



SCHOOL of  
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Testimony

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Chairman Davis, Ranking Member Doggett, and members of the Subcommittee, thank you for inviting me to testify on this important topic.

My name is Douglas Besharov, and I am a professor at the University of Maryland School of Public Policy, where I teach courses on poverty alleviation, program evaluation, and policy analysis. I also direct the university's Welfare Reform Academy (WRA) and Center for International Policy Exchanges (CIPE). Of particular relevance to this hearing is our project on "Learning from Abroad," which is designed to glean policy ideas from other nations. Our web site is [www.umdcipe.org](http://www.umdcipe.org).

The topic of today's hearing is the "Use of Technology to Improve the Administration of SSI's Financial Eligibility Requirements." Modern technology, of course, can be a mixed blessing, and in every case one should weigh the benefits against the costs of adopting a new system.

My testimony focuses on the human side of program implementation, and how modern technology can be used to limit "eligibility creep." Eligibility creep is the process through which program's are successively expanded through a series of small steps, many of whose impacts are

imperceptible at the time.

I would like to discuss two aspects of this process. The *first* is the progressive statutory and administrative expansion of eligibility through small changes in law or process that, on their own, might seem a reasonable adjustment to the circumstances, but that have the cumulative effect of dramatically increasing eligibility.

The *second* is the documented tendency for eligibility rules to be applied in a progressively more generous manner by first-level agency staff. Those who deal directly with program recipients (“street-level bureaucrats” and their supervisors) generally have wide discretion in determining program eligibility. This discretion stems from two sources: (1) the variability of the circumstances of clients requires that the street-level bureaucrat use discretion; and (2) the complex and sometimes contradictory regulations and policies that are given to street-level bureaucrats for implementation allow “front-line workers to selectively apply rules that are too voluminous to enforce in their totality.”<sup>1</sup>

This is especially true in means-tested programs where the determination of income is often based on a series of difficult to monitor decisions. (It often also applies to the determination of “disability.”) Although these realities are usually viewed as generating inappropriate government spending, at a deeper level, they can also generate serious problems of horizontal equity, that is, giving benefits to some who are relatively better off than others simply because of the particular preferences of the street-level decision maker.

Last September, I testified before this subcommittee about the expansion of safety-net programs caused by eligibility expansions both before and after the recession, as well as by the continuing high level of unemployment. Depending on what programs one counts, the federal and state governments are now providing the highest levels of means-tested assistance than at any time in our history.

Many see these expansions as a long overdue increase in aid to low-income Americans, and that may or may not be true. But the larger point is that setting and implementing eligibility rules—concerning income and assets—for these programs should be an explicit element of national policy making, not the result of piecemeal, unexamined decisions. On this point, I believe that this committee’s work on the application of modern technology—facilitated by data standardization—can help enormously. I know that this has been a bipartisan effort, difficult in these times, but much appreciated by those of us in the field.

I have spent more time studying the Supplemental Nutrition Assistance Program (SNAP) (what used to be called “food stamps”) and the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) eligibility and enrollment than disability programs, but the experiences of these programs provide useful lessons for disability programs about the

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<sup>1</sup>Marcia Meyers and Susan Vorsanger “Street-Level Bureaucrats and Public Policy” in *The Handbook of Public Administration*, eds. B. Guy Peters and Jon Pierre (Thousand Oaks, CA: Sage, 2003), 247.

importance of well-established rules concerning income and assets—systematized and monitored by modern technology systems.

Since 2000, SNAP and WIC caseloads and expenditures have increased dramatically.

- Between 2000 and 2011, the SNAP caseload increased by about 160 percent (from 17.2 million individuals to about 44.7 million individuals) and expenditures rose by about 234 percent (from \$22.6 billion to \$75.7 billion).<sup>2</sup>
- In the same period, the WIC caseload increased by 25 percent (from about 7.2 million to about 9 million women, infants, and children) and WIC expenditures rose by about 36 percent (from \$5.2 billion to about \$7.2 billion)<sup>3</sup> not counting the rising costs to states of income formula reimbursements (from about an additional \$1.7 billion in 2000 to about \$1.9 billion in 2007, the last year for which these data are available).<sup>4</sup>

This rise in caseloads in the SNAP caseload is greater than the increase in the number of eligibles (through increasing poverty and the number of new mothers, infants, and children)<sup>5</sup> would predict.

- Between 2000 and 2010, the number of individuals in families with incomes below 130 percent of poverty increased by 17.1 million, from about 45.8 million to about 62.9 million.<sup>6</sup> In that same period, the number of SNAP recipients increased by 23.1 million,

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<sup>2</sup>U.S. Department of Agriculture, Food and Nutrition Service, “Supplemental Nutrition Assistance Program Participation and Costs,” <http://www.fns.usda.gov/pd/SNAPsummary.htm> (accessed July 13, 2012).

<sup>3</sup>U.S. Department of Agriculture, Food and Nutrition Service, “WIC Program Participation and Costs,” <http://www.fns.usda.gov/pd/wisummary.htm> (accessed July 13, 2012).

<sup>4</sup>Douglas J. Besharov and Douglas M. Call, *The Expansion of WIC Eligibility and Enrollment: Good Intentions, Uncontrolled Local Discretion, and Compliant Federal Officials* (College Park, MD: Welfare Reform Academy, March 2009), [http://welfareacademy.org/pubs/foodassist/The\\_Expansion\\_of\\_WIC\\_Eligibility\\_and\\_Enrollment\\_09\\_0305A.pdf](http://welfareacademy.org/pubs/foodassist/The_Expansion_of_WIC_Eligibility_and_Enrollment_09_0305A.pdf) (accessed July 13, 2012).

<sup>5</sup>Actually, between 2000 and 2011, there was a slight decline in births, from 4.06 million to 3.96 million. (During that period, they also rose to an all-time high of 4.31 million in 2007.) Brady E. Hamilton and Paul D. Sutton, *Recent Trends in Births and Fertility Rates Through December 2011* (Atlanta: Centers for Disease Control and Prevention, May 2012), [http://www.cdc.gov/nchs/data/hestat/births\\_fertility\\_december\\_2011/births\\_fertility\\_december\\_2011.pdf](http://www.cdc.gov/nchs/data/hestat/births_fertility_december_2011/births_fertility_december_2011.pdf) (accessed July 12, 2012).

<sup>6</sup>University of Maryland Poverty Analysis and Tabulation Tool, version 4.7.1; and U.S. Census Bureau, “Age and Sex of All People, Family Members, and Unrelated Individuals Iterated by Income-to-Poverty Ratio and Race: 2010,” [http://www.census.gov/hhes/www/cpstables/032011/pov/new01\\_130\\_01.htm](http://www.census.gov/hhes/www/cpstables/032011/pov/new01_130_01.htm) (accessed July 12, 2012)

from about 17.2 million to about 40.3 million.<sup>7</sup>

Why have SNAP and WIC caseloads and expenditures increased so much? Although a struggling economy and an increase in poverty certainly contribute to the increase in enrollment, statutory and administrative expansions in eligibility and loosened criteria and processes for determining income have also been major contributors. Here's what has happened under SNAP:

## SNAP

- ***Nullified assets tests.*** To meet SNAP asset requirements, a household must have below \$2,000 in assets (\$3,000 for households with a disabled individual) and no more than one vehicle (worth less than \$4,650). Houses, retirement accounts, and personal property are not counted as assets. The Agricultural Appropriations Act of 2000 allows states the option of using the vehicle asset test of their Temporary Assistance to Needy Families (TANF) program for SNAP recipients instead of the SNAP vehicle asset test.<sup>8</sup> As of November 2010, thirty-three states and D.C. excluded the value of all vehicles and another fifteen states exclude the value of one vehicle.<sup>9</sup> Using the categorical eligibility provisions created by USDA regulations in 2000 (described below), states also have the option of using the asset tests in their TANF programs in place of the SNAP asset test. Thirty-six states exercise this option and do not have an asset test for SNAP recipients.<sup>10</sup>
- ***Verifying income eligibility only once a year.*** Prior to the Farm Security and Rural Investment Act of 2002 ("2002 Farm Bill"), all households were required to recertify their earnings every three months. For households with earnings, states had the option of using "simplified reporting," which increased the certification periods for households to up to one year (with households required to report a change in earnings only if their earnings exceeded the gross income limit of 130 percent of poverty). Income was

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<sup>7</sup>U.S. Census Bureau, "Age and Sex of All People, Family Members, and Unrelated Individuals Iterated by Income-to-Poverty Ratio and Race: 2007," [http://www.census.gov/hhes/www/cpstables/macro/032008/pov/new01\\_135\\_01.htm](http://www.census.gov/hhes/www/cpstables/macro/032008/pov/new01_135_01.htm) (accessed July 12, 2012); and U.S. Census Bureau, "Age and Sex of All People, Family Members, and Unrelated Individuals Iterated by Income-to-Poverty Ratio and Race: 2010," [http://www.census.gov/hhes/www/cpstables/032011/pov/new01\\_135\\_01.htm](http://www.census.gov/hhes/www/cpstables/032011/pov/new01_135_01.htm) (accessed July 12, 2012).

<sup>8</sup>David Super and Stacy Dean, *New State Options to Improve the Food Stamp Vehicle Rule* (Washington, DC: Center on Budget and Policy Priorities, January 2001), <http://www.cbpp.org/cms/?fa=view&id=870> (accessed July 13, 2012).

<sup>9</sup>U.S. Department of Agriculture, *Supplemental Nutrition Assistance Program: State Options Report* (Alexandria, VA: U.S. Department of Agriculture, November 2010), [http://www.fns.usda.gov/snap/rules/Memo/Support/State\\_Options/9-State\\_Options.pdf](http://www.fns.usda.gov/snap/rules/Memo/Support/State_Options/9-State_Options.pdf) (accessed July 12, 2012).

<sup>10</sup>Gene Falk and Randy A. Aussenberg, *The Supplemental Nutrition Assistance Program: Categorical Eligibility* (Washington, DC: Congressional Research Service, March 2012), <http://www.nationalaglawcenter.org/assets/crs/R42054.pdf> (accessed July 13, 2012).

required to be re-verified every six months. The 2002 Farm Bill gave states the option of using simplified reporting for all SNAP households, not just those with earnings. As of November 2010 (the latest data available), forty-seven states and D.C. used simplified reporting.<sup>11</sup>

What impact do these rules have on enrollment and program costs? Maria Hanratty of the University of Minnesota found that relaxing of certification requirements in the food stamp program—that is, extending certification periods to six months and requiring food stamp recipients to report a change in income during the certification period only if it results in their income exceeding 130 percent of poverty—led to a 9.2 percent increase in food stamp participation between 2001 and 2003 (using the 2001 panel of the SIPP).<sup>12</sup>

- ***Ignoring the income of others in the household.*** A SNAP household is defined as “a group of individuals who live together and customarily purchase food and prepare meals together for home consumption.”<sup>13</sup> Some states, however, implement the statute in a way that allows for broader eligibility. In Massachusetts, for example, SNAP applicants self-report their household composition and state agency verification of household composition is only required if there is something “questionable” about the reported household composition. In addition, Massachusetts does not require that the households store food separately from others who live in the house or that they use separate cooking facilities.<sup>14</sup>
- ***Counting less income and allowing more deductions in calculating income.*** To be eligible for SNAP, recipients must have *gross income* below 130 percent of the poverty line and *net income* below 100 percent of the poverty line. The gross income requirements are waived for recipients who are categorically eligible for SNAP benefits. Net income is calculated by taking gross income and subtracting a number of deductions: a standard deduction (for “basic unavoidable costs”), a 20 percent earnings deduction, a dependent care deduction, a child support deduction for recipients paying child support, a

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<sup>11</sup>U.S. Department of Agriculture, *Supplemental Nutrition Assistance Program: State Options Report* (Alexandria, VA: U.S. Department of Agriculture, November 2010), [http://www.fns.usda.gov/snap/rules/Memo/Support/State\\_Options/9-State\\_Options.pdf](http://www.fns.usda.gov/snap/rules/Memo/Support/State_Options/9-State_Options.pdf) (accessed July 12, 2012).

<sup>12</sup>Maria Hanratty, “Has the Food State Program Become More Accessible? Impacts of Recent Changes in Reporting Requirements and Asset Eligibility Limits,” *Journal of Policy Analysis and Management* vol. 25, no. 3 (2006): 603–621, <http://www3.interscience.wiley.com/cgi-bin/fulltext/112651064/PDFSTART> (accessed November 14, 2008).

<sup>13</sup>*Food Stamp Act of 1977*, as amended through Public Law 108–269, 108th Cong., 2d sess. (July 2, 2004), sec. 3(i)(1)(B), <http://agriculture.senate.gov/Legislation/Compilations/FNS/FSA77.pdf> (accessed July 16, 2012).

<sup>14</sup>Patricia Baker, Deborah Harris, Laura Gallant, Rochelle Hahn, and Helene Newberg, *An Advocate’s Guide to the SNAP/Food Stamps/Supplemental Nutrition Assistance Program in Massachusetts* (Boston, Massachusetts Law Reform Institute, January 2012), <http://www.masslegalhelp.org/income-benefits/food-stamps-advocacy-guide/> (accessed July 16, 2012).

shelter deduction, and a medical expenses deduction for the elderly or disabled. The 2002 and 2008 Farm Bills (officially the “Food, Conservation, and Energy Act of 2008”) increased the amount of the standard deduction, removed the cap of the dependent care deduction, and allowed states to not require recipients to report changes in their deductions until their next recertification.<sup>15</sup> In 2010, the USDA reported that SNAP recipients with earned income had an average monthly gross income of \$1,174, but net incomes of only \$544, a difference of \$630 dollars.<sup>16</sup> This has the effect of increasing the number of eligible households and incentivizing eligible non-recipient households to enroll to take advantage of higher benefits.

- ***Increasing the amount of benefits.*** The 2008 Farm Bill increased the minimum monthly SNAP benefits from \$10 a month to “8 percent of the thrifty food plan for a household of one” for one- and two-person households (about \$16 a month in 2012).<sup>17</sup> The 2009 American Recovery and Reinvestment Act (ARRA) increased the maximum benefit amount for each size of SNAP households by another 13.6 percent.<sup>18</sup> These increases may have contributed to the increase in the take-up rate of SNAP benefits because they increased the amount of SNAP benefits for eligible households with earnings for whom the initial benefit otherwise would have represented a negligible increase in their income. According to researchers at the USDA, “The percentage of eligible individuals choosing to participate in SNAP also rose from 54.1 percent in fiscal year 2002 to 72.2 percent in fiscal year 2009.”<sup>19</sup>

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<sup>15</sup>U.S. Department of Agriculture, Food and Nutrition Service, “2002 Farm Bill: Section-by-Section Summary of Provisions Affecting Food Stamp Provisions,” [http://www.fns.usda.gov/cga/2002\\_farm\\_bill/food\\_stamps.html](http://www.fns.usda.gov/cga/2002_farm_bill/food_stamps.html) (accessed July 13, 2012); and Dottie Rosenbaum, *Food Stamp Provisions of the Final 2008 Farm Bill* (Washington, DC: Center on Budget and Policy Priorities, July 2008), <http://www.cbpp.org/cms/index.cfm?fa=view&id=310> (accessed July 13, 2012).

<sup>16</sup>Esa Eslami, Kai Filion, and Mark Strayer, *Characteristics of Supplemental Nutrition Assistance Program Households: Fiscal Year 2010* (Alexandria, VA: U.S. Department of Agriculture, September 2011), <http://www.fns.usda.gov/ora/menu/published/snap/FILES/Participation/2010Characteristics.pdf> (accessed July 13, 2012).

<sup>17</sup>Dottie Rosenbaum, *Food Stamp Provisions of the Final 2008 Farm Bill* (Washington, DC: Center on Budget and Policy Priorities, July 2008), <http://www.cbpp.org/cms/index.cfm?fa=view&id=310> (accessed July 13, 2012); and Community Resources Information, “SNAP Food Stamps: What Benefits Will I Get?” <http://www.massresources.org/snap-benefits.html> (accessed July 13, 2012).

<sup>18</sup>Mark Nord and Mark Prell, *Food Security Improved Following the 2009 ARRA Increase in SNAP Benefits* (Alexandria, VA: U.S. Department of Agriculture, April 2011), <http://www.ers.usda.gov/media/127913/err116.pdf> (accessed July 13, 2012).

<sup>19</sup>Esa Eslami, Kai Filion, and Mark Strayer, *Characteristics of Supplemental Nutrition Assistance Program Households: Fiscal Year 2010* (Alexandria, VA: U.S. Department of Agriculture, September 2011), 21, <http://www.fns.usda.gov/ora/menu/published/snap/FILES/Participation/2010Characteristics.pdf> (accessed July 13, 2012).

- ***Five months of transitional benefits regardless of income.*** TANF recipients who are leaving welfare for work are eligible to receive “transitional SNAP benefits” even if they no longer meet the income requirements. The amount of their benefits is based on the amount they received (or would have received) in their final month of TANF, adjusted for the loss in TANF income.<sup>20</sup> The 2002 Farm Bill extended the number of months of transitional SNAP benefits from three to five.
- ***Categorical eligibility to incomes of 200 percent of poverty.*** Categorical eligibility for SNAP was first introduced in the Food Security Act of 1985. Recipients of the old AFDC program, SSI, and state general assistance programs were made eligible to receive food stamps simply by virtue of their being recipients of these other government programs. When TANF replaced AFDC as the cash welfare program of the United States in 1996, TANF recipients were also given categorical eligibility. However, because TANF money could be used for more than just cash assistance, it was unclear who constituted a “TANF recipient.”
- ***Eligibility for noncitizens.*** The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 made noncitizens ineligible to receive SNAP benefits. The 2002 Farm Bill restored eligibility to legal noncitizens who (1) have been in the United States for five years, (2) are under age eighteen, or (3) receive disability benefits.<sup>21</sup>

In 2000, the USDA issued regulations regarding TANF categorical eligibility for SNAP that allow states the option of conferring categorical eligibility for SNAP on a TANF family if at least one member of the family receives or is authorized to receive TANF-funded cash assistance or “nonassistance”<sup>22</sup> As of January 2012, five states restricted categorical eligibility to the receipt of cash assistance and five states restrict categorical eligibility to the receipt of cash assistance or specified nonassistance such as child care; the remaining forty states and D.C. confer categorical eligibility through the receipt of either cash assistance or any nonassistance provided using TANF funds, including such minimal elements as pamphlets describing benefit programs.

The SNAP regulations also impose a cap of 200 percent of poverty on income eligibility for SNAP categorical eligibility established by the receipt of TANF nonassistance under

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<sup>20</sup>U.S. House of Representatives, Committee on Ways and Means, *Background Material and Data on the Programs within the Jurisdiction of the Committee on Ways and Means* (Washington, DC: U.S. House of Representatives, 2008), <http://democrats.waysandmeans.house.gov/media/pdf/110/food.pdf> (accessed July 13, 2012).

<sup>21</sup>U.S. Department of Agriculture, *Supplemental Nutrition Assistance Program: Guidance on Non-Citizen Eligibility* (Alexandria, VA: U.S. Department of Agriculture, June 2011), [http://www.fns.usda.gov/snap/government/pdf/Non-Citizen\\_Guidance\\_063011.pdf](http://www.fns.usda.gov/snap/government/pdf/Non-Citizen_Guidance_063011.pdf) (accessed July 13, 2012).

<sup>22</sup>TANF nonassistance can include non-recurrent, lump sum benefits, child care, transportation and work subsidies, state earned income tax credits, and counseling.



purposes three and four of TANF (to prevent and reduce the incidence of out-of-wedlock pregnancies and to encourage the formation and maintenance of two-parent families). The SNAP regulations do not impose an income eligibility cap for TANF purposes one and two (provide assistance to needy families and reduce the dependence of needy families by promoting job preparation, work and marriage), but all states that confer TANF through nonassistance have instituted one. As of January 2012, thirteen of these states had set their gross income caps to 130 percent of poverty; the remaining twenty-seven states and D.C. have gross income caps higher than 130 percent but no more than 200 percent of poverty.<sup>23</sup>

The foregoing conclusions are widely shared by careful observers of the program. A USDA report comes to a similar conclusion:

The increase in SNAP participants since 2001 coincided with expansions in SNAP eligibility, such as the relaxation of vehicle rules, the restoration of eligibility for many legal noncitizens, and the expansions in categorical eligibility as well as outreach efforts promoted by FNS. From 2001 to 2003, the increase also coincided with a rise in the unemployment rate and a weakening economy (Table 2.1). From 2004 to 2006, even though the economy improved, participation continued to grow as eligibility expanded. In particular, on October 1, 2003, all legal immigrant children became eligible for SNAP. In addition, States continued to relax vehicle rules and expand categorical eligibility. From 2007 to 2010, participation continued to grow as the economy weakened and the unemployment rate began to rise again. The number of SNAP participants continued to rise during fiscal year 2011, reaching 45.2 million in June 2011.

At the same time, two other factors that likely contributed to the sizeable rise in participation were the increase in maximum benefit allotments under ARRA in April 2009 and the increase in the number of States adopting BBCE [broad-based categorical eligibility] policies. The percentage of eligible individuals choosing to participate in SNAP also rose from 54.1 percent in fiscal year 2002 to 72.2 percent in fiscal year 2009. Total SNAP costs increased from \$53.6 billion in fiscal year 2009 to \$68.3 billion in fiscal year 2010, largely as a result of the increase in SNAP participants and the annual increase in maximum allotments, which were driven by the increase in the TFP.<sup>24</sup>

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<sup>23</sup>Gene Falk and Randy A. Aussenberg, *The Supplemental Nutrition Assistance Program: Categorical Eligibility* (Washington, DC: Congressional Research Service, March 2012), <http://www.nationalaglawcenter.org/assets/crs/R42054.pdf> (accessed July 13, 2012).

<sup>24</sup>Esa Eslami, Kai Fillion, and Mark Strayer, *Characteristics of Supplemental Nutrition Assistance Program Households: Fiscal Year 2010* (Alexandria, VA: U.S. Department of Agriculture, September 2011), 10–11, <http://www.fns.usda.gov/ora/menu/published/snap/FILES/Participation/2010Characteristics.pdf> (accessed July 13, 2012).



## WIC

The experience under WIC of loosening the application of eligibility rules is similar. According to calculations by Douglas Call and me, modifications in the WIC program substantially increased the estimated number of WIC eligibles. Across all categories of WIC eligibles, the percent of the relevant U.S. population estimated to be eligible for WIC in 2003 rose from about 33 percent to about 54 percent. The proportion of eligible infants rose from about 40 percent to about 63 percent; for children, it increased from about 31 percent to about 53 percent; and for pregnant and postpartum women, it increased from about 34 percent to about 49 percent.<sup>25</sup>

- ***Ignoring the income of others in the household.*** To determine income eligibility, WIC agencies are supposed to count the income of the entire household—if it is shared. Many agencies do not do so, however, and instead count the income of only the nuclear family, leaving out other sources of household income—for example, from grandparents, siblings, and boyfriends. The failure to count all of the household’s income can, by itself, expand eligibility over the base of those with annual incomes below 185 percent of poverty by about 20 percent.<sup>26</sup>
- ***Choosing the time period with the lowest income.*** Because incomes can rise and fall throughout the year, WIC agencies are allowed to choose among annual, monthly, or weekly income. USDA regulations allow (but do not mandate) states to require that agencies select the period that “more accurately reflects the family’s status.”<sup>27</sup> (The one exception, and it is substantial, is lower current income caused by unemployment.)<sup>28</sup> Most WIC agencies, however, simply seem to use the lowest income, whichever it is, in order to maximize eligibility. This failure to use the most appropriate income period can,

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<sup>25</sup>In a earlier estimate based on similar but not identical adjustments, Bitler, Currie, and Scholz estimate that, in 1998, approximately 58 percent of infants, 54 percent of pregnant and postpartum women, and 57 percent of children (ages one to five) were eligible for WIC in a given month. Marianne P. Bitler, Janet Currie, and John Karl Scholz, “WIC Eligibility and Participation,” *Journal of Human Resources* 38, no.4 (September 2003): 1139–1179, <http://web.ebscohost.com/ehost/pdf?vid=3&hid=4&sid=dd4e1a93-e6bb-41bb-bd9d-a46075f5adf8%40sessionmgr103> (accessed October 13, 2008).

<sup>26</sup>This is an independent effect, and could be smaller when present in combination with the other practices discussed in this paper.

<sup>27</sup>U.S. Department of Agriculture, Food and Nutrition Service, “WIC Program Regulations,” *Code of Federal Regulations*, title 7, sec. 246.7(d)(2)(i), (2007): 331, <http://www.fns.usda.gov/wic/lawsandregulations/WICRegulations-7CFR246.pdf> (accessed July 16, 2007).

<sup>28</sup>See U.S. Department of Agriculture, Food and Nutrition Service, “WIC Program Regulations,” *Code of Federal Regulations*, title 7, sec. 246.7(d)(2)(I), (2008): 354, <http://www.fns.usda.gov/wic/lawsandregulations/WICRegulations-7CFR246.pdf> (accessed July 10, 2008), stating: “However, persons from families with adult members who are unemployed shall be eligible based on income during the period of unemployment if the loss of income causes the current rate of income to be less than the State or local agency’s income guidelines for Program eligibility.”

by itself, expand eligibility over the base of those with annual incomes below 185 percent of poverty by about 20 percent.<sup>29</sup>

- ***Verifying income eligibility only once a year.*** Once found income-eligible, successful applicants do not have their income eligibility recertified for six months or more (up to one year for infants)—even if incomes rise during that “certification period” which would make them otherwise ineligible. WIC’s six- and twelve-month certification periods can, by themselves, expand eligibility over the base of those with annual incomes below 185 percent of poverty by as much as 30 percent.<sup>30</sup>
- ***Categorical eligibility for incomes up to 300 percent of poverty or higher.*** As with SNAP, eligibility for WIC is also established categorically; that is, it is automatically granted to members of families who are receiving<sup>31</sup> SNAP, Medicaid, or TANF (if they can “provide documentation of receipt of assistance”).<sup>32</sup> When this provision was added to the law, income eligibility for these programs was set below 185 percent of poverty. Hence, the original purpose of categorical eligibility was not to expand eligibility, but simply to facilitate the enrollment process. However, recent expansions of Medicaid and SCHIP-funded Medicaid expansions have begun to raise income limits for those programs to as high as 300 percent of poverty, making categorical eligibility a potential source of substantially greater WIC eligibility. Under current Medicaid eligibility rules, categorical eligibility can, by itself, expand eligibility over the base of those with annual incomes below 185 percent of poverty by as much as 35 percent. And, barring legislative change, there is no limit to how much WIC eligibility can expand—via further expansions of Medicaid and SCHIP.

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<sup>29</sup>This is an independent effect, and could be smaller when present in combination with the other practices discussed in this paper.

<sup>30</sup>This is an independent effect, and could be smaller when present in combination with the other practices discussed in this paper.

<sup>31</sup>Although the statute uses the word “receiving,” WIC regulations do not require applicants to actually be receiving assistance, as long as they have been “certified eligible to receive assistance” under the programs. U.S. Department of Agriculture, Food and Nutrition Service, “WIC Program Regulations,” *Code of Federal Regulations*, title 7, sec. 246.7 (2007), <http://www.fns.usda.gov/wic/lawsandregulations/WICRegulations-7CFR246.pdf> (accessed June 25, 2007). The certification is made by the Food Stamp, TANF, or Medicaid programs, not WIC. Zoë Neuberger, Center on Budget and Policy Priorities, e-mail message to author, June 29, 2007. Presumably, the difference is de minimus, and most researchers estimate categorical eligibility on the basis of being “enrolled in” or being “participants” in the food stamp, Medicaid, or TANF programs. See Michele Ver Ploeg and David Betson, eds., *Estimating Eligibility and Participation for the WIC Program: Final Report* (Washington, DC: National Academies Press, 2003), 50; Marianne Bitler and Janet Currie, “Medicaid at Birth, WIC Take-Up, and Children’s Outcomes” (discussion paper, Institute for Research on Poverty, University of Wisconsin-Madison, Madison, WI, August 2004), 2, <http://www.irp.wisc.edu/publications/dps/pdfs/dp128604.pdf> (accessed June 25, 2007).

<sup>32</sup>*Child Nutrition Act of 1966*, as amended through Public Law 109–85, 109<sup>th</sup> Cong., 1st sess. (October 4, 2005), sec. 17(d), <http://agriculture.senate.gov/Legislation/Compilations/FNS/CNA66.pdf> (accessed June 25, 2007).

- **Nutritional risk assumed.** In addition to being income-eligible or categorically eligible, WIC applicants are supposed to be at “nutritional risk.” It appears, however, that this provision has little practical impact on eligibility determinations. In a widely noted practice, WIC agencies find almost all applicants to be at nutritional risk.<sup>33</sup> In 2005, the Food and Nutrition Services issued WIC Policy Memorandum 98-9, Revision 8 which reduced the number of dietary risk criteria from nineteen to five and provided definitions for each of the five criteria. Most importantly, in accordance with the recommendation from the IOM’s 2002 report, FNS included “presumed dietary risk” as a part of the criterion “Failure to Meet *Dietary Guidelines for Americans*.” This criterion indicates that “women and children two years of age and older who meet the eligibility requirements of income, categorical, and residency status may be presumed to be at nutritional risk.”<sup>34</sup> This criterion was adopted in accordance with the findings of the IOM that “nearly all U.S. women and children usually consume fewer than the recommended number of servings specified by the Food Guide Pyramid and, therefore, would be at dietary risk based on the criterion *failure to meet Dietary Guidelines*.”<sup>35</sup> The failure to assess actual nutritional risk can, by itself, expand eligibility by as much as 25 percent.<sup>36</sup>

## Remedies

As I mentioned above, many see these expansions as long overdue increases in aid to low-income Americans, but I do not think that is the point. Taken separately, it was difficult to predict how large an impact they would have on enrollment and spending—or on the horizontal inequity and work disincentives that often result. Senior policy makers should have more control over such significant benefit allocation decisions.

The use of modern technology could enable us to do better. *First*, a fully automated system of income reporting and eligibility calculation would reduce (although not eliminate) the discretion that “street-level bureaucrats” have to stretch the rules. *Second*, such automated systems contain the program modeling tools that would have enabled us to predict the individual

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<sup>33</sup>Institute of Medicine, *Dietary Risk Assessment in the WIC Program* (Washington, DC: National Academies Press, 2002), 133, stating: “Presume that all women and children ages 2 to 5 years who meet the eligibility requirements of income, categorical, and residency status also meet the requirement of nutrition risk through the category of dietary risk based on *failure to meet Dietary Guidelines*, where *failure to meet Dietary Guidelines* is defined as consuming fewer than the recommended number of servings from one or more of the five basic food groups (grains, fruits, vegetables, milk products, and meat or beans) based on an individual’s estimated energy needs.”

<sup>34</sup>U.S. Department of Agriculture, Food and Nutrition Service, “WIC Policy Memorandum 98–9, Revision 8: 401 Failure to Meet Dietary Guideline for Americans” (Alexandria, VA: USDA, March 2005), 1

<sup>35</sup>U.S. Department of Agriculture, Food and Nutrition Service, “WIC Policy Memorandum 98–9, Revision 8: 401 Failure to Meet Dietary Guideline for Americans” (Alexandria, VA: USDA, March 2005), 2.

<sup>36</sup>This is an independent effect, and could be smaller when present in combination with the other practices discussed in this paper.

and collective impact of the various legislative and administrative changes that so expanded enrollment on programs like SNAP, WIC, and SSDI/SSI.

I mentioned in opening that I lead a project on cross-national studies of social policy issues. In that project, we have been following development of the UK's "Universal Credit." It illustrates the promise of harnessing technology to eligibility and award-setting determinations.

The creation of the Universal Credit takes advantage of a simplified payroll reporting system that the UK will implement nationwide in 2013. UK employers are required to withhold employees' income taxes and National Insurance taxes and submit those taxes to the national government each month. At the end of the year, Her Majesty's Revenue and Customs (HMRC) calculates the amount of tax owed versus the amount of tax paid for each individual and then either issues a tax bill or refund. (This end-of-year process is called "reconciliation.")<sup>37</sup>

The HMRC is currently piloting a new payroll system called the Real-Time Information (RTI) system that links with employer payroll software to automatically transfer employee payroll information and taxes each pay period (either bi-weekly or monthly). In 2013, all employers will be required to report via the RTI. The Department of Work and Pensions will link the payroll information from the RTI to the Universal Credit system to automatically calculate the amount of claimants' UC benefits when employers automatically submit monthly earnings. (Claimants are also required to report any additional income.)<sup>38</sup>

The model, of course, is not directly transplantable to the much larger and diverse U.S. economy, but the possibilities opened by this kind of technology are tantalizing.

A not-so-secondary benefit of the "Universal Credit" is that it will combine tax credits, social assistance (including benefits for the low-income unemployed), disability benefits, and housing credits into a *single benefit*. This will create a single phase-out rate for benefits, reduce the high marginal tax rate for low-income workers, and eliminate the duplication and complexity of previously existing benefit programs. The government estimates that combining these programs will create a marginal tax rate of 65 percent,<sup>39</sup> lower and more straightforward than the current system. First payments under the Universal Credit program will begin in 2013.

The U.S. has a similar problem with high marginal tax rates under many means-tested

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<sup>37</sup>Chartered Institute of Taxation, "PAYE Reconciliation: Questions and Answers," [http://www.tax.org.uk/media\\_centre/blog/Technical/PAYE+QAs](http://www.tax.org.uk/media_centre/blog/Technical/PAYE+QAs) (accessed July 16, 2012).

<sup>38</sup>Department for Work and Pensions, *Universal Credit: Welfare that Works* (London: Department for Work and Pensions, 2010), <http://www.dwp.gov.uk/docs/universal-credit-full-document.pdf> (accessed July 16, 2012).

<sup>39</sup>Department for Work and Pensions, *Universal Credit: Welfare That Works* (London: Department for Work and Pensions, 2010), <http://www.dwp.gov.uk/docs/universal-credit-full-document.pdf> (accessed May 20, 2011) and Department for Work and Pensions, *21<sup>st</sup> Century Welfare* (London: Department for Work and Pensions, 2010), <http://www.dwp.gov.uk/docs/21st-century-welfare.pdf> (accessed July 5, 2011).

government benefits (especially as they interact)—which create substantial disincentives for low-income Americans to work. SSI recipients, for example, have their first \$65 in earnings disregarded but then lose 50 cents in benefits for each additional dollar earned until their earnings exceed the maximum allowed amount.

Considering all the programs for which a family could be eligible (TANF, SNAP, the EITC, UI, child care, housing benefits, and health benefits), Adam Carasso and Eugene Steuerle of the Urban Institute estimate that, in 2005, the average marginal tax rate for households making between \$10,000 and \$40,000 was about 89 percent.<sup>40</sup> That is an admittedly extreme case, but consider the much more likely possibility: according to other Urban Institute researchers, if a mother working twenty hours a week increased her hours to thirty-five hours a week (to an annual income of around \$13,000), her income would increase by only 20 percent because of corresponding declines in government benefits.<sup>41</sup>

As the UK's new Universal Credit program illustrates, modern technology holds the key to untangling and rationalizing marginal tax rates—so that they are less of an obstacle to encouraging recipients to work.

Before closing, I want to congratulate this subcommittee for its bipartisan achievements in the area of data standardization. Without the progress that has already been made—and I hope, will be made—modern technology cannot easily achieve its promise to streamline systems. The process of data standardization begun by this subcommittee will greatly facilitate the implementation of automated cross-program eligibility and payment systems. The coming years, I am sure, will see the fruit of this fundamental work.

Thank you.

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<sup>40</sup>Adam Carasso and Eugene Steuerle, *The Hefty Penalty on Marriage Facing Many Households with Children* (Washington, DC: Urban Institute, 2005), [http://futureofchildren.org/futureofchildren/publications/docs/15\\_02\\_09.pdf](http://futureofchildren.org/futureofchildren/publications/docs/15_02_09.pdf) (accessed June 18, 2012).

<sup>41</sup>Gregory Acs, Norma Coe, Keith Watson, and Robert I. Lerman, *Does Work Pay? An Analysis of the Work Incentives Under TANF* (Washington, DC: Urban Institute, 1998), <http://www.urban.org/PDF/occa9.pdf> (accessed June 22, 2012).