not be included (the distinction between general information on a hotline and case status information from a processing center is the ability to accept or provide case specific information to the participant).

- **Is FNS opposed to States redesigning their certification process to improve efficiency through business process reengineering (BPR)?** FNS has and will continue to support States' efforts to modernize the certification process. Several States have made great strides in streamlining their operations in ways that save time and cost while improving access and customer service.
- **Would FNS share in the cost of non-merit staff in cases where the State needs to hire temporary help to deal with a backlog or as an interim step as merit staff were being hired or trained?** FNS understands that States must have the ability to deal with short term staffing shortages and need the flexibility to hire non-merit pay staff. Subject to prior approval, so long as such temporary staff did not perform those tasks reserved strictly for merit pay staff, FNS would share in the State's costs if it determined that the costs were necessary and reasonable for effective Program administration.
- **Could a State seek a waiver to allow for the use of non-merit pay staff in the certification process?** States may request a section 17 demonstration waiver to private staff in those functions reserved for merit pay staff, but the case for such a demonstration would be difficult to make. Given the experience to date it would be difficult to argue that use of non-merit pay staff has a reasonable chance of enhancing program operations. FNS will continue to consider waivers to enable CBO staff to conduct interviews. Any such projects would need to supplement existing certification activities and commit to an appropriate evaluation design and reporting.

  
Arthur T. Foley  
Director  
Program Development Division