



Implementing Supplemental Nutrition Assistance Program in Puerto Rico:

A Feasibility Study

Food and Nutrition Service
U.S. Department of Agriculture
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Alexandria, VA 22302

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TABLE OF CONTENTS

CHAPTER	PAGE
EXECUTIVE SUMMARY	i
CHAPTER I: INTRODUCTION	1
A. STUDY OBJECTIVES AND METHODOLOGY	2
B. STUDY ASSUMPTIONS AND DATA LIMITATIONS	4
C. ORGANIZATION OF THIS REPORT	6
CHAPTER II. HISTORY OF NUTRITION ASSISTANCE IN PUERTO RICO.....	7
A. PUERTO RICO'S RELATIONSHIP WITH THE U.S.....	7
B. NUTRITION ASSISTANCE IN PUERTO RICO	8
C. IMPACT OF 1982 TRANSITION TO BLOCK GRANT.....	11
D. COVERAGE OF NAP BENEFITS.....	13
E. FEDERAL PROGRAMS AND FUNDING IN PUERTO RICO	14
CHAPTER III. SOCIOECONOMIC AND DEMOGRAPHIC COMPARISONS OF PUERTO RICO AND THE U.S.....	17
A. CURRENT ENVIRONMENT	18
B. LABOR FORCE AND UNEMPLOYMENT.....	18
C. POPULATION TRENDS	20
D. DEMOGRAPHIC TRENDS	21
E. ANNUAL INCOME, INCOME RECEIVED FROM CASH ASSISTANCE PROGRAMS, AND SOCIAL SECURITY INCOME.....	22
F. CHARACTERISTICS OF POVERTY AND NEAR-POVERTY POPULATIONS	22
G. COST OF LIVING.....	23
H. HEALTH AND WELL-BEING	25
CHAPTER IV. COMPARISON OF NAP AND SNAP AND THE IDENTIFICATION OF NECESSARY ADMINISTRATIVE CHANGES.....	29
A. ORGANIZATIONAL STRUCTURE AND FUNDING.....	30
B. ELIGIBILITY RULES.....	31
C. BENEFIT CALCULATION AND AMOUNTS	39
D. BENEFIT ISSUANCE AND REDEMPTION.....	41
E. DATA COLLECTION AND VERIFICATION FOR CERTIFICATION AND RECERTIFICATION	43
F. RETAILER MANAGEMENT	47
G. PERFORMANCE ASSESSMENT	54
H. WORK POLICY AND PROGRAMS.....	59
I. NUTRITION EDUCATION AND OUTREACH PROGRAMS.....	61
CHAPTER V. IMPACT OF CHANGES ON THE LOW-INCOME POPULATION OF PUERTO RICO	63
A. PROJECTED IMPACT ON ELIGIBILITY AND BENEFITS: MICROSIMULATION ANALYSIS	63
B. COVERAGE OF BENEFIT AND ABILITY TO MAKE NUTRITIONAL FOOD CHOICES: STAKEHOLDER ANALYSIS	70
C. PARTICIPANT CERTIFICATION AND RECERTIFICATION EXPERIENCES: STAKEHOLDER ANALYSIS	71
D. BENEFIT ISSUANCE AND REDEMPTION: STAKEHOLDER ANALYSIS	71
E. ACCESS TO CERTIFIED RETAILERS: STAKEHOLDER ANALYSIS	73
F. SNAP AS A WORK SUPPORT: STAKEHOLDER ANALYSIS.....	73
G. EXTENT AND NATURE OF PARTICIPANT FRAUD: STAKEHOLDER ANALYSIS.....	73
H. RETAILER OPERATIONS: STAKEHOLDER ANALYSIS	74

CHAPTER VI: EXPECTED COST CHANGES TO THE FEDERAL GOVERNMENT AND PUERTO RICO	77
A. CHANGE IN TOTAL COSTS.....	77
B. CHANGE IN BENEFIT COSTS	79
C. CHANGE IN ADMINISTRATIVE COSTS.....	79

REFERENCES	85
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APPENDICES

APPENDIX A: RESEARCH QUESTIONS AND KEY DATA SOURCES	A-1
APPENDIX B: DESCRIPTIVE ANALYSIS TABLES.....	B-1
APPENDIX C: SNAP VERSUS NAP COMPARISON TABLES	C-1
APPENDIX D: STAKEHOLDER ANALYSIS METHODS.....	D-1
APPENDIX E: MICROSIMULATION METHODOLOGY AND ADDITIONAL TABLES	E-1
APPENDIX F: ADMINISTRATIVE COST MODEL – METHODS, ASSUMPTIONS, AND COST TABLES	F-1

LIST OF TABLES

TABLE	PAGE
TABLE 1.1. SUMMARY OF DATA COLLECTION SOURCES AND METHODS	3
TABLE 2.1. PUERTO RICO NUTRITION ASSISTANCE PROGRAM NET INCOME THRESHOLDS AS A PERCENTAGE OF THE FEDERAL POVERTY GUIDELINE	14
TABLE 2.2. FEDERAL FUNDING FOR FEDERALLY OPERATED SOCIAL WELFARE PROGRAMS IN PUERTO RICO PROVIDING DIRECT PAYMENTS.....	15
TABLE 2.3. FEDERAL FUNDING FOR JOINTLY OPERATED SOCIAL WELFARE PROGRAMS IN PUERTO RICO	15
TABLE 3.1. DISTRIBUTION OF FAMILIES BELOW 130 PERCENT OF POVERTY GUIDELINE BY INCOME LEVEL, THE UNITED STATES AND PUERTO RICO: 2007.....	23
TABLE 3.2. HEALTH CONDITIONS AND BEHAVIORS AMONG ADULTS, THE UNITED STATES AND PUERTO RICO: 2007.....	26
TABLE 4.1. HOUSEHOLD CHANGES TO BE REPORTED WITHIN A CERTIFICATION PERIOD.....	47
TABLE 4.2. RETAILER FOOD STOCKING AND SALES REQUIREMENTS.....	48
TABLE 4.3. DOCUMENTS REQUIRED FOR RETAILER AUTHORIZATION.....	49
TABLE 4.4. RETAILER PENALTIES.....	53
TABLE 4.5. REQUIRED FEDERAL REPORTS.....	59
TABLE 5.1. COMPARISON OF AVERAGE MONTHLY PARTICIPATION AND BENEFITS UNDER NAP AND SNAP.....	65
TABLE 5.2. HOUSEHOLD PARTICIPATION AND AVERAGE BENEFITS UNDER NAP AND SNAP.....	67
TABLE 5.3. HOUSEHOLD PARTICIPATION AND AVERAGE BENEFITS UNDER NAP AND SNAP, AMONG THOSE WITH GROSS INCOME UNDER 85 PERCENT OF POVERTY GUIDELINE...69	69
TABLE 6.1. COSTS OF CHANGING FROM NAP TO SNAP IN PUERTO RICO.....	78
TABLE 6.2. ESTIMATION OF INCREASE IN COSTS FOR ADDITIONAL RETAILER EBT SERVICES IN PUERTO RICO.....	81
TABLE 6.3. ESTIMATION OF INCREASE IN FY 2010 SNAP BENEFITS IN PUERTO RICO DUE TO THE ARRA.....	82

LIST OF CHARTS

FIGURE	PAGE
FIGURE 2.1: AMOUNT OF BLOCK GRANT: 1983-2009.....	9
FIGURE 2.2: NUMBER OF NAP HOUSEHOLDS: 1982-2008.....	10
FIGURE 2.3: AVERAGE MONTHLY NAP BENEFIT AMOUNT PER HOUSEHOLD: 1982-2008	11
FIGURE 2.4: PERCENT OF PUERTO RICO’S POPULATION UNDER THE FEDERAL POVERTY GUIDELINE COVERED BY NAP.....	13
FIGURE 3.1: LABOR FORCE PARTICIPATION RATE, THE UNITED STATES AND PUERTO RICO: 2004-2008	19
FIGURE 3.2: UNEMPLOYMENT RATE TRENDS, THE UNITED STATES AND PUERTO RICO: 2000-2007	20
FIGURE 3.3: PERCENT CHANGE IN POPULATION GROWTH VS. NON-FARM EMPLOYMENT, PUERTO RICO: 2000-2008.....	21
FIGURE 3.4: INFLATION RATES, THE UNITED STATES AND PUERTO RICO: 1991-2006	24
FIGURE 3.5: MEAN BODY MASS INDEX AMONG ADULTS, THE UNITED STATES AND PUERTO RICO: 1996-2007	26
FIGURE 3.6: PERCENT OF ADULTS EVER DIAGNOSED WITH DIABETES, THE UNITED STATES AND PUERTO RICO: 1996-2007	27
FIGURE 5.1: PROGRAM ACCESS UNDER NAP AND SNAP.....	66
FIGURE 5.2: UNITS WITH SELECTED CHARACTERISTICS AS PERCENTAGE OF TOTAL PARTICIPATING UNITS UNDER NAP AND SNAP	67
FIGURE 5.3: PERCENTAGE OF NAP PARTICIPANTS THAT USE THE 25 PERCENT CASH PORTION OF THEIR BENEFITS TO BUY THE FOLLOWING PRODUCTS.....	72

EXECUTIVE SUMMARY

The United States Department of Agriculture (USDA) Food and Nutrition Service (FNS) is the Federal agency responsible for administering the Supplemental Nutrition Assistance Program (SNAP) in all 50 States, the District of Columbia, Guam, and the Virgin Islands. FNS also oversees the U.S. block grant to Puerto Rico to fund the Nutrition Assistance Program (NAP). NAP is a separate food assistance program implemented in 1982 in lieu of SNAP, then known as the Food Stamp Program (FSP). The Food, Conservation and Energy Act of 2008 (P.L. 110-246) directed that the Secretary of Agriculture conduct a study of the feasibility and effects of including Puerto Rico as a ‘State’¹ under Section 3 of the Food and Nutrition Act of 2008 (P.L. 110-246), instead of providing funding through the block grant. This study assesses the potential impact of establishing SNAP in Puerto Rico, including the administrative burden and costs to both the U.S. Government and the government of Puerto Rico.

Puerto Rico has received nutrition assistance through the legislation authorizing the FSP since November 1, 1974, when U.S. legislation expanded the reach and depth of the FSP to include coverage for Guam, Puerto Rico, and the Virgin Islands (P.L. 91-671).² On July 1, 1982, Congress officially replaced the FSP in Puerto Rico with a block grant. This change allowed Puerto Rico more authority to administer the program, while controlling costs to the U.S. Government. To maintain a food assistance program under the smaller budget, Puerto Rico restricted program eligibility and retargeted benefits to those households who were most financially needy.

There are a number of policy decisions, particularly those related to financial eligibility standards and methods for calculating benefit amounts, that would need to be made prior to implementing SNAP in Puerto Rico. For example:

- Congress would need to determine the basis for setting maximum benefit allotments in Puerto Rico for each household size. Alternatives include using the value of the Thrifty Food Plan (TFP) established for the U.S. mainland; the adjusted TFP used for the noncontiguous states and territories to reflect higher food prices in those areas; or the calculation of a new TFP that specifically reflects household consumption patterns and food prices in Puerto Rico. For this analysis, the mainland TFP is used.
- Congress also would need to define asset, gross, and net income limits for SNAP eligibility guidelines, as well as allowable income deductions for Puerto Rico. For this analysis, the gross and net income limits are set at 130 and 100 per cent of the Federal poverty guidelines applied to the 48 contiguous States, the District of Columbia, Guam, and the Virgin Islands. The available data limited the capacity to simulate U.S. financial criteria for SNAP eligibility among Puerto Rico’s households. As such, applying these guidelines in Puerto Rico may not result in a comparable definition of family need.
- Puerto Rico would need to select from the array of SNAP options that give States choices in some areas of SNAP administration. These include the selection of some eligibility criteria, such as certain deductions and allowances that affect net income and, consequently, the amount of household benefits. Other State choices are related to application and recertification processes, client reporting requirements, employment and training services, and policy, program outreach and nutrition education. Collectively, the choices that a State makes affect client access to the program, participation burden, available services, and administrative costs. For the current analysis, choices made by most States were utilized to develop a package of likely SNAP options for Puerto Rico.

¹ “State” is defined as the 50 States, the District of Columbia, Guam, the Virgin Islands, and the reservations of an Indian tribe whose tribal organization meets the requirements of this Act for participation as a State agency.

² SNAP operates in Guam and the Virgin Islands, but different rules apply in calculating benefits.

Projected Impact on Participation and Benefits

Based on the Federal SNAP rules for fiscal year (FY) 2009 and policy assumptions made specifically for this analysis, a transition to SNAP in Puerto Rico is expected to raise the income limits for eligibility, increase the number of applicants, and correspondingly expand the number of households that receive benefits. In summary, implementation of the SNAP in Puerto Rico is anticipated to:

- Increase the number of households that receive nutrition assistance by 15.3 percent. In a typical month in FY 2009, approximately 554,000 household units participated in NAP. It is estimated that approximately 721,000 households would be eligible for SNAP in a typical month and that approximately 639,000 would actually participate.
- Increase nutrition assistance coverage from 30 percent to approximately 43 percent of the population.
- Change the composition of the caseload. The number and percentage of households that have an elderly member, income over 85 percent of the poverty guideline, and earnings are expected to increase. In contrast, reductions in the number and percentage are anticipated for households with a disabled member and those composed of single mothers and children.
- Increase the average monthly benefit for all types of households except for those with earnings or composed entirely of elderly persons. The average monthly benefit per household would go up 9.6 percent, from \$240 per month to \$263 per month in FY 2009 dollars.

Projected Impact on Benefit and Administrative Costs

A transition from NAP to SNAP would increase costs to both the U.S. Government and the government of Puerto Rico. Most of the cost increase comes from shifting from a block grant with an annual cap to an entitlement program in which benefits are paid to all eligible households. While the U.S. Government covers the cost of all benefits in both NAP and SNAP, the amount is estimated to be much larger under the latter program. Although the U.S. Government and Puerto Rico will continue to share administrative expenses equally, the amount of these costs will be considerably higher under SNAP, due largely to the increased caseload. In summary, a transition to SNAP is expected to:

- Increase total annual costs by almost \$457.3 million in FY 2009 dollars or 23 percent. Of that \$457.3 million increase, \$420 million is a result of additional benefit costs, while \$37.3 million stems from changes in administrative costs.
- Increase costs to the U.S. Government significantly, since it is responsible for 100 percent of the cost of benefits under SNAP. The U.S. Government will bear \$439.2 million or 95 percent of the total increase in costs.³
- Raise Puerto Rico's administrative costs by an additional \$18.1 million or 5 percent of the total cost increase.
- Shift responsibilities for retailer management from Puerto Rico to FNS. Overall, retailer management would increase by \$4.6 million. The U.S. Government would become responsible for most retailer authorization and investigation costs, increasing Federal costs by \$2.8 million, unlike NAP where such costs are shared equally with Puerto Rico. Under SNAP, Puerto Rico would have an additional responsibility of providing and maintaining Point-of-Service (POS) machines, along with incurring the associated SNAP Electronic Benefit Transfer (EBT) transaction costs through their EBT vendor. Puerto Rico's share of retailer management costs would increase by approximately \$1.8 million.

³ Changes to SNAP legislated through the American Recovery and Reinvestment Act of 2009 (ARRA) were not included because all available NAP data preceded ARRA implementation. Based on FNS calculations of the estimated increase in benefit costs due to the ARRA, it is estimated that the ARRA costs would add an additional \$141.7 million to the Federal benefit costs.

Projected Administrative Changes

Overall, the program structure and operational processes of NAP are very similar to SNAP. This is due, in part, to the fact that Puerto Rico was part of the FSP until 1982, and to FNS's oversight of NAP since its implementation. The increase in eligible households would, however, lead to higher administrative burden. Key impacts on program structure and operational processes are as follows:

- Like SNAP, NAP distributes benefits on an EBT debit card. However, unlike SNAP, up to 25 percent of the monthly benefit may be redeemed for cash. Although the cash is designated for eligible food items, it is widely acknowledged that participants use at least some of their allotted cash for non-food essentials, such as medicine and hygiene products. It is difficult to determine what the full impact of a completely non-cash allotment would be on Puerto Rico retailers and participants. Because the current cash allotment is the sole or primary source of cash income for many participants, it is clear that families would need to find other ways to pay for essential non-food items.
- Puerto Rico would need to hire more caseworkers and train both new and existing caseworkers on SNAP rules and regulations. With more staff, Puerto Rico would need to acquire additional computers, office equipment, and leased office space.
- Puerto Rico would need to change its procedures for certification and recertification to meet SNAP requirements. These changes would reduce the number and types of supporting documents required for certification.
- Puerto Rico's IT systems would need to be modified due to changes to the program's financial accounting and other reporting requirements. Because SNAP's eligibility requirements differ from NAP's, Puerto Rico would need to update its case-management system to conform to the new requirements and enable the EBT cards to be redeemable in all U.S. States.
- FNS would become responsible for authorizing, monitoring and investigating SNAP retailers in Puerto Rico. POS machines used only for SNAP EBT would be available cost-free to retailers, potentially enabling more retailers in Puerto Rico to participate in SNAP.
- Puerto Rico would be required to implement an employment and training program, and would receive separate funding from the U.S. to do so.
- Puerto Rico would be able to expand their outreach and nutrition-education activities by choosing to provide SNAP outreach and SNAP Nutrition Education (SNAP-Ed) with Federal matched funds.
- FNS would play a much larger role in setting policy and providing oversight, as it does for the States. This includes reviewing quality control cases for discrepancies and conducting management evaluation reviews.

With NAP, Puerto Rico used the block grant to establish different deductions, benefit levels, and administrative processes. With SNAP, Puerto Rico would be required to drop many of these flexibilities and conform to the SNAP structure.

CHAPTER I: INTRODUCTION

This report was mandated by Section 4142 of the Food, Conservation, and Energy Act of 2008 (P.L. 110-246).⁴ The goal of this study is to provide information to aid the Congress in understanding the potential impact of reestablishing the Supplemental Nutrition Assistance Program (SNAP) in Puerto Rico in lieu of block grant funding.⁵ Specifically, this study assesses the potential impact of SNAP implementation on eligibility standards, benefit determination, operational procedures, administrative burden, and costs to both the U.S. Government and the government of Puerto Rico. Additionally, the study includes a detailed analysis of the potential impact of such changes on low-income residents of Puerto Rico.

The Food and Nutrition Service (FNS), part of the Department of Agriculture (USDA), is the sole Federal agency responsible for providing a food security safety net across the U.S. and its territories. FNS' mission is to increase food security and reduce hunger by providing children and low-income individuals with access to food, a healthful diet, and nutrition education in a manner that supports American agriculture and inspires public confidence. FNS currently administers SNAP along with separate nutrition assistance block grants for Puerto Rico, American Samoa and the Northern Mariana Islands. Additionally, FNS oversees 14 other domestic nutrition assistance programs, including the National School Lunch Program (NSLP), the School Breakfast Program (SBP), the Summer Food Service Program (SFSP), the Child and Adult Care Food Program, the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), the Emergency Food Assistance Program (TEFAP), the Commodity Supplemental Food Program (CSFP), and the Senior Farmers' Market Nutrition Program (SFMNP). Several of these, including the NSLP, operate in Puerto Rico and are administered by Puerto Rico.

SNAP is the largest of the domestic food and nutrition programs administered by FNS, serving over 39 million people in January 2010, the largest number up to January 2010. SNAP is the only low-income assistance program available nationwide to essentially all financially needy households. The basic model for benefit determination is that SNAP should provide the difference between what a household can afford for food out of its monthly income and the least costly adequate diet (Congressional Research Service, 2008). Federal benefit costs for SNAP have increased substantially since 2002, reaching \$53.6 billion in FY 2009. The level of nutrition assistance spending varies with SNAP participation, which is closely linked to economic conditions and eligibility rules.

Puerto Rico was included in the FSP (now known as SNAP) from 1974 to 1982. In part to control escalating costs, the U.S. Congress replaced Puerto Rico's participation with a block grant. In 1982, Puerto Rico designed and implemented its own Nutrition Assistance Program (NAP).⁶ The NAP is funded primarily through the block grant, which covers all benefit costs and 50 percent of the administrative expenses, with Puerto Rico funding the remaining 50 percent of the administrative expenses. This reduced Federal expenditures in Puerto Rico by 25 percent in the first year of the Federal block grant (\$825 million; Mathematica Policy Research [MPR], 1985a). Since 1986, the block grant has been indexed to inflation. Additionally, in 2009 Puerto Rico received a 13.6 percent increase in the block grant legislated through the American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5). This level of increase will remain unchanged until the June cost of the 4-person reference family Thrifty Food Plan (TFP) exceeds 113.6 percent of the June 2008 4-person reference family TFP. Puerto Rico's FY 2009-10 State Plan of Operations reported that the total budget for NAP was approximately \$2 billion, including its share of the operating costs. This represents about 4 percent of the total program cost for SNAP (\$53.6 billion in FY 2009). In FY 2009, NAP participants received an average benefit of \$115 per month per person, less than the average SNAP benefit of \$124 per month per person.

⁴ Retrieved on 10.2.09 from http://agriculture.house.gov/inside/Legislation/110/FB/Nutrition_IV.pdf.

⁵ The Act officially changed the name of the Food Stamp Program (FSP) to the Supplemental Nutrition Assistance Program (SNAP).

⁶ The program is commonly known in Puerto Rico as Programa de Asistencia Nutricional, or PAN.

A. STUDY OBJECTIVES AND METHODOLOGY

The goal of this feasibility study is to examine the potential impact of reestablishing SNAP in Puerto Rico. Six key research questions drove this study:

1. What is the history of Puerto Rico's nutrition assistance system?
2. What are the socioeconomic characteristics of Puerto Rico compared to the U.S.?
3. What are the main similarities and differences between NAP and SNAP?
4. What administrative changes would be necessary to reestablish SNAP in Puerto Rico?
5. What would be the impact of such changes on stakeholders?
6. What would be the benefit and administrative costs of such a change?

To address these questions, the study utilizes six complementary analytic steps, each corresponding to one of six overall study objectives. These include 1) a literature review, 2) a descriptive analysis, 3) an operations/systems change analysis, 4) a stakeholder analysis, 5) a microsimulation model (to project the impact of proposed changes on eligibility and benefit costs), and 6) an assessment of the overall costs to the U.S. and Puerto Rico. Each of these steps is briefly described below.

1. **Document and Literature Review – Objective 1.** This review included an analysis of NAP-related program documentation, SNAP operational regulations and guidance, historical documentation, Congressional studies, Federal audits, and other relevant research reports published since Puerto Rico began receiving nutrition assistance from the U.S. Together, these sources provided a comprehensive understanding of the history underlying SNAP and the NAP block grant.
2. **Descriptive Analysis of the Socioeconomic Conditions in Puerto Rico – Objective 2.** Using a variety of extant data sources for both the United States and Puerto Rico, this analysis provided a detailed view of the socioeconomic conditions in Puerto Rico. This analysis also identified recent trends with which to project future changes.
3. **Operations/Systems Change Analysis – Objective 3.** This analysis examined how NAP was designed initially and how it currently operates in comparison to SNAP at both the Federal and State level. The information derived from this comparison indicated what operational and administrative changes are needed if SNAP is reintroduced in Puerto Rico. The analysis was informed by in-person meetings with officials in both Puerto Rico and the U.S., and a complete review of existing information on SNAP and NAP, including regulations, policy and procedure manuals, program documents, internal studies, staff training manuals, nutrition educational curricula and data on participants and funding.
4. **Stakeholder Analysis – Objective 4.** Semi-structured interviews were conducted with key stakeholders to understand how NAP operates and performs as well as challenges to program administration. Key stakeholders included Local Office Supervisors, Regional Office Directors, retailers, community organizations and NAP participants. The interviews focused on the following areas: 1) program implementation (e.g., certification/recertification processes); 2) participants' access to authorized retailers; 3) eligible population; 4) sufficiency of benefits; 5) fraud and abuse; 6) use of the cash portion of the benefit; and 7) impact of possible changes on NAP participants. Additionally, the interviews examined how community nonprofit organizations and local government agencies coordinate with and/or support NAP. This analysis provided an in-depth view of the ongoing operations of NAP and helped identify factors that could facilitate a successful transition to SNAP. These interviews were typically conducted in Spanish with the assistance of professional translators present at each interview.
5. **Impact on Participation and Benefits – Objective 5.** To estimate shifts in participation and benefits with the introduction of SNAP, a microsimulation model was created using data from the 2007 American

Community Survey (ACS; known in Puerto Rico as the Puerto Rico Community Survey). The analysis simulated/applied SNAP eligibility and benefit determination rules to households in Puerto Rico in order to estimate participation and benefit effects. These results were compared to administrative data on current NAP participation and benefits.

6. **Cost Assessment – Objective 6.** The cost analysis model provided an estimate of the change in costs for Puerto Rico to convert from NAP to SNAP. The overall costs were based on both the microsimulation results and the estimated costs of major administrative changes (e.g., certification and recertification, issuing benefits, shifting retailer management from Puerto Rico to FNS, maintaining program integrity and investigating fraud). These include SNAP costs that are specific to the U.S. Government, as well as those that are shared with Puerto Rico.

Table 1.1 below presents a cross walk of the methods and data sources used for each of the research questions.

TABLE 1.1

SUMMARY OF DATA COLLECTION SOURCES AND METHODS

Research Question/ Methodology	Data Sources
1. What has been the history of Puerto Rico’s nutrition assistance system?	
a. Document and Literature Review	General literature review Federal legislation/regulation/policy review NAP-related program documentation SNAP operational regulations and guidance GAO studies, internal FNS studies Federal audits
2. What are the socioeconomic characteristics of Puerto Rico compared to the U.S.?	
a. Descriptive Analysis	Tabulation and analysis of current databases. <i>Key data sources include:</i> 2007 American Community Survey 2000 Decennial Census Behavioral Risk Factor Surveillance System , 2000-2007 U.S. Census Bureau International Database Puerto Rico Department of Labor and Human Resources, Employment Survey National Center for Health Statistics, National Vital Statistics Reports
3. What are the main similarities and differences between NAP and SNAP?	
a. NAP Operations Analysis	<i>Meetings with:</i> Puerto Rico NAP Directors (Headquarters) EVERTEC, Puerto Rico’s Electronic Benefit Transfer contractor Puerto Rico internal documents and evaluation studies Puerto Rico special tabulations
b. SNAP Operations Analysis	<i>Meetings with:</i> FNS SNAP Directors (Headquarters), Mid-Atlantic Regional Office (MARO) and Caribbean Area Office) <i>Site Visit:</i> District of Columbia SNAP field offices FNS internal documents and research studies FNS special tabulations
4. What administrative changes would be necessary to reestablish SNAP in Puerto Rico?	
a. Systems Change Analysis	Analysis of information and data collected in 3a and 3b above
5. What would be the impact of such changes on stakeholders?	
a. Stakeholder Analysis	<i>Semi-Structured Interviews with:</i> Puerto Rico Administration for Socioeconomic Development of the Family (ADSEF) Regional Office Directors Puerto Rico ADSEF Local Office Supervisors Puerto Rico ADSEF Office of Control and Retail Inspection (OCRI)

Research Question/ Methodology	Data Sources
	inspectors Director, Anti-Fraud Hotline Community organizations NAP participants Retailers
b. Impact Analysis	Microsimulation model to determine changes in numbers of participants and benefit amounts
6. What are the benefit and administrative costs of such a change?	
a. Impact Analysis	Microsimulation model to determine benefit costs
b. Administrative Cost Assessment	<i>Meetings with:</i> FNS SNAP Directors (HQ and MARO) Puerto Rico HQ NAP Directors Puerto Rico special tabulations and estimates FNS special tabulations and estimates

B. STUDY ASSUMPTIONS AND DATA LIMITATIONS

Many factors could influence the impact and cost estimates, including: 1) changes in Puerto Rico’s economy and the need for nutrition assistance, 2) recent and future legislative changes in SNAP, and 3) the selection of a different package of program options than the one used in this analysis. A summary of key study assumptions and qualifications is provided below.

1. Eligibility and Participation Rate Assumptions

- The SNAP eligible low-income population is defined as households with an income at or below 130 percent of the Federal poverty guideline for the mainland U.S. (i.e., the gross income test for SNAP eligibility). As the cost of living may not be comparable between Puerto Rico and the mainland U.S., this may not be a fair comparison of the characteristics and needs of the low-income populations.
- In the U.S., the most recent estimate shows that nationally, almost 62 percent of eligible households participate in SNAP, but the participation rate varies substantially according to their characteristics (Leftin & Wolkwitz, 2009). Available data indicate that the SNAP participation rate in Puerto Rico would be higher than in the U.S., but insufficient information was available to estimate what the rate would be. Given the focus of Puerto Rico’s current program on serving households with no income, largely the elderly and disabled, it was assumed that all households with no income or with only unearned income, such as Social Security, would participate in SNAP. For households with income from earnings, the participation rate of 56 percent was used, as identified by Leftin & Wolkwitz (2009), for individuals in households with earnings in the U.S. The result is a SNAP participation rate of 89 percent. A 10 percent reduction in the participation rate assumption among households with no income or with unearned income would decrease the estimated number of participating households by 8 percent. Changing the participation rate assumption among units with earned income by 10 percentage points in either direction would increase or decrease the estimated number of participating households by 3 percent.
- SNAP gives States some policy choices. For instance, States have the option to use simplified definitions of countable income and resources, simplified vehicle rules, expanded categorical eligibility, standard shelter costs for the homeless, standard utility allowances (SUA), simplified deductions, and a child-support expense income exclusion. It was necessary to select a set of State options to simulate SNAP in Puerto Rico. This is because the microsimulation model computer program codes the rules of SNAP and then simulates what a caseworker does—that is, it determines the eligibility and benefit amount for each household in the database. As such, Puerto Rico officials, FNS Headquarters (HQ) and Mid-Atlantic Regional Office (MARO) staff identified which options Puerto Rico would likely implement. This exercise was for modeling purposes only—that is, if Puerto Rico were to move to SNAP, they may or may not implement the same options. If a different set of State options was used for the model, the microsimulation results could vary significantly.

2. Microsimulation Model Assumptions

- The microsimulation results compare the characteristics of NAP and SNAP participants. Tabulations for NAP come from Puerto Rico's eligibility and benefit determination system, called the Automated Case Information System (Sistema Automatizado de Información de Casos, or SAIC); specifically, data from the March 2009 file. The SAIC is the most recent and accurate source of information on current NAP participation and benefits. Tabulations for SNAP are based on data from the 2007 ACS and supplemented with March 2009 data from SAIC. The ACS does not contain all information necessary to simulate SNAP eligibility and benefits. For example, information was missing on the relationship between household members and those members who purchase and prepare food together, dependent care expenses, medical expenses, and assets other than the number of vehicles available to the household. As a result, it was necessary to determine 1) how the SNAP unit was formed and 2) how missing data in the ACS would be imputed. Changes in any of the methods implemented may affect the findings.
- Ideally, the microsimulation analysis would rely on the same database for both the NAP baseline and estimated SNAP effects on participation and benefits. Using the same database ensures that outcomes are due to differences in program rules and not to underlying differences in the datasets. In this case, however, substantial differences between the SAIC data and the Puerto Rico ACS data suggested that the ACS would not be a good representation of NAP. In particular, there were substantial differences with respect to the income distribution. For example, the SAIC data have many more persons living below the poverty guideline and participating in NAP than the ACS data. Thus, a decision was made to present results using the best source of data available for each program—SAIC to describe NAP participants and the ACS microsimulation model to describe SNAP participants. If the SAIC data more accurately represents household income than does the ACS, the reported results may underestimate the low-income population that would be eligible for and would participate in SNAP. This, in turn, would underestimate the cost of SNAP benefits in Puerto Rico.
- The parameters used for modeling SNAP participation and benefits were those in place for the U.S. mainland in early FY 2009 to simplify comparisons to SNAP.⁴ A change in parameters such as maximum benefit levels, standard deductions, or caps on other deductions would change the effect on participation and benefit amounts. Additionally, many SNAP parameters (e.g., benefit amounts) are adjusted by inflation each year. If it were decided that Puerto Rico's parameters should be adjusted by Puerto Rico's inflation rate, to the extent that inflation rates are different in Puerto Rico, this will result in some differences in the relationship between the U.S. adjusted parameters and the Puerto Rico adjusted parameters.

3. Cost Assumptions

- Throughout this project, both NAP and SNAP costs continued to change. The microsimulation model reflects Federal SNAP eligibility and income parameters for FY 2009, including provisions of the Food, Conservation, and Energy Act of 2008 (e.g., the 2008 Farm Bill). However, in 2009 Puerto Rico received a 13.6 percent increase in the block grant legislated through the ARRA. As a result, Puerto Rico's Administration for Socioeconomic Development of the Family (ADSEF) proposed increases to the current income and eligibility levels for NAP. Changes to the program legislated through the ARRA were not included in the main analysis because the NAP data (in the SAIC) preceded ARRA implementation. Additionally, the current economic crisis forced Puerto Rico's government to impose multiple rounds of layoffs, decreasing the number of caseworkers available to work in the local offices. Since these changes and others came late in the analysis, FNS decided that costs would be determined using a typical month in FY 2009 (pre-ARRA). Chapter VI does, however, contain an analysis of the estimated increase in benefit costs due to the ARRA.

⁴Note that when Puerto Rico participated in the FSP in 1982, 1) the net income standards were the same (the gross income test started after Puerto Rico changed to NAP), 2) the maximum allotments were smaller (95 percent of the average for a 4-person household in the U.S.); 3) the standard deduction averaged 61 percent of what was used for the U.S., and 4) the combined excess shelter and dependent care cap was 37 percent of the U.S. There is no way to know if these differences would have remained if Puerto Rico had continued in the FSP.

- No inflation factors were applied to the cost estimates. This report demonstrates the many issues that need consideration to transition Puerto Rico from NAP to SNAP. Inflation adjustments are additional considerations. Estimates for such a transition will vary depending on when the change is considered, how the parameters are set, and how the program is designed to adjust for inflation.
- A key challenge in estimating administrative costs was formulating assumptions about how the NAP procedures and operations might change through a transition to SNAP. Extensive discussions were held with experts from FNS and ADSEF about the assumptions. Though these are well-informed assumptions, the actual transition to SNAP may result in decisions that differ from these assumptions. For the purpose of this report, each cost factor and assumption has been documented in detail in Appendix F.

C. ORGANIZATION OF THIS REPORT

This report is designed to assess the feasibility and potential effects of including Puerto Rico in SNAP in lieu of the current block grant. Each of the chapters corresponds to one of the six research questions described above.

Additionally, there are six separate appendices that provide more detail on the data sources and collection methods that are associated with each research question. Appendix A provides the detailed research questions; and Appendices B and C provide detailed tables from Chapter III and Chapter IV, respectively. Appendix D contains details on the stakeholder analysis. Appendix E contains further details on the microsimulation model and Appendix F contains further details and assumptions used to build the cost model.

An earlier draft of the report was shared with Puerto Rico for their review and comment. This final report addresses the vast majority of the changes requested by Puerto Rico. Changes include the additional costs for Puerto Rico to distribute and manage the POS machines to newly authorized retailers, provide customer service to retailers and clients, and compile data to FNS for retailer fraud investigations. A few comments were not addressed because they required additional information that was not available for the study.

CHAPTER II. HISTORY OF NUTRITION ASSISTANCE IN PUERTO RICO

A. PUERTO RICO'S RELATIONSHIP WITH THE U.S.

After approximately 400 years of Spanish control, Puerto Rico was ceded to the U.S. in the 1898 peace agreement that ended the Spanish-American War. Initially, Puerto Rico's government was almost entirely appointed by the U.S.⁸ Over the past 100 years, however, Congress has gradually increased the autonomy of Puerto Rico's government. In 1917, Puerto Rico's citizens were granted naturalized U.S. citizenship and the population of Puerto Rico was allowed to elect its own House and Senate.^{9, 10} In 1947, Puerto Rico's citizens were granted the right to elect their own governor, who could appoint the Cabinet and Supreme Court.¹¹ Following the elections of 1948, Puerto Rico had a popularly elected government for the first time. In 1950, Congress authorized Puerto Rico to organize a constitutional government subject to the approval of the U.S. Congress and the people of Puerto Rico.¹² The Puerto Rico constitution became effective in 1952 and, as a result, the status of Puerto Rico changed from a U.S. Territory to a Commonwealth.¹³ During the past 50 years, several bills¹⁴ were introduced to the U.S. Congress to provide for Puerto Rico's self-determination, but no action was taken. Additionally, many individual statehood bills were introduced, but similarly, no action was taken. The U.S. President's Task Force on Puerto Rico's status is mandated to review options for Puerto Rico's future status with the U.S. and report on progress made in the determination of Puerto Rico's ultimate status. The Task Force most recently published reports in 2005 and 2007 documenting Puerto Rico's status and options.¹⁵

As a Commonwealth, Puerto Rico differs from a State in two important respects. First, although the residents of Puerto Rico are U.S. citizens and are subject to a U.S. military draft, they cannot vote in Federal elections and do not have voting representation in Congress. Second, Puerto Rico has been exempt from Federal personal income taxes since 1948. Puerto Rico has the same control over internal affairs as a State; operates under the U.S. judicial, monetary, and tariff systems; shares a common defense with the U.S.; and has free mobility of goods, services, capital, and labor with the U.S. market (Collins et al., 2006). Only one other U.S. territory has been granted Commonwealth status—the Northern Mariana Islands.

For nearly three decades starting in 1950, Puerto Rico sustained impressive rates of economic growth and substantially raised domestic living standards. Puerto Rico raised its per-worker GDP from 30 percent of the U.S. average in 1950 to 75 percent of the U.S. average by 1980 (Collins et al., 2006). As a result, Puerto Rico currently enjoys living standards that exceed those of the rest of Latin America, and its quality of life measures are comparable to many highly developed countries (Collins et al., 2006). Puerto Rico's educational attainment now ranks in the top tier of world nations, having increased the average years of schooling from 2.7 years in 1940 to 11 years in 2000 (Collins et al., 2006).¹⁶

⁸ The President appointed a governor, cabinet, Senate, and Supreme Court for Puerto Rico. The members of the House of Delegates were chosen by the electorate of Puerto Rico.

⁹ The Foraker Act of 1900; Act of May 1, 1900, 31 Stat. 77-86.

¹⁰ The Jones Act of 1917; Act of March 2, 1917, 39 Stat. 951-968.

¹¹ The Elective Governor Act of 1947; Act of August 5, 1947; 61 Stat. 770-773.

¹² The Puerto Rican Federal Relations Act, P.L. 600; Act of July 3, 1950, 64 Stat. 319-320.

¹³ The term Commonwealth refers to a self-governing, autonomous political unit voluntarily associated with the United States. After the change, full local executive, legislative, and judicial authority was given to Puerto Rico.

¹⁴ Including the 1953 Cosmetic bill, the 1959 Femos-Murray bill, and the 1963 Aspinall bill.

¹⁵ Retrieved 9.15.09 from: <http://www.usdoj.gov/opa/documents/2007-report-by-the-president-task-force-on-puerto-rico-status.pdf>.

¹⁶ Puerto Rico is currently subject to the test-based accountability provisions of the 2001 No Child Left Behind Act (P.L. 107-110) and must test all students annually in grades 3 to 8.

Despite the dramatic improvements in living standards and quality of life, Puerto Rico remains poor by U.S. standards. More than half (56.2 percent) of all households in Puerto Rico live on incomes at or below 130 percent of the U.S. poverty guideline, compared to a fifth (20.3 percent) of households in the U.S. mainland (U.S. Bureau of the Census [Census Bureau], 2007).¹⁷ Much of the income disparity between the U.S. and Puerto Rico is the result of differences in the employment rate and labor-force participation rates.¹⁸ In 2007, the civilian labor-force participation rate of Puerto Rico adults age 16 and older was 45.9 percent, compared to 64.7 percent in the U.S. (Census Bureau, 2007). At the same time, approximately 15 percent of the civilian labor force was unemployed, compared to 6.3 percent in the U.S. (Census Bureau, 2007). This employment shortfall is partially due to an underdeveloped private sector. Nearly three-quarters (72 percent) of Puerto Rico residents in the civilian labor force between the ages of 24 and 64 held a job in the private sector in 2007, compared to 84 percent in the U.S. (Census Bureau, 2007). Additionally, almost 29 percent of all employed workers with at least a college degree were working for the government of Puerto Rico (Census Bureau, 2007). Additionally, Puerto Rico's situation has been compounded by a serious economic crisis, similar to that in the U.S., as evidenced by a decline in government revenues, decline in part-time employment opportunities (such as in the construction sector), and an end of expansion in construction activity.

With a high unemployment rate and only a limited availability of social programs, aid from the U.S. Government is an important source of economic support for Puerto Rico's population. Since 1990, the U.S. Government transfer of benefits for all programs has provided 25 to 28 percent of Puerto Rico's personal income, twice the percentage on the U.S. mainland (Collins et al., 2006).

B. NUTRITION ASSISTANCE IN PUERTO RICO

Puerto Rico has received nutrition assistance through the legislation authorizing the FSP since November 1, 1974, when U.S. legislation¹⁹ expanded the reach and depth of the FSP to include coverage for Guam, Puerto Rico, and the Virgin Islands.²⁰ At that time, benefit costs in Puerto Rico were disproportionately higher than the mainland States. By 1981, the FSP in Puerto Rico provided \$271 in benefits per capita per year, almost three times the \$92 per capita then going to the poorest U.S. State (MPR, 1985a). Additionally, 56 percent of Puerto Rico's residents were receiving benefits, a higher percentage than in any of the States (U.S. Office of Management and Budget [OMB], 2005). In total, expenditures for Puerto Rico totaled 8 percent of all FSP dollars, and accounted for 8 percent of the entire program's beneficiaries (U.S. Government Accountability Office [GAO], 1992).

On July 1, 1982, the law went into effect which officially replaced the FSP with an annual \$825 million block grant to provide nutrition assistance for needy persons on the Island.²¹ This level of funding represented approximately 75 percent of the projected FSP expenditures in Puerto Rico in FY 1982 (then \$1.1 million; MPR, 1985a). The change also shifted the program administration from the U.S. to Puerto Rico, giving Puerto Rico more flexibility in administering the program.

In 1982, following receipt of Federal block grant funds, Puerto Rico designed and implemented its own nutrition assistance program, with Puerto Rico's government matching 50 percent of the administrative expenses. (Note: *The block grant funds the entire cost of benefits and 50 percent of the administrative expenses.*) NAP continued to serve the same program purpose as FSP (i.e., "to permit low income households to obtain a more

¹⁷ Note that the report uses a threshold of 130 percent of the Federal poverty threshold to compare the two populations; this was done to match the SNAP gross income test. This may or may not be a fair comparison, as the cost of living in Puerto Rico and the U.S. may not be comparable.

¹⁸ The employment rate is the proportion of employed persons to the total number of persons in the civilian labor force. The labor force participation rate is the proportion of persons in the civilian labor force to the total adult population age 16 and older.

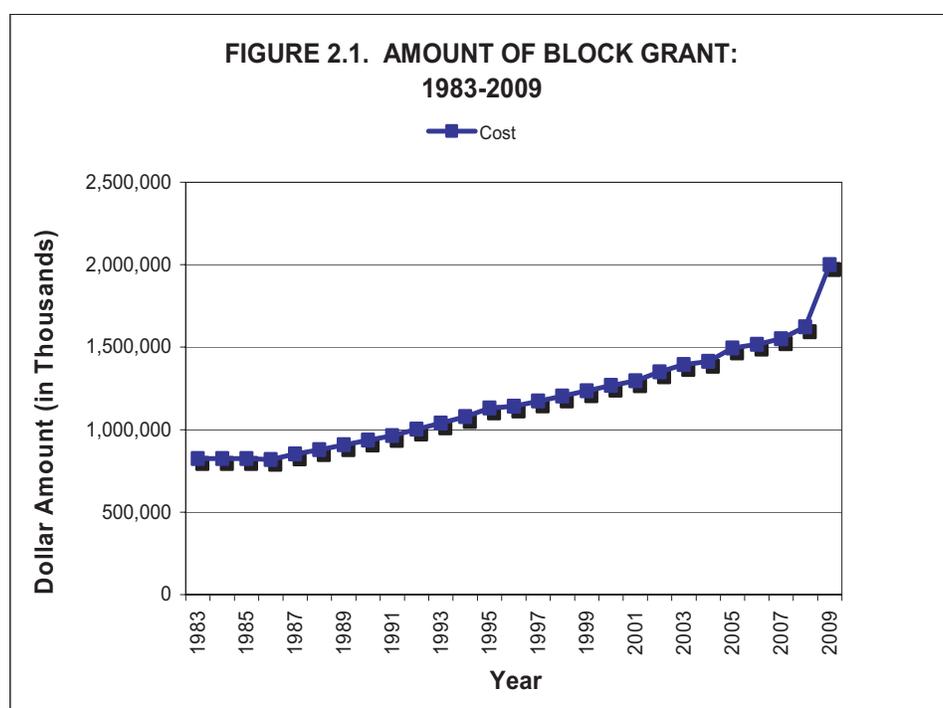
¹⁹ P.L. 91-671 (passed 1.11.71); Agriculture and Consumer Protection Act of 1973, U.S. P.L. 93-86 (passed 8.10.73) that extended the FSP (now SNAP) to U.S. Territories.

²⁰ Though the FSP was operational in Puerto Rico on November 1, 1974, Puerto Rico was not granted full coverage until a few years later, following the Food Stamp Act of 1977 (P.L. 95-113).

²¹ This was done via the Omnibus Budget Reconciliation Act of 1981; P.L. 97-35; later extended through P.L. 98-204.

nutritious diet by increasing their food purchasing power”). NAP also continued to use the same basic program structure and retained most of the operational features of the FSP. NAP differed from FSP in four important respects: 1) the block grant was capped at an annual budget of \$825 million; 2) income eligibility limits and benefit levels were reduced to bring program costs in line with the reduced funding level; 3) the food coupons were replaced with checks that could be fully redeemed for cash (which was expected to reduce administrative costs substantially); and 4) the household eligibility verification activities were intensified (MPR, 1985a).²²

Initially, the U.S. Government capped the block grant at a fixed nominal level of \$825 million before allowing the grant to grow with inflation after 1986 (GAO, 1992). Since 1986, the amount has increased by 3 to 4 percent to match inflation rates, surpassing \$1.5 billion beginning with FY 2006 (see Figure 2.1 below). In 2009, Puerto Rico received a 13.6 percent increase in the block grant legislated through the ARRA. This level of increase will remain unchanged until the June cost of the 4-person reference family TFP exceeds 113.6 percent of the June 2008 4-person reference family TFP. Puerto Rico’s FY 2009-10 State Plan of Operations reported the total budget for NAP was approximately \$2 billion, including its share of the operating costs. Approximately 95 percent of this amount (\$1.9 billion) was expected to be used for benefit costs to participants and the remainder was for operating costs.²³



Source: FNS National Data Bank, 2010

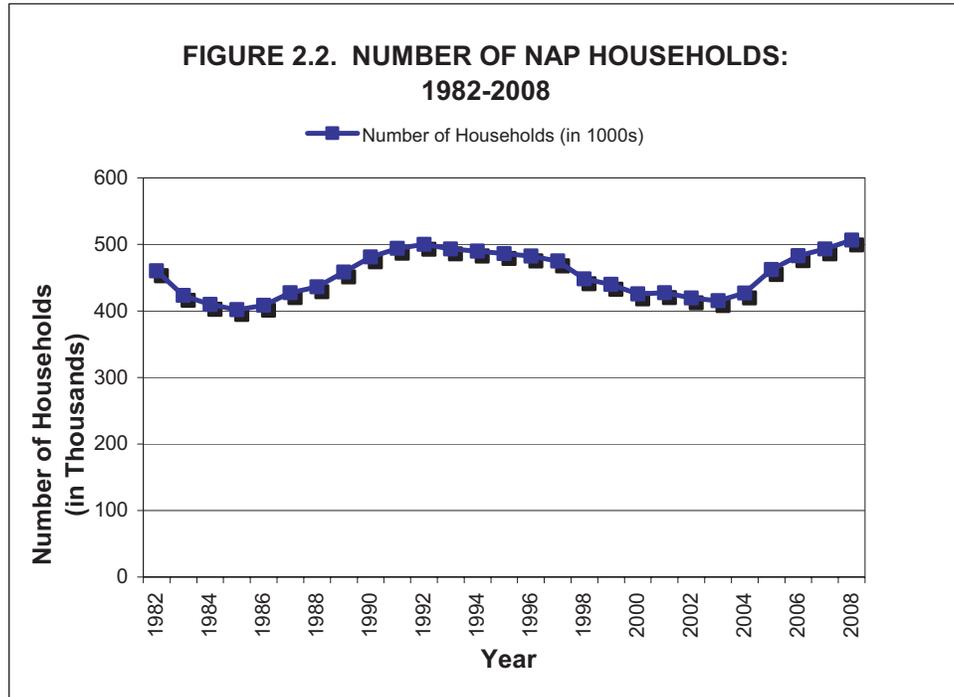
In March 2009, Puerto Rico provided nutrition assistance benefits to 1.18 million (30 percent) of the Island’s 3.95 million individuals in 1.35 million family units. Almost 1 in 5 (18.6 percent) NAP participants were 60 years of age or older and approximately 1 in 10 (10 percent) were disabled. The vast majority of participants (76.7 percent) had a high-school degree or less (State Plan of Operations, 2009). More than half (57 percent) of the NAP participants were females and more than one-third (36.4 percent) were children between the ages of 0 and 18 (State Plan of Operations, 2009).

²² Under the FSP, each household was mailed an authorization to participate (ATP) card each month. Recipients then exchanged the ATP card for food stamps at the local office. Under NAP, checks were mailed directly to recipients from a central processing facility. Like the coupons, the checks were intended to increase food-purchasing power, however, unlike the coupons, they were freely negotiable for currency (MPR, 1985a).

²³ The largest of which include the 1) EBT system (\$3.3 million), 2) eligibility system (\$3 million) and 3) nutrition education (\$700,000).

From 1992 to 2002, there was a gradual decline in the total number of households participating in the NAP (see Figure 2.2 below). However, since 2003, the number of participating households has begun to rise.

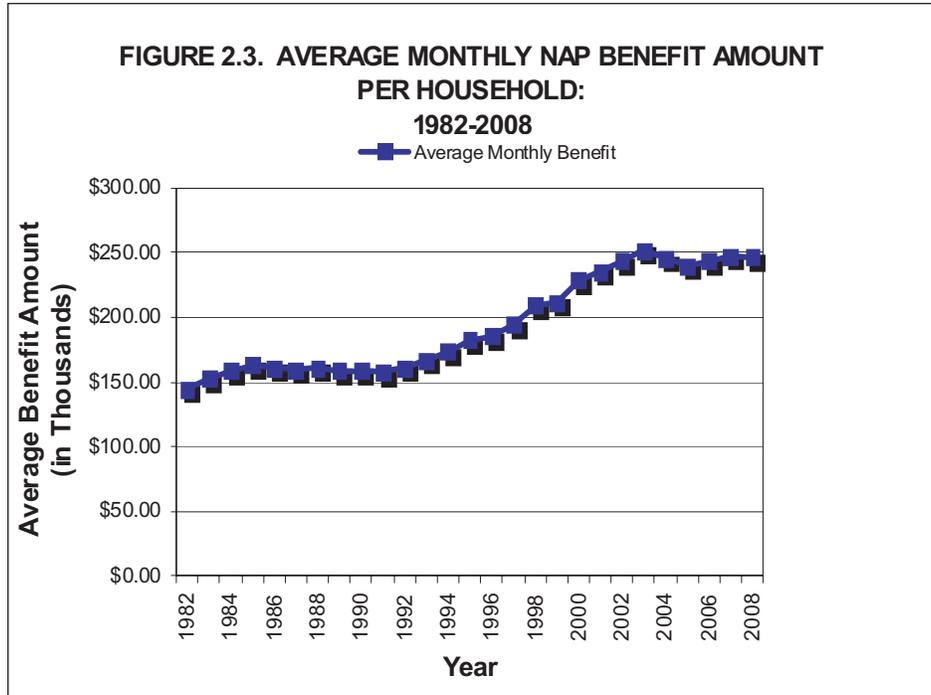
In terms of the percentage of households in Puerto Rico participating in NAP, the figure has leveled off in the past three years (from 36.8 percent in 2005, 33.7 percent in 2006, 34.4 percent in 2007, to 35.4 percent in 2008). This represents a steep decline from the first year (1982), when nearly half (49.8 percent) of households in Puerto Rico participated in NAP.²⁴



Source: ADSEF internal tabulations, 2009

The monthly average benefit amount per household has increased over time, though the benefit has leveled off since 2002 (see Figure 2.3). In terms of individuals, in FY 2009 NAP participants received an average benefit of \$115 per month per person, a figure somewhat lower than the comparable SNAP benefit of \$124.

²⁴ Total number of households in Puerto Rico for 2005 to 2008 was computed using the ACS. Data for 1982 was estimated by taking the total number of households enumerated in the 1980 and 1990 censuses, and determining a total percent change in the number of households between these years. The rate was divided by 10 to determine the average annual rate of growth between each year. This method assumes that the household growth rate was constant during this period.



Source: ADSEF internal tabulations, 2009

C. IMPACT OF 1982 TRANSITION TO BLOCK GRANT

Below, a brief summary is provided of the 2 years following the transition. Although it is important to note what occurred at the time of the transition to the block grant in 1982, many circumstances have changed in Puerto Rico since that time and there are no literature sources available to compare the two programs today. Most of the literature presented and summarized below dates back to the period immediately after implementation of the block grant (between 1982 and 1984), which provides limited relevant information on the program that exists today. As such, caution should be used in interpreting results. The available information on NAP is considered both limited and dated, and should not be used to extrapolate to today’s conditions or to infer that the former program intentions will return as these same circumstances would not be likely today if SNAP was reinstated in Puerto Rico.

1. PROGRAM PARTICIPATION, INCOME THRESHOLDS, AND BENEFITS

To maintain a food assistance program under a smaller budget, Puerto Rico restricted program eligibility and retargeted benefits to those households with less income. In 2005, without taking into account the differences in economic circumstances in Puerto Rico that may impact enrollment, an Office of Management and Budget (OMB) assessment reported that NAP substantially reduced the percentage of Puerto Rico’s population that received assistance (from 56 percent in 1981 to 25.6 percent in 2004) and reduced Federal costs by more than \$500 million a year.

A separate Congressionally-mandated²⁵ study of NAP also found that:

- Household participation declined by 22 percent from June 1982 to September 1984,
- The number of participating households with income declined by 47 percent between June 1982 and June 1984, and

²⁵ Mandated by P.L. 97-253.

- The number of participating households with an elderly or disabled member increased by approximately 11 percent between June 1982 and June 1984 (MPR, 1985a).

Comparisons between the NAP and FSP in November 1984 showed that:

- Under NAP, the gross income limit for a household of four was 40 percent lower than the limits that would have been in effect under the FSP,²⁶ and
- The NAP maximum benefit amount for a household of four was 20 percent lower than the estimated benefit amount for a similar household under the FSP (from FY 1982 to FY 1983; MPR, 1985b).

2. HOUSEHOLD FOOD EXPENDITURES AND DIET QUALITY

In response to concern about whether the changes in eligibility rules, benefit determination and benefit form led to reduced diet quality among participants, several research studies were undertaken. The 1985 analysis showed that NAP did not lead to any major changes in household food expenditures or diet quality (MPR, 1985b).²⁷ Other evidence has supported this finding, including a study completed by Moffit (1989), which found little change in food-consumption patterns following the transition to NAP.²⁸

3. FRAUD AND ERROR

NAP introduced a variety of administrative changes that were expected to reduce the level of error, fraud and abuse. They include the introduction of home visits, expanded requirements for Social Security Numbers, ability to obtain third-party verification information, elimination of multiple households under the same roof, and the elimination of food coupons (MPR, 1985b). Quality control data from Puerto Rico showed that NAP was successful in keeping rates of error, fraud, and abuse at rates comparable to the U.S. average. Case error rates, which had begun to decline prior to the transition to NAP, continued to fall, while payment error rates were unaffected by the transition. These administrative changes allowed Puerto Rico not only more investigative power, but a better ability to determine whether or not fraud actually occurred. For example, while the number of cases referred for fraud hearings remained the same, the proportion of fraud hearings that led to a finding of fraud increased from 22 percent under the FSP to 63 percent under NAP (MPR, 1985b).

4. BENEFIT AND ADMINISTRATIVE COSTS

The net impact of the program changes during the first 3 months of NAP²⁹ was a cost reduction of \$8.9 million (about 12 percent) in the monthly amount of benefits distributed (MPR, 1985b). This reduction reflected both the reduction in the number of eligible individuals and a reduction in benefit amounts issued to remaining participants. The benefit cost reduction reached \$21.8 million by December of that same year (1982) when benefits were no longer indexed upward to account for increases in the cost of food (MPR, 1985b).³⁰

Additionally, the NAP was expected to decrease administrative costs due to the large decline in certification staff (due to the caseload reduction) and the replacement of food coupons with checks. During the first full year of NAP operations, administrative costs declined by \$7.4 million or 15 percent (MPR, 1985a).

²⁶ Proportional changes also occurred with net income limits.

²⁷ This analysis was based on two Puerto Rico household food use surveys collected before and after the introduction of the NAP. The first was a supplement to the Nationwide Food Consumption Survey conducted in 1977 (when the former FSP was in effect) and the second was a similar survey conducted in 1984, after the NAP had been operating for more than 2 years.

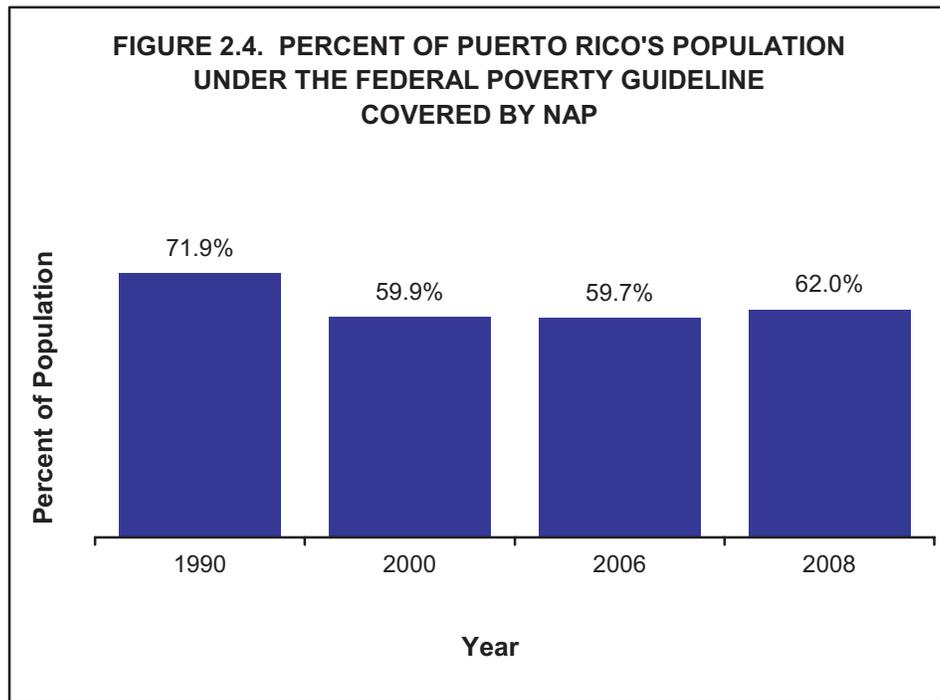
²⁸ The reductions on eligibility and benefits under NAP led to a small reduction (about 2.3 percent) in the total weekly food expenditure per person and small declines in nutrient availability/diet quality, but these changes were not statistically different from zero (MPR, 1985b).

²⁹ From June 1982 to September 1982.

³⁰ The elimination of indexing of the maximum benefit did not have an impact during the first 3 months since the increase would not have occurred until October 1982.

D. COVERAGE OF NAP BENEFITS

Currently, SNAP covers those who meet the gross income test of at or below 130 percent of the Federal poverty guideline. Overall, NAP covers 62 percent of the individuals in Puerto Rico under 100 percent of the Federal poverty guideline, leaving 38 percent of individuals uncovered (Puerto Rico Administration for Socioeconomic Development of the Family [ADSEF], 2008; see Figure 2.4 below).



Source: ADSEF, 2008 State Plan of Operations

Depending on the size of the household, the NAP net income thresholds are between 22.3 percent and 34.0 percent of the Federal poverty guideline (see Table 2.1 below).

TABLE 2.1

PUERTO RICO NUTRITION ASSISTANCE PROGRAM
NET INCOME THRESHOLDS AS A PERCENTAGE OF THE FEDERAL POVERTY GUIDELINE

Household Size	Federal Poverty Guideline (Monthly) FY 2009	Nutrition Assistance Program: Net Income Threshold (Monthly) FY 2008-09	NAP Net Income Threshold as a Percent of the Federal Poverty Guideline
1	\$867	\$193	22.3%
2	\$1,167	\$389	33.3%
3	\$1,467	\$499	34.0%
4	\$1,767	\$593	33.6%
5	\$2,067	\$689	33.3%
6	\$2,367	\$786	33.2%
7	\$2,667	\$883	33.1%
8	\$2,966	\$976	32.9%

Note(s):

1. The poverty guidelines are not separately defined for Puerto Rico, Guam, and the Virgin Islands. In cases where a Federal program using the poverty guidelines serves any of those jurisdictions, the Federal office that administers the program is responsible for deciding whether to use the U.S. poverty guidelines or to follow some other procedure.

2. Puerto Rico uses its own poverty guidelines to determine Medicaid eligibility. The poverty level of \$685 per month for a family of four has not changed since 1998 and is substantially lower than the U.S. mainland guideline (\$1,767; U.S. Congress, House Committee on Ways and Means, 2004 Green Book).

Source(s): U.S. Bureau of the Census; Puerto Rico State Plan of Operations, 2008

E. FEDERAL PROGRAMS AND FUNDING IN PUERTO RICO

Residents of Puerto Rico are eligible for many of the same forms of social benefits as residents in the U.S. Many of these programs, however, are more limited for Puerto Rico, either in benefit amounts or eligibility,³¹ than they are for the States. As such, the absolute level of payments per capita is substantially lower than in the U.S. For example, funding for health care under Medicaid, although unlimited in the U.S., is capped for Puerto Rico. Additionally, instead of Supplemental Security Income (SSI),³² Puerto Rico operates an adult assistance program, a formula grant through which cash assistance is provided to needy, aged, blind or disabled individuals. This program is jointly funded by the U.S. Government and Puerto Rico.

Social welfare programs are divided into two categories: 1) Federal programs that make direct payments to individuals and are administered directly by the U.S. Government and 2) Federal-State programs in which States have a role in the design, administration, and often financing. Table 2.2 below illustrates Puerto Rico's participation in programs that provide direct payments to individuals.³³

³¹ Because either 1) residents are receiving lower levels of assistance than in a mainland State or 2) Puerto Rico is required to bear a higher share of the costs.

³² SSI is a nationwide Federally funded and administered program for people who are age 65 or older, blind, or disabled, and others who are below the income threshold. Cash payments are made directly to program participants.

³³ From the U.S. Congress, House Committee on Ways and Means, 2004 Green Book; retrieved from: <http://www.gpoaccess.gov/wmprints/green/index.html>.

TABLE 2.2

FEDERAL FUNDING FOR FEDERALLY OPERATED SOCIAL WELFARE PROGRAMS IN PUERTO RICO PROVIDING DIRECT PAYMENTS

Program Name ³⁴	Federal Funding [in thousands]	Total Beneficiaries
Social Insurance		
Social Security's Old-Age, Survivors, and Disability Insurance (OASDI)	\$4,561,070 (2002)	749,490 (2008) ³⁵
Medicare ³⁶	\$902,385 (2007)	622,826 (2007)

Source(s): U.S. Congress, House, Committee on Ways and Means, 2004 Green Book; and Social Security Administration, Master Beneficiary Record, 100 percent data; and CMS Data Compendium

Table 2.3 illustrates Puerto Rico's participation in several large social programs that are jointly operated by the U.S. Government and the government of Puerto Rico. The NAP block grant is the largest of these programs. Of the three main cash benefit programs (e.g., Social Security, NAP, and the Unemployment Insurance Program), NAP comprises 22 percent of the cash benefits received by Puerto Rico's residents (and 16 percent of all government benefit transfer payments).

TABLE 2.3

FEDERAL FUNDING FOR JOINTLY OPERATED SOCIAL WELFARE PROGRAMS IN PUERTO RICO

Program Name ³⁷	Federal Funding FY 2008 [in thousands]	Total Participants FY 2008
Nutrition Assistance³⁸		
NAP Block Grant	\$1,622,521	1,180,000
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	\$217,692	199,077
National School Lunch Program (NSLP)	\$135,890	370,336
Child and Adult Care Food Program (CACFP)	\$24,123	23,523
School Breakfast Program (SBP)	\$31,339	134,729
Summer Food Service Program (SFSP)	\$11,029	28,930
Seniors Farmers Market Nutrition Program (SFMNP)	\$1,000	62,500
Social Insurance		
Unemployment Insurance Program	\$334,865	N/A
Public Assistance Programs		
Temporary Assistance for Needy Families (TANF) ³⁹	\$22,874	31,678

³⁴ Puerto Rico also participates in the Guaranteed Student Loan Program and the Federal Pell Grant program, but these funding levels are not available.

³⁵ Retrieved on 3.24.10 from: http://www.ssa.gov/policy/docs/statcomps/oasdi_sc/.

³⁶ Medicare data retrieved on 3.15.10 from Tables VII.1 and VII.4 from: http://www.cms.hhs.gov/DataCompendium/16_2008_Data_Compendium.asp#TopOfPage. Reported funding is the total payments computable for Federal Funding.

³⁷ Puerto Rico also participates in the Commodity Supplemental Food Program (CSFP), Aid to the Aged, Blind or Disabled (AABD), and Foster Care and Adoption Assistance, but data on participation was not readily available.

³⁸ Data on nutrition assistance programs retrieved on 3.15.10 from: <http://www.fns.usda.gov/pd>. WIC data reflects food costs plus administrative costs. NSLP data reflect cash payments plus commodity costs. CACP and SFSP data reflect cash payments only.

Program Name ³⁷	Federal Funding FY 2008 [in thousands]	Total Participants FY 2008
Child Support Enforcement ⁴⁰	\$50,249	237,233
Health Care for Low-Income Persons and Families		
Medicaid (amount is capped) ⁴¹	\$260,400	888,370
SCHIP ⁴²	\$62,221	100,000
Maternal and Child Health Block Grant (Title V) ⁴³	\$16,276	168,972
Social and Support Services		
Social Services Block Grant (SSBG) ⁴⁴	\$8,793	10,883
Childcare and Development Block Grant (CCDBG) ⁴⁵	\$26,656	9,100

³⁹ TANF data retrieved on 3.15.10 from: http://www.acf.hhs.gov/programs/ofs/data/2008/tableA_spending_2008.html and http://www.acf.hhs.gov/programs/ofa/data-reports/caseload/2008/2008_recipient_tan.htm.

⁴⁰ Child Support Enforcement data retrieved on 3.2.10 from: http://www.acf.hhs.gov/programs/cse/pubs/2009/reports/preliminary_report_fy2008/state.html#PuertoRico.

⁴¹ Medicaid data retrieved on 3.24.10 from: <http://www.gao.gov/new.items/d09558r.pdf>.

⁴² SCHIP data retrieved on 3.24.10 from: <http://www.statehealthfacts.org/comparetable.jsp?ind=235&cat=4>.

⁴³ Title V data retrieved on 3.24.10 from: <https://perfddata.hrsa.gov/MCHB/TVISReports/FinancialData/FinancialMenu.aspx> and <https://perfddata.hrsa.gov/MCHB/mchreports/Search/program/prgmenu.asp>.

⁴⁴ SSBG data retrieved on 3.24.10 from: <http://www.acf.hhs.gov/programs/ocs/ssbg/docs/esalloc09.html> and http://www.acf.hhs.gov/programs/ocs/ssbg/reports/2007/appendixF/f-5_17.html. Figures are for FY 2007.

⁴⁵ CCDB data retrieved on 3.15.10 from: http://www.acf.hhs.gov/programs/ccb/data/expenditures/07acf696/exp_detailed.htm and http://www.acf.hhs.gov/programs/ccb/data/ccdf_data/07acf800/table1.htm. Figures are for FY 2007.

CHAPTER III. SOCIOECONOMIC AND DEMOGRAPHIC COMPARISONS OF PUERTO RICO AND THE U.S.

This chapter discusses the unique social, economic, and demographic environment of Puerto Rico and provides important context for understanding the factors that may affect the potential reestablishment of SNAP in Puerto Rico. For the most part, data is presented for the years 2000 through 2007, the most recent data available at the time of the study. Section A describes the current economic environment in Puerto Rico. Section B describes Puerto Rico's labor force and unemployment as compared to the U.S. mainland. Sections C and D describe population trends, demographic trends, and household and family trends. Section E illustrates the characteristics of poverty and near-poverty populations. Section F contains cost-of-living comparisons. Section G compares indicators of health and well-being. These analyses are based on data in Appendix B, Tables B1-B6, which identify changes in key socioeconomic and demographic measures between calendar years 2000 and 2007 in Puerto Rico as compared to the U.S.⁴⁶

SUMMARY OF CHAPTER:

Throughout the early 21st Century, Puerto Rico has steadily improved its position on a host of sociodemographic and economic indicators. From a macrolevel economic perspective, Puerto Rico has enjoyed constant GDP growth. Between 2000 and 2007, the percentage of individuals in the civilian labor force increased, particularly for those employed full time or more. Median annual incomes rose, as did the percentage of persons living above 130 percent of the Federal poverty guideline. With regard to health, Puerto Rico also enjoys longer life expectancies, declining infant mortality rates, and declining rates of several major causes of death, including heart disease and cancer.

Despite these improvements, Puerto Rico still trails the U.S. on several important indicators. In 2007, median annual household incomes in Puerto Rico were nearly a third of those in the United States (\$17,600 and \$50,000 respectively). A much smaller percentage of the population is in the labor force compared to the U.S. (45.9% vs. 64.7% respectively). Unemployment and inflation are considerably higher in Puerto Rico, and have been throughout the recent past. More than half of households in Puerto Rico live below 130 percent of the U.S. Federal poverty guideline (the threshold used for the SNAP gross income test), compared to less than a fifth of households in the U.S. Poverty in Puerto Rico is particularly pronounced among senior citizens, single female householders with children, and the disabled. Puerto Rico's senior citizens are almost four times more likely to live in poverty compared to their counterparts in the U.S. mainland (57.6 percent vs. 18.2 percent; Census Bureau, 2007). Additionally, children are three times more likely to live in poverty; more than half (65.4 percent) of children 18 years of age or younger are below the poverty guideline, compared to 26.6 percent in the U.S. mainland (Census Bureau, 2007). Overall, 23 percent of all households in Puerto Rico are run by single mothers, many of whom have less than a highschool education. The poverty rate among female-headed householders in Puerto Rico is 67.8 percent (Census Bureau, 2007).

Overall, expenditures were about 20 percent higher in the U.S. than in Puerto Rico, resulting from higher costs of housing, food, and transportation in the U.S. Rates of increase, however, are outpacing the U.S. on most categories of expenditures, which is inextricably linked to the higher level of inflation. As a result, other household expenditures – including costs for clothing, household operations, and medical care – were higher in Puerto Rico than in the U.S.

⁴⁶ To analyze trends across time, the 2000 Decennial Census was selected as the base (or comparison) year. Data sources for 2007 include (but are not limited to) the 2007 ACS, the Statistical Abstract of the United States, the Consolidated Federal Funds Report, and the Bureau of Labor Statistics. Data sources for 2000 data include (but are not limited to) the U.S. Census Bureau Decennial Census 1 Percent PUMS data, the U.S. Bureau of Labor Statistics, Puerto Rico Bureau of Labor Statistics, the Puerto Rico Planning Board and the Government Development Bank of Puerto Rico. Additionally, health data for both years were derived from the Behavioral Risk Factor Surveillance System, as well as from several publications by the National Center for Health Statistics. Data across years were calculated using the U.S. Census Bureau International Data Base. Other statistics were obtained from the CIA World Fact Book, the Puerto Rico Department of Labor and Human Resources – Employment Survey, the Centers for Medicare and Medicaid Services, the Federal Judiciary, and the U.S. Department of Agriculture. Note that the survey estimates are derived from sample data and are therefore subject to both sampling and nonsampling error.

A. CURRENT ENVIRONMENT

Despite dramatic improvements in income levels and health status since World War II,⁴⁷ Puerto Rico remains poor by U.S. standards. A few factors have been identified as the underlying causes of poverty in Puerto Rico, including steady population growth combined with low economic growth rates and high levels of unemployment. Further, since the economic cycles of Puerto Rico are closely tied to those in the U.S., Puerto Rico has recently experienced a serious economic crisis, as illustrated by a decline in government revenues, a deteriorating job market, and an end of expansion in construction activity (ADSEF, 2009). Overall, the Island's economy has been in a serious recession since 2005. This recession deepened in the 2008-2009 time period and is expected to persist until the first half of 2010 (Economist Intelligence Unit, 2009). To complicate matters, Puerto Rico's government is currently in the midst of a fiscal crisis, which hampers its efforts to jump-start economic growth through stimulus measures, as other governments are doing (Economist Intelligence Unit, 2009).

A number of variables have been identified as having a detrimental effect on Puerto Rico's economy. These include the closing of several large manufacturing companies, a lack of raw materials, an inadequate number of childcare facilities, a large number of low-skilled workers, decline in part-time employment opportunities (such as in the construction sector), and high employee turnover (ADSEF, 2009). As a result, Puerto Rico's workforce has not experienced a significant increase in the employment rate in the past 7 years.

B. LABOR FORCE AND UNEMPLOYMENT

Table B.4 in Appendix B present data on economic growth trends in both Puerto Rico and the U.S. and highlights several key differences between the labor force composition of both Puerto Rico and the U.S. in four specific sectors: agriculture, manufacturing, trade, and government.

1. ECONOMIC DEVELOPMENT

Between 2000 and 2007, Puerto Rico enjoyed substantial growth in terms of Gross Domestic Product (GDP) and Gross National Product (GNP), similar to that of the U.S.⁴⁸ Specifically, Puerto Rico's GNP increased by 41.9 percent compared to an increase of 41.4 percent for the U.S. Puerto Rico's GDP experienced a similar increase (42 to 41 percent for the U.S.).

Both areas saw an increase in the average wages per hour. Average wages per hour in Puerto Rico rose from \$9 in 2000 to \$12 in 2007—an increase of 33 percent, compared to U.S. wages, which rose from \$14 to \$17—an increase of 24.3 percent.

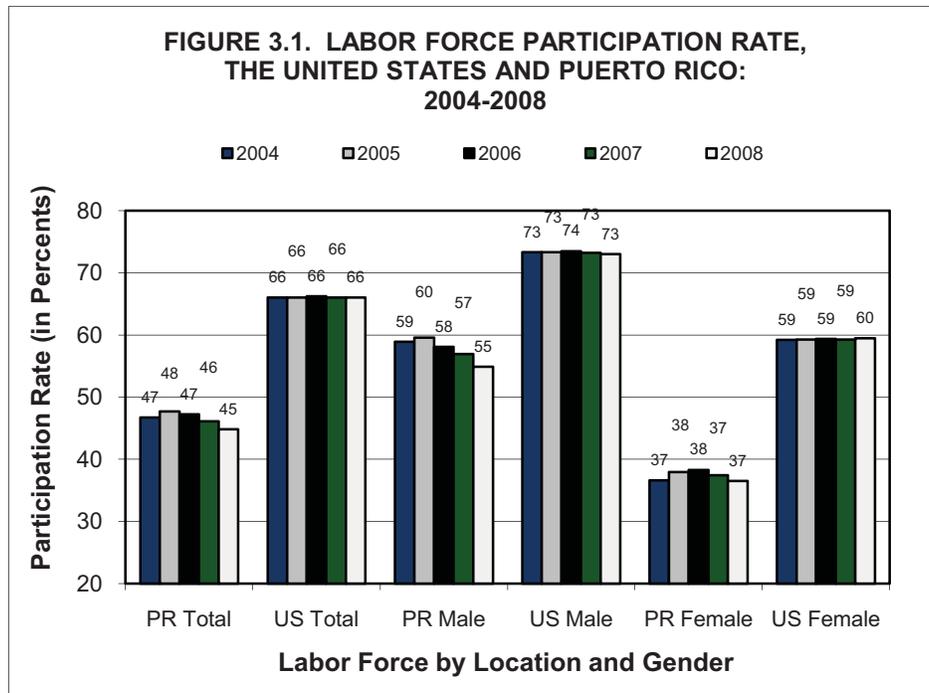
2. LABOR FORCE

The civilian labor force in Puerto Rico grew from 1,133,093 to 1,402,008 from 2000 to 2007—a gain of 23.7 percent. The U.S. civilian labor force experienced significantly less growth with an increase of 10.6 percent.

Despite these gains, Puerto Rico's goal to achieve labor force participation rates similar to the U.S. has not materialized. The U.S. consistently has a greater portion of its population participating in the labor force. Since 2000, roughly half of Puerto Rico's population age 16 and older participates in the labor force (45.9 percent), compared to approximately two-thirds (64.7 percent) of the U.S. population age 16 and older (see Figure 3.1). Between 2000 and 2007, labor force participation rates for males in Puerto Rico declined while the rates for females remained fairly steady.

⁴⁷ Starting in 1948, the government of Puerto Rico undertook an aggressive industrialization program, called Operation Bootstrap. This program implemented a set of incentives to attract primarily U.S. mainland manufacturing investment, primarily using the exemption of Puerto Rico from U.S. personal and corporate income taxes, and, until 1981, exemption from the U.S. minimum wage laws.

⁴⁸ Gross Domestic Product (GDP) and Gross National Product (GNP) are closely related terms. The U.S. Census Bureau defines the former as the total production within the United States by whoever happens to be working in the U.S. Gross National Product (GNP) is a measure of production of all Americans (or residents of Puerto Rico) wherever they happen to be working. *Note: In Puerto Rico, GNP is preferred over GDP as a measure of growth, since it nets out the large outflow of profits from U.S. firms operating in Puerto Rico.*



Note: The labor force participation rate is computed as the proportion of persons in the civilian labor force to the total adult population age 16 and older.

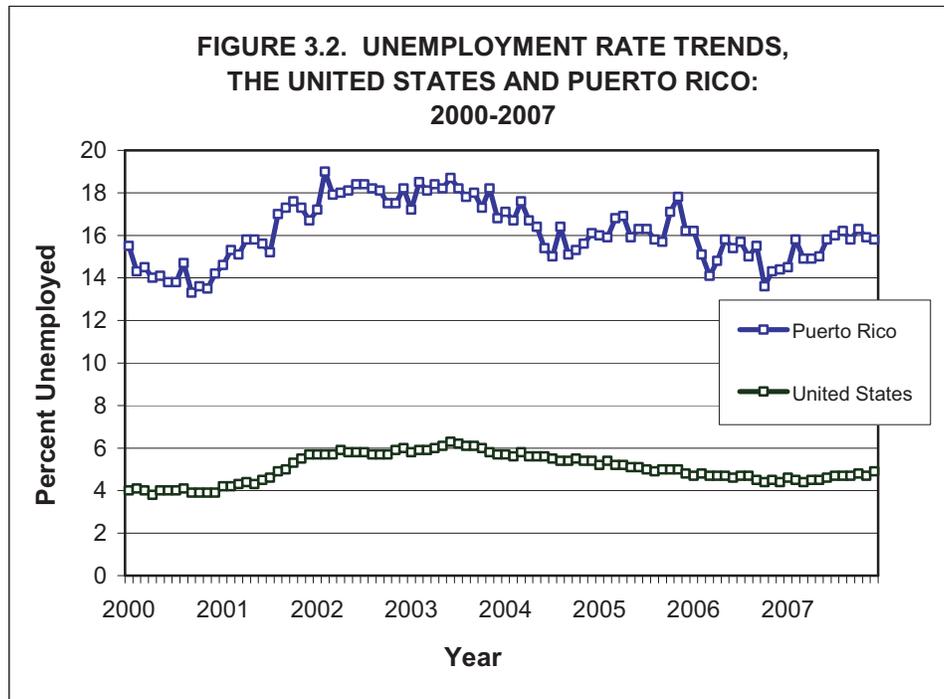
Source(s): U.S. Bureau of Labor Statistics; and Puerto Rico Bureau of Labor Statistics

Labor Force Participation by Industry – The starkest difference in labor force participation between Puerto Rico and the U.S. involves government employment. In both 2000 and 2007, approximately 20 percent of Puerto Rico’s labor force was employed by the government, compared to less than 5 percent of the U.S. labor force. Otherwise, the distribution of the labor force by industry between the two areas is quite similar. For example, in 2007, both Puerto Rico and the U.S. had 1 and 2 percent of their respective labor forces involved in agriculture and 9.6 and 10.6 percent of their respective labor forces were involved in manufacturing. A slightly larger percentage of Puerto Rico’s labor force was involved in trade relative to the U.S. labor force (18.5 percent compared to 13.7 percent).

Labor Force Participation by Family Type – In Puerto Rico, the family types that saw a marked increase in labor force participation from 2000 to 2007 were households composed of a single male or single female householder. The percentage of single males in the workforce doubled, from 2.3 to 4.2 percent, and the percentage of single females grew from 8.1 to 13.7 percent. For families with both spouses in the workforce, the percentage of labor force participation increased slightly between 2000 and 2007 in Puerto Rico (18.9 percent and 21.9 percent, respectively), as it did also in the U.S. (from 41.7 percent to 41.8 percent).

3. UNEMPLOYMENT

Between 2000 and 2007, unemployment remained consistently higher in Puerto Rico, as compared to the U.S. Puerto Rico consistently experienced double-digit unemployment, reaching nearly 20 percent in 2002 (see Figure 3.2). In comparison, unemployment in the U.S. peaked at just over 6 percent in mid-2003, and remained mostly between 4 and 6 percent between 2000 and 2007. In June 2009, the U.S. Department of Labor’s Bureau of Labor Statistics reported that unemployment in Puerto Rico was 15.5 percent, as compared to a 9.4 percent rate in the U.S. (for comparison, the State of Michigan had the highest unemployment rate in the U.S., at 15 percent).



Source: U.S. Bureau of Labor Statistics. Retrieved 9.15.09 from: http://data.bls.gov/PDQ/servlet/SurveyOutputServlet?data_tool=latest_numbers&series_id=LASST43000003.

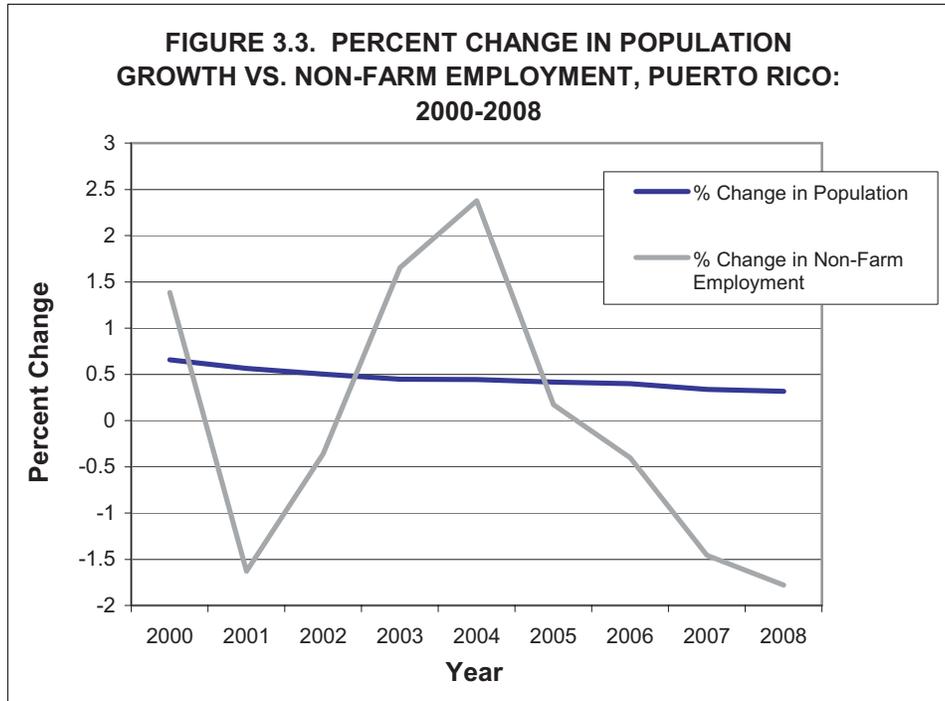
Unemployment in Puerto Rico is particularly concentrated among younger residents; 16- to 19-year-olds are unemployed at a rate of 52.9 percent while 20- to 24-year-olds were unemployed at a rate of 28.5 percent (ADSEF, 2008).

C. POPULATION TRENDS

Tables B.1 and B.6 in Appendix B present data on population trends for both Puerto Rico and the U.S. Puerto Rico, with 3.94 million residents in 3,500 square miles, has a population density of more than 1,100 people per square mile, which is higher than that of any U.S. States. Although population growth in Puerto Rico has historically exceeded growth rates in the U.S., between 2000 and 2007, the population of Puerto Rico grew less than half as much as the U.S. population (3.5 percent vs. 7.2 percent). Additionally, the birth rate in Puerto Rico has fallen substantially; in 2007, Puerto Rico’s birth rate was 12.9 per 1,000 compared to 14 per 1,000 in the U.S.

Employment in Puerto Rico has not been able to keep up with the modest rate of population growth. Although population growth remained near 0.5 percent since 2000, the employment growth rate has steadily been declining since 2004. In 2008, Puerto Rico witnessed a 1.8 percent decline in non-farm employment,⁴⁹ while the population grew modestly over that same term (0.3 percent; Figure 3.3).

⁴⁹ Non-farm employment is the largest sector of employment in Puerto Rico.



Source(s): Puerto Rico Department of Labor and Human Resources Employment Survey
U.S. Census Bureau International Database

D. DEMOGRAPHIC TRENDS

Data on demographic trends for both Puerto Rico and the U.S. are presented in Appendix B, Tables B.1 and B.3. A brief summary is provided below.

Age and Gender – The populations of Puerto Rico and the U.S. have similar age distributions. In 2007, both places had approximately the same percentage of very young children (6-8 percent), school-age children (18-21 percent), young adults (25-26 percent), middle-aged adults (30-34 percent), and elderly persons (15-19 percent). The similarities in age structures between Puerto Rico and the U.S. are also reflected in similar population median ages (35 and 36 years, respectively).

Disabled – Across all age groups, Puerto Rico has a greater percentage of disabled individuals than the U.S. (26.4 percent vs. 15.6 percent).⁵⁰ From 2000 to 2007, Puerto Rico witnessed a decline in the disabled population of young and middle-aged adults, while experiencing a corresponding increase in the percentage of disabled children and elderly individuals.

Educational Attainment – Although Puerto Rico has made great strides in education, a greater portion of Puerto Rico’s population has little or no formal education compared to the U.S. In 2007, 33.6 percent of Puerto Rico’s residents age 25 and older had less than a high-school education, compared to 15.5 percent in the U.S.

Marital Status – Overall, in 2007, only about 2 out of 5 (39.8 percent) individuals in Puerto Rico age 15 and older were married compared to over half of the U.S. (50.2 percent) in 2007. Similar to the U.S., Puerto Rico showed considerable increases in the percentage of divorced individuals between 2000 and 2007 (from 9.6 percent to 12.5 percent), as well as in those who report never being married (from 28.6 percent to 36.5 percent).

Ethnicity and Language Spoken at Home – The overwhelming majority of Puerto Rico’s population is Hispanic or Latino (98.7 percent), compared to only 15 percent of the population in the U.S. in 2007. Similarly, most

⁵⁰ Disabilities range from difficulty dressing and going out to difficulty with vision and daily care activities.

households in Puerto Rico (97 percent in 2007) speak only Spanish, compared to only 15 percent of households in the U.S.

Family Type – In 2007, there were considerably more female-headed families with children in Puerto Rico (35.1 percent vs. 22.2 percent in the U.S.) and fewer married couple families with children (57.6 percent vs. 70.6 percent). Both Puerto Rico and the U.S. experienced declines in the percentage of married-couple families with children from 2000 to 2007 although Puerto Rico saw a more precipitous decline, with the percentage of married couples with children falling from 70.6 percent in 2000 to 57.6 percent in 2007.

Average Household/Family Size – Though average household sizes declined for both areas between 2000 and 2007, Puerto Rico’s average household size is similar to that of U.S. households (3.4 persons). Average family size for both areas is somewhat larger (3.6 persons in 2007).

E. ANNUAL INCOME, INCOME RECEIVED FROM CASH ASSISTANCE PROGRAMS, AND SOCIAL SECURITY INCOME

Tables B.2, B.3, and B.5 present data on income trends in both Puerto Rico and the U.S. Puerto Rico lagged far behind the U.S. in individual income in 2007, with median annual income from wages or salaries⁵¹ less than half of that in the U.S. (\$10,200 in Puerto Rico, compared to \$25,000 in the U.S.). Household incomes in Puerto Rico remained considerably lower as well; median household incomes from wages or salaries were nearly a third of that in the U.S. (\$17,600 compared to \$50,000 in the U.S.; see Table B.5). In 2007, the percentage of households making more than \$30,000 in the U.S. was more than double that in Puerto Rico (70.5 percent vs. 31.5 percent).

Average income from both cash assistance programs and Social Security were also higher for U.S. households than Puerto Rico households.⁵² The total number of households that received cash assistance declined in both Puerto Rico and the U.S., though this decline was much more pronounced in Puerto Rico, where 74.9 percent fewer households were receiving cash assistance in 2007 than in 2000 (see Table B.3).

Table B.5 illustrates five major types of Federal insurance programs for which Puerto Rico residents received compensation during this time period (e.g., Medicare, Social Security, Federal Retirement and Disability Benefits, Veterans’ Death Pension Benefits, and Federal Employees Life and Health Insurance). Puerto Rico households on average received less monetary compensation from these programs than did U.S. households. Three exceptions to this are 1) Veterans’ Death Pension Benefits, in which households in Puerto Rico received an average of \$98 more per year than U.S. households; 2) Survivors Insurance, where households in Puerto Rico received an average \$16 more per year; and 3) Social Security Disability Insurance (SSDI), where households received \$571 more than U.S. households (note that Puerto Rico does not have SSI).

F. CHARACTERISTICS OF POVERTY AND NEAR-POVERTY POPULATIONS

Data on poverty are presented in Appendix B, Tables B.2 and B.3. Table B.2 presents a breakdown of poverty status by age, gender, disability status, and household type. This breakdown utilizes the SNAP guideline of ‘at or below 130 percent of the U.S. poverty guideline index’⁵³—the standard by which FNS determines eligibility for SNAP (e.g., the gross income test). This guideline was chosen only for comparison purposes since NAP doesn’t have a gross income test (it has a net income test only).

By U.S. standards, the poverty rate is very high in Puerto Rico. In 2007, 56.2 percent of Puerto Rico residents fell below this poverty threshold, compared to 20.3 percent in the U.S. (in 2000, these percentages were 59.2 and 19.5 respectively).

⁵¹ Note that this income is gross income and includes both wages and salaries

⁵² Average amounts are calculated from households that received each type of income, not all households.

⁵³ Developed for the U.S. mainland in 1961 and currently used by the U.S. Bureau of the Census.

Table 3.1 below presents a breakdown of the income distribution of families living at or below 130 percent of the poverty guideline in both Puerto Rico and the U.S. Overall, a larger proportion of families in Puerto Rico occupy the lowest income categories—29.4 percent of families in poverty in Puerto Rico earn less than \$5,000 per year, compared to 15.4 percent of families in poverty in the U.S.

TABLE 3.1
DISTRIBUTION OF FAMILIES
BELOW 130 PERCENT OF POVERTY GUIDELINE BY INCOME LEVEL,
THE UNITED STATES AND PUERTO RICO: 2007

Family Income (\$)	Puerto Rico Families (in percent)	U.S. Families (in percent)
< 5,000	29.4	15.4
5-9,999	21.9	17.1
10-14,999	23.0	24.5
15-19,999	15.2	21.4
20-24,999	5.9	10.7
25-29,999	3.1	6.4
30,000+	1.7	4.5
Total	100.0	100.0

Source: 2007 ACS

A comparison of persons below the U.S. poverty guideline in Puerto Rico versus the U.S. shows that, in general, those in poverty in Puerto Rico are disproportionately comprised of the elderly (age 60 and up) and the disabled. In Puerto Rico, 57.6 percent of individuals age 60 and up were living at or below 130 percent of the poverty guideline compared to 18.2 percent in the U.S. Overall, more than a quarter (26.4 percent) of all disabled persons in Puerto Rico lived at or below 130 percent of the poverty guideline in 2007, compared to 15.6 percent in the U.S. Relative to the U.S., Puerto Rico also had a considerably higher percentage of married-couple households, female-headed households, and female-headed households with young children in poverty.

In both 2000 and 2007, the percentage of very young children in poverty was at least twice as great in Puerto Rico as in the U.S.—in 2007, 65.7 percent of children age 4 and under lived at or below 130 percent of the poverty guideline, compared to 29 percent in the U.S. For older children (ages 5 to 17), the discrepancy was even greater: 65.5 percent of older children in Puerto Rico lived in poverty in 2007, compared to 24.8 percent in the U.S.

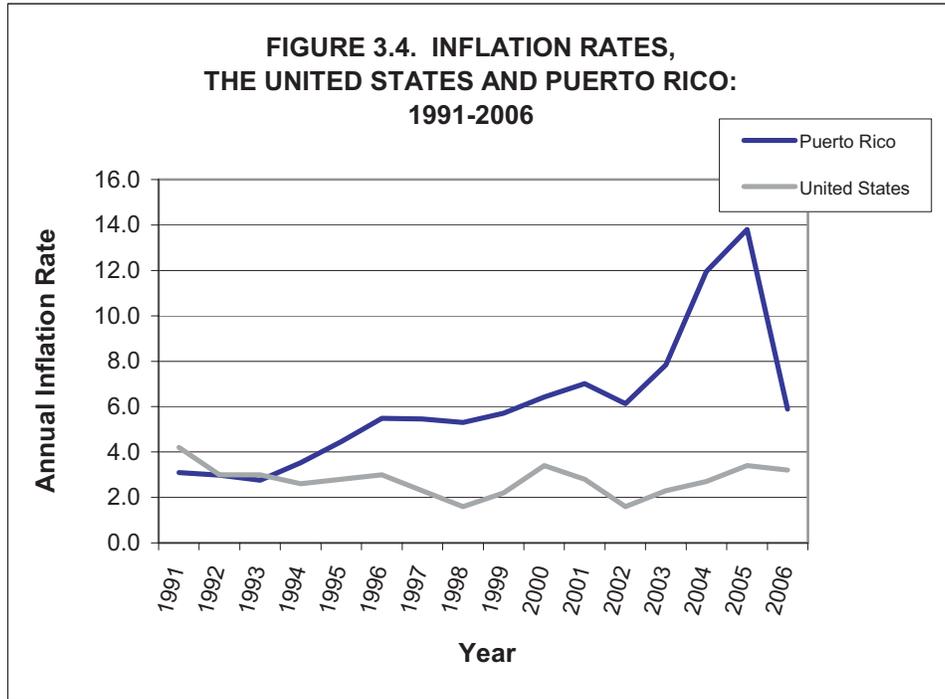
G. COST OF LIVING

Table B.5 in Appendix B presents data on cost of living in both Puerto Rico and the U.S. for six major household categories: food, clothing, housing, household operations, medical care, and transportation. There are several factors that compete for the income and resources available to the low income population. As some of these items are not easily ignored, food is often the first item that has to be given up. Combined with the high unemployment rate, Puerto Rico's population is at risk of decreased food security.

Overall, expenditures were about 20 percent higher in the U.S. than in Puerto Rico, resulting from higher costs of housing, food, and transportation in the U.S. From 2000 to 2007, rates of increase in Puerto Rico outpaced the United States on all categories except for medical care. As such, other household expenditures—clothing, household operations, and medical care—were higher in Puerto Rico than in the U.S. in 2007,

1. INFLATION⁵⁴

Since the early 1990s (when inflation was lower in Puerto Rico than in the U.S.), inflation rates in Puerto Rico have been higher than in the U.S. (see Figure 3.4). Over the past few years, a large increase in the cost of utilities such as gas, electricity, water supply, and medical services has adversely affected Puerto Rico families. Overall, the CPI was 9.6 percent in Puerto Rico in FY 2008, compared to 3.8 percent for the U.S.



Source(s): U.S. Bureau of Labor Statistics; and Puerto Rico Department of Labor and Human Resources

2. HOUSING EXPENDITURES

Table B.5 presents a breakdown of household per capita expenditures for rent, mortgage, insurance, and utilities. An examination of total consumption shares between 2000 and 2007 shows that Puerto Rico residents use a smaller percent of their total income for housing (16.7 percent in 2000 and 20.1 percent in 2007—a 20.4 percent increase). In comparison, the U.S. residents’ consumption share was 45.1 percent in 2007 (up from 41.8 percent in 2000—a 7.9-percent increase).⁵⁵

Average housing expenditures overall were substantially lower in Puerto Rico than in the U.S. In terms of average dollars per month in 2007, rents in Puerto Rico averaged \$315, compared to \$750 in the U.S. Mortgages in Puerto Rico averaged \$721 per month, compared to \$1,221 per month in the U.S. However, annual housing expenditures in Puerto Rico increased by 81.1 percent from 2000 to 2007, from an average of \$3,672 in 2000 to \$6,651 in 2007. Housing expenditures increased in the U.S. also, but by only about half as much, from an average of \$12,769 in 2000 to \$18,093 in 2007, an increase of 41.7 percent.

⁵⁴ Inflation is defined as the change in CPI over time. It is an indicator of the change in the prices of goods and services relative to a specified past point in time.

⁵⁵ These figures were derived using data from Table B.5.

Most types of utility expenditures (e.g., gas, water, electricity) increased in both Puerto Rico and the U.S. during these years. Conversely, annual insurance expenditures actually declined in Puerto Rico between 2000 and 2007 by 26 percent, while they nearly doubled in the U.S. during the same period (an 87.3 percent increase).

3. HOUSEHOLD FOOD EXPENDITURES

An examination of total food consumption shares between 2000 and 2007 shows that Puerto Rico residents use a slightly larger percent of their total income for food than U.S. residents (18.4 percent in 2000 and 18.2 percent in 2007). In comparison, the U.S. residents' food consumption share fell from 17.4 percent to 16.3 percent in that time period.

Average household food expenditures overall were slightly lower in Puerto Rico than in the U.S. (\$6,028 in Puerto Rico vs. \$6,556 in the U.S.), but the difference has declined over time. In 2000, the average household in Puerto Rico spent an average of \$1,290 less per month than did households in the U.S. From 2000 to 2007, the amount spent per household in Puerto Rico increased more than twice as fast as in the U.S. (49.1 percent compared to 23.0 percent). By 2007, Puerto Rico households were spending only \$528 less than their U.S. counterparts. This modest average difference is more pronounced when considered in conjunction with the markedly lower annual incomes in Puerto Rico. This trend appears to be continuing. A report published by the Planning Board of Puerto Rico in January 2009 stated that the CPI for food and beverages increased by 17.1 percent between November 2007 and November 2008 in Puerto Rico,⁵⁶ approximately three times greater than the increase in the U.S. An examination of the CPI for the U.S. during an almost identical period (December 2007 to November 2008) showed an increase of just 5.7 percent.⁵⁷

4. OTHER HOUSEHOLD EXPENDITURES

Other household expenditures—clothing, household operations, and medical care—are higher in Puerto Rico than in the U.S. (see Table B.5). These substantial differences have persisted over time. The exception is transportation expenditures which in 2007 were almost 80 percent higher in the U.S.

H. HEALTH AND WELL-BEING

This chapter concludes with a brief presentation of several diet-relevant health indicators among adults in Puerto Rico and the U.S. from 2000 to 2007.⁵⁸ Detailed data from this section can be found in Table B.6.

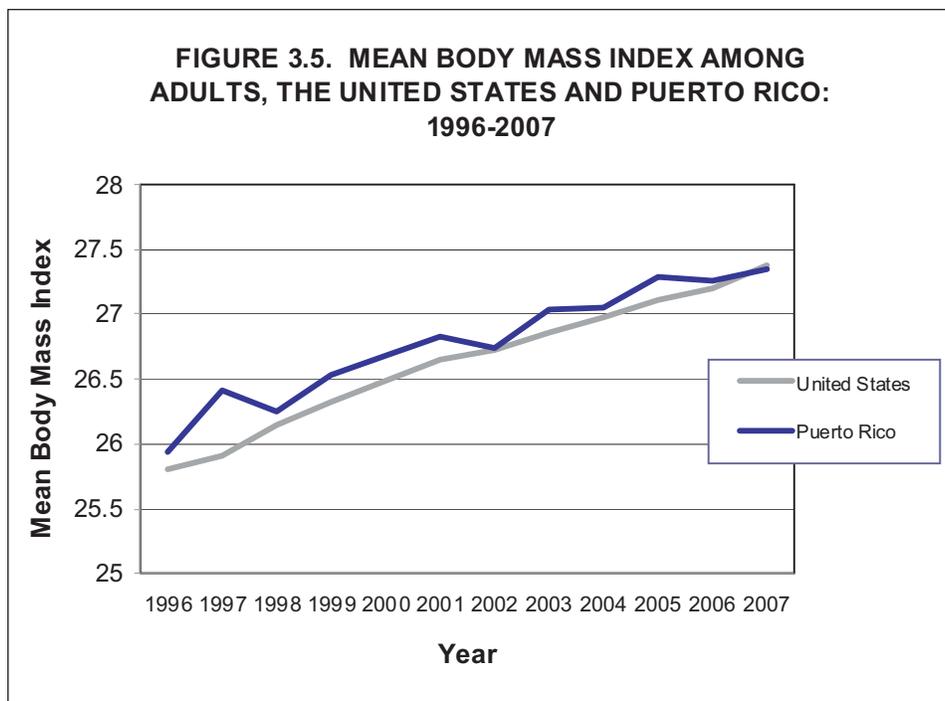
*Overweight/Obese*⁵⁹— Between 1996 and 2007, an overall increase in overweight individuals (Body Mass Index = 25+) was seen among adults in both Puerto Rico and in the U.S., although estimates in Puerto Rico include some year-to-year declines (see Figure 3.7). By 2007, the earlier gap in prevalence of overweight individuals had closed (See Table 3.3 below). Approximately 60.9 percent of adults in Puerto Rico were overweight compared to 59.3 percent in the U.S. Additionally, 24.7 percent of the adults in Puerto Rico were considered obese (BMI = 30+), compared to 24.6 percent in the U.S.

⁵⁶ “Visión de Futuro para La Junta” *Actividad SocioEconómica de Puerto Rico*. Del 1 al 31 de enero 2009, Volumen 1 Número 1. Retrieved from: http://www.jp.gobierno.pr/Portal_JP/Portals/0/ActividadSocioEconomica/ASEPR%20Volumen%20I%20N%20c3%bamer%20I.pdf.

⁵⁷ CPI-U, U.S. Bureau of Labor Statistics. Retrieved from: <http://www.bls.gov/cpi/cpid0811.pdf>.

⁵⁸ Data for this section comes exclusively from the Behavioral Risk Factor Surveillance System.

⁵⁹ According to standards published by the Centers for Disease Control, an adult with a body mass index of 25 is considered “overweight,” while an adult with a body mass index of 30 is considered to be “obese.” Body Mass Index is determined using the following formula: BMI = Weight in Kilograms / (Height in Meters).



Source: Behavioral Risk Factor Surveillance System, 1996-2007

Exercise and Nutrition – Rates of both exercise and fruit and vegetable consumption are higher in the U.S. than in Puerto Rico. The levels of both exercise and vegetable consumption generally decrease with lower levels of income. In 2007, nearly three-quarters of U.S. adults (76 percent) exercised in the last 30 days, compared to 56.3 percent of Puerto Rico’s adults (See Table 3.3 below for a brief summary of health conditions and behaviors). Differences in vegetable consumption are even more stark. For example, among adults ages 65 and older, the percent of adults who consume vegetables on a daily basis is nearly three times higher in the U.S. than in Puerto Rico.

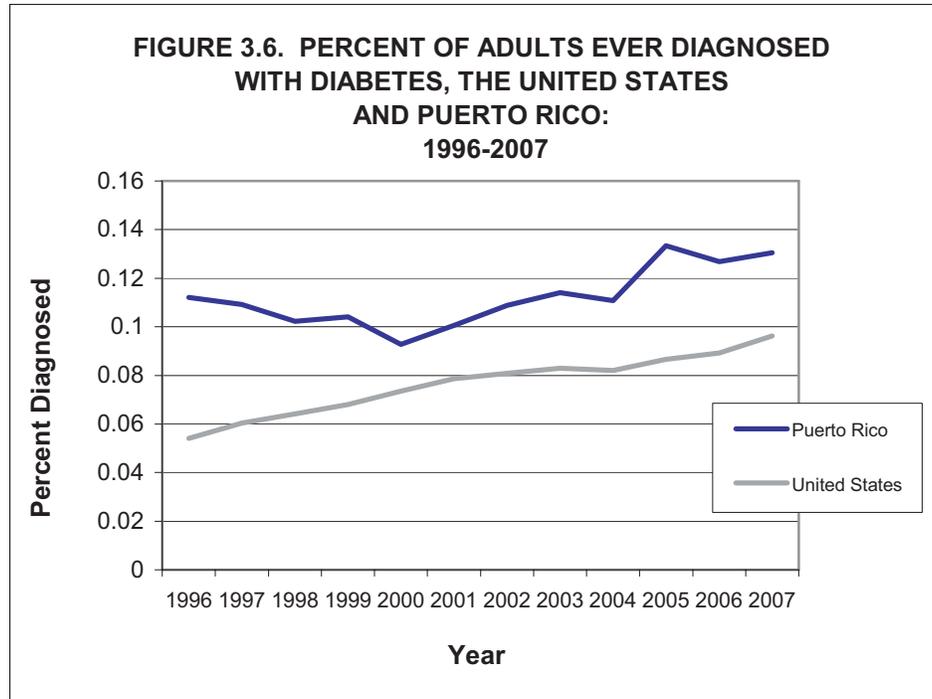
TABLE 3.2

HEALTH CONDITIONS AND BEHAVIORS AMONG ADULTS, THE UNITED STATES AND PUERTO RICO: 2007

Health Condition/Behavior	Puerto Rico	U.S.
Health Condition		
Obesity (BMI = 30+)	24.7%	24.6%
Overweight (BMI = 25+)	60.9%	59.3%
Diabetes in adults	13.0%	9.6%
Ever diagnosed with stroke	1.8%	2.7%
“Poor” self-reported health	3.7%	4.5%
Behavior		
Eat 1+ vegetable servings daily	24.2%	67.0%
Eat 1+ fruit servings daily	29.1%	47.0%
Exercised in past 30 days	56.3%	76.0%
Mean days/week moderate exercise	3.9	4.7

Source: Behavioral Risk Factor Surveillance System, 2007

Diabetes – In 2007, the prevalence of diabetes was higher in Puerto Rico compared to the U.S. (13 percent vs. 9.6 percent; see Figure 3.8). A diagnosis of diabetes was most prevalent in the lowest income category in both Puerto Rico and the U.S.



Source: Behavioral Risk Factor Surveillance System, 1996-2007

Heart Disease – Heart disease is the leading cause of death in both Puerto Rico and the U.S. It is also linked to diet and diet-related diseases. Puerto Rico had greater percentages of its population diagnosed with heart disease in 2007 as compared to the U.S. Of Puerto Rico adults age 65 and older, 15.9 percent were diagnosed with heart disease that year, compared to 13.1 percent of U.S. adults in that age group.

Stroke – Stroke diagnoses are lower in Puerto Rico than in the U.S. The percentage of these diagnoses tends to be higher among people with lower incomes and is particularly pronounced among adults over 65 years of age. In 2007, 5.4 percent of Puerto Rico residents age 65+ reported having ever been diagnosed with a stroke, compared to 8.4 percent of U.S. residents.

CHAPTER IV. COMPARISON OF NAP AND SNAP AND THE IDENTIFICATION OF NECESSARY ADMINISTRATIVE CHANGES

This chapter provides a detailed comparison of SNAP and NAP to identify the administrative changes that would be required to transition Puerto Rico into SNAP. The changes discussed in this report result from three primary causes including: 1) differences in policies, 2) differences in administrative requirements, and 3) differences in payment structures.

There are a number of policy decisions, particularly those related to financial eligibility standards and methods for calculating benefit amounts, that would need to be made prior to implementing SNAP in Puerto Rico. Such policy decisions include setting the maximum income threshold (currently 130 percent of the Federal poverty guideline), asset limits, income deductions and maximum benefit allotment amounts. For example:

- Congress would need to determine the basis for setting maximum benefit allotment amounts in Puerto Rico (this report uses the TFP for the U.S. mainland). If additional resources are provided to collect new information on food prices and consumption in Puerto Rico, USDA could develop a low-income household food ‘market basket’ and corresponding TFP for Puerto Rico. Alternatively, the mainland TFP could be used at its current value or some multiple of its value.⁶⁰
- Congress would need to set the maximum income threshold for the gross income test (currently 130% of the Federal poverty guideline; there are no separate poverty guidelines for Puerto Rico), as well as asset limits and deductions for Puerto Rico.
- Puerto Rico would need to select from the list of SNAP State options that give States choices in some areas of SNAP administration, including those related to 1) eligibility criteria (deductions and allowances that can affect the benefit amount by influencing net income levels); 2) application and recertification processes; 3) reporting; 4) employment and training; and 5) education and outreach.

As it was not known what these policy decisions would be, the income thresholds and benefit allotment amounts used for comparison are those currently in place for the U.S. mainland. State options were selected to reflect those currently in effect for Puerto Rico’s NAP. Depending on the policy-based decisions that are made, these choices could vary the findings presented in the chapters that follow.

This chapter focuses solely on defining the administrative changes needed for such a transition. Following a brief summary, Section A discusses the organizational structure of NAP vs. SNAP. Sections B and C provide a comparison of program eligibility criteria and benefits. Section D provides details on benefit issuance and redemption. Section E compares the certification and recertification processes and requirements for participants. Section F compares retailer management policies and processes. Section G compares strategies for ensuring program integrity. Section H compares work policies and programs. Finally, Section I compares nutrition education and outreach strategies. See Appendix C, Tables C.1-C.7 for additional information on the two programs and Table C.8 for a detailed side-by-side comparison of SNAP and NAP.

SUMMARY OF CHAPTER:

Overall, the program structure and operational processes of NAP are very similar to SNAP. This is due, in part, to the fact that Puerto Rico was part of the FSP until 1982, and to FNS’s oversight of NAP since its implementation. There would, however, be many changes required in both the infrastructure and operation of NAP if SNAP was reestablished in Puerto Rico. Projected impacts on program structure and operational processes include the following.

⁶⁰ There is no readily available basis for developing a Thrifty Food Plan that reflects consumption patterns and prices in Puerto Rico. Alternatively, therefore, the maximum benefit levels could be set using 1) the levels for the 48 States, or 2) levels similar to those for Alaska, Hawaii, Guam, and the Virgin Islands to reflect the higher food prices in those areas.

- Puerto Rico would need to establish new eligibility criteria and benefit levels.
- Puerto Rico would need to hire more caseworkers and train its new and current staff on SNAP rules and regulations. With more staff, Puerto Rico would need to purchase additional computers, office equipment, and office space.
- Puerto Rico would need to change its procedures for certification and recertification to meet SNAP requirements. These changes would reduce the number and types of supporting documents required for certification.
- Puerto Rico's IT systems would need to be modified due to changes to the program's financial and other reporting requirements. Because SNAP's eligibility requirements differ from NAP's, Puerto Rico would need to update its case-management system and other program databases to conform to the new requirements.
- FNS would be responsible for certifying and monitoring participating Puerto Rico retailers. Retailers would be recertified every 5 years, rather than every year. POS machines would be available cost-free to retailers, potentially enabling more retailers in Puerto Rico to apply for and maintain certification.
- Puerto Rico would be required to implement an employment and training program, and would receive separate funding from the U.S. to do so. A transition to SNAP would allow Puerto Rico to provide benefits to the 'working poor,' who currently are ineligible for the program.
- Puerto Rico would be able to expand its outreach and nutrition education activities by choosing to participate in two SNAP programs—SNAP Outreach and SNAP Nutrition Education (SNAP-Ed). The U.S. Government would reimburse Puerto Rico for 50 percent of the costs of allowable activities.
- FNS would play a much larger role in setting policy and providing oversight, as it does for the States.

One of the most substantial changes would be the loss of the option for Puerto Rico benefit recipients to withdraw 25 percent of their monthly benefit allotment in cash. As will be discussed in greater detail in Chapter V, the loss of this cash component has major implications for NAP participants, who have no other Federal cash programs to rely on. Further, two other required changes would impact retailers and potentially participant access. First, retailers would no longer have to pay for EBT equipment. Retailers would have the option to receive basic EBT machines from FNS or pay for devices that would also process credit and debit cards. This change could lead to an increased number of retailers participating in SNAP and, consequently, lead to increased access to retailers in geographic areas in which participating retailers were previously scarce. Finally, adoption of SNAP for monitoring retailer fraud and abuse would result in a much stricter penalty structure for violators of program rules.

A. ORGANIZATIONAL STRUCTURE AND FUNDING

This section discusses the current organizational structures of SNAP and NAP, and includes a discussion of the major organizational changes that would be necessary if SNAP was implemented in Puerto Rico.

SNAP: Pursuant to legislation passed by the U.S. Congress, USDA drafts regulations implementing the rules for SNAP. Current law delegates all Federal authority over SNAP to FNS. States are required to submit their operational guidelines to FNS for annual review and approval. Through its central HQ, 7 regional offices, and 42 field offices, FNS is responsible for oversight of SNAP, including establishing policy for eligibility and benefit determination, certifying and monitoring retailers, quality control (QC), and State performance reviews and evaluations. Authorizing legislation provides a number of options that States can choose in designing and operating SNAP. In addition, States may apply for Federal waiver approval to change some aspects of SNAP for which statutory options do not exist.

Overall, SNAP is operated at the State level. States are permitted to align SNAP with other benefit programs and services administered by the State. The Federal Government pays for the cost of all SNAP benefits and roughly half

of the State-level administrative costs; the other half of the administrative costs is paid by the States.⁶¹ States maintain their own internal financial database systems, which are used to track costs and populate the financial reports (SF-269⁶²) that are submitted to FNS on a quarterly basis.

NAP: NAP is authorized in Section 19 of the Food and Nutrition Act of 2008 (and previously Section 19 of the Food Stamp Act of 1977, as amended through P.L. 108-269).⁶³ The regulations governing NAP are written according to Puerto Rico Law Number 170, as amended and known as the Uniform Administrative Procedure Act. As the recipient of a Federal block grant, Puerto Rico submits an Annual Plan to FNS on program operations and any proposed changes/amendments to NAP regulations. FNS is responsible for approving all amendments and changes to NAP in alignment with the goals of the program and the experience that other states have had. The NAP guidelines are detailed in Regulation 7280 and Regulation 7218 of the Act and more detail can be found in the Local Office Procedures Manual.

NAP is administered by Puerto Rico's Administration for Socioeconomic Development of the Family (ADSEF) within the Department of the Family, which is located in San Juan, Puerto Rico. ADSEF sets eligibility and benefits, certifies and monitors retailers, distributes the benefit, detects and investigates fraud, and provides nutrition education to NAP participants. Regional and local offices carry out other components necessary to support NAP. ADSEF administers NAP through 10 regional offices—1 office per region—that serve as links to the 101 local offices. The local offices interact directly with NAP applicants and participants.

Puerto Rico administers NAP in accordance with the U.S. Omnibus Reconciliation Act of 1981 (P.L. 97-35), which authorized the creation of NAP. Approximately 5 percent of the block grant is set aside to pay for the Federal Government's share of the costs required to administer NAP; the remaining 95 percent of Federal funds are distributed to NAP participants. The administrative costs of NAP are split evenly between the governments of Puerto Rico and the U.S.; as such, Puerto Rico pays for its portion of the administrative funds. ADSEF uses a customized budget database system, known as Sistema Automatizado de Control Presupuestario (SACPRE), to provide cost accounting financial reports (SF-269) that are submitted to FNS on a quarterly basis.

B. ELIGIBILITY RULES

This section provides a comparison of the eligibility rules and criteria for SNAP versus NAP and discusses changes that would be required for Puerto Rico to implement SNAP.

1. UNIT DEFINITION

a. Basic Definition of a Filing Unit

SNAP: A SNAP “service unit” consists of individuals who share a residential unit and purchase and prepare food together. Individuals who live together but purchase and prepare food separately may apply as separate service units. Elderly members who purchase and prepare food with the household are considered part of the service unit. Only elderly members who are disabled and part of a household that is below 165 percent of the poverty guideline can file as an individual service unit.

NAP: A NAP “nucleus of service unit” consists of individuals who share a residential unit. This includes spouses, parents, minor children, non-biological minors, and families or other non-relatives who reside together. They may or may not purchase and prepare food together. In some cases, individuals who do not live in the residence—for instance, due to work, school, or hospitalization—may be included in the NAP unit. Additionally, unlike SNAP, elderly individuals who share a residence with non-elderly individuals may file as a separate unit from the rest of the household even if they purchase and prepare food together, as it is generally in their financial interest to do so.

⁶¹ The dollar amount of the Federal contribution for administrative costs is determined by a formula system described in section 7 CFR 277 of the Federal SNAP regulations.

⁶² FNS has sought OMB approval to change from the SF-269 to the FNS-778, which will collect much of the same information.

⁶³ Initially authorized August 12, 1988.

Changes Needed: Puerto Rico would be required to adopt the SNAP unit definition, in particular allowing individuals who share a residence but do not jointly purchase and prepare food to apply as separate units. Further, individuals not residing together would always constitute separate units and would need to apply separately.

b. Definition of Disabled

SNAP: The definition of disabled is determined by: 1) status as a recipient of SSI or other disability benefits based on SSI rules and determinations, 2) a disabled veteran who is either housebound or in need of regular aid and attendance, and 3) a surviving spouse or child of veteran who receives Veterans Administration (VA) benefits and is considered disabled.

NAP: An individual is considered disabled if he or she has a Medical Certification or certificate of total and permanent disability issued by a Federal or State agency and has received benefits for the disability. The Federal or State agencies that determine disability in Puerto Rico are: Social Security Administration (SSA), VA, Automobile Accident Compensation Administration (Administración de Compensación por Accidentes Automovilísticos -- ACAA), Government and Judicial Employees Retirement Systems Administration (Administración de Sistemas de Retiro de los Empleados de Gobierno y la Judicatura), Teachers Retirement Systems (Sistemas de Retiro para Maestros), State Insurance Fund Corporation (Corporación del Fondo del Seguro del Estado) and Temporary Assistance for Needy Families (TANF).

Changes Needed: Puerto Rico would need to align its definition of “disabled” with the SNAP definition.

c. Inclusion of Noncitizens

SNAP: The following groups of legal noncitizens are eligible for SNAP, pending their financial circumstances, and may be included in a filing unit: noncitizens who are receiving disability benefits, effective October 1, 2002; noncitizens who have lived in the U.S. for more than 5 years, effective April 1, 2003; and noncitizens under the age of 18, regardless of their date of entry. Individuals admitted as refugees or who have been granted asylum or a stay of deportation are eligible for benefits with no length-of-stay-requirements. All other noncitizens are ineligible.

NAP: Same as in SNAP.

Changes Needed: None.

2. FINANCIAL ELIGIBILITY CRITERIA – ASSETS

a. Vehicle Assets

SNAP: The value of certain vehicles is not counted. These include the value of vehicles worth \$1,500 or less after all loans are paid off; the value of certain income-producing vehicles; and the value of vehicles used as mobile homes for long-distance travel for work (other than daily commute), for transportation of a physically disabled unit member, or for those needed to carry water or fuel.

The Fair Market Value (FMV) exceeding \$4,650 is counted for one vehicle per adult in the unit and any vehicle used by a unit member under age 18 to commute to employment, training, or education. For all other vehicles, the higher of the FMV exceeding \$4,650 or the equity value (which is the FMV less any encumbrances) is counted.

State Option: States have the option to substitute the Federal vehicle rules with their TANF assistance program or TANF MOE (Maintenance of Effort) categorical eligibility vehicle rules when doing so results in a lower attribution of household assets (e.g., the rules cannot be more restrictive than SNAP rules). Currently, all States use vehicle rules that are less restrictive than the Federal SNAP vehicle rules.

NAP: Certain vehicles’ values are not counted. The value of one vehicle per unit, regardless of its value or use, is not counted. Additionally, the value of vehicles used for mobile homes and any income-producing vehicles is not counted, nor is the full value of one vehicle registered and used for the transportation of a disabled member of the

unit. For all other vehicles registered to the unit, the total value of each vehicle (determined by the average trade-in value of each vehicle in the Auto Guide issued by the National Association of Auto Dealers) in excess of \$4,650 is counted.

Changes Needed: The rules for SNAP are more complex than they are for NAP, as they deal with equity values and fair market values in how the vehicles are used. Puerto Rico would either utilize these rules or simplify them by substituting rules from other programs. Note that, although most states do align with TANF, Puerto Rico could not align to its current TANF rules, as they are more restrictive than SNAP rules.

b. Types of Non-Vehicle Assets

SNAP: The following types of assets count towards the SNAP asset limit: cash-on-hand; money in checking/savings accounts; non-tax-preferred retirement accounts; instruments issued by banks and credit unions (e.g., savings certificates or certificates of deposit); stocks; bonds; shares in mutual funds; lump-sum payments (other than Earned Income Tax Credit (EITC) payments); shares in mutual funds; and equity of property not producing income consistent with its value.

State Option: States have the option to exclude additional types of assets by aligning SNAP policy with TANF or Medicaid policy. The exceptions to this option include cash, readily available assets in financial institutions, and anything determined essential to count by FNS for basic fairness.

NAP: The following assets count towards the NAP asset limit: cash; money in checking or savings accounts; individual retirement accounts (IRA); saving certificates; stocks; bonds; lump-sum payments; and non-liquid assets available to be traded immediately.

Changes Needed: Puerto Rico would need to reverse its rules around retirement accounts by counting non-tax preferred retirement funds and excluding IRAs. Puerto Rico would also have to specify that among accounts for education expenses, only tax-preferred accounts would be excluded. Puerto Rico would need to exclude lump-sum EITC payments as a countable asset, but shares in mutual funds (if not already counted in practice as “stocks” or “bonds”) would need to be counted. Finally, Puerto Rico would have to clarify that the equity of property not producing income consistent with its value would be considered a non-liquid asset rather than one available to be traded immediately.

c. Value of Non-Vehicle Assets

SNAP: The allowable asset limit for SNAP eligibility is \$2,000 for units with no elderly or disabled members. Units with individuals age 60 or older or disabled members (generally those receiving Federal or State disability or blindness payments) may have up to \$3,000 in countable assets. The 2008 Farm Bill indexes the current asset limits to inflation, rounded down to the nearest \$250, beginning October 1, 2008. Each adjustment is based on the unrounded amount for the prior 12-month period.

State Option: States have the option to set their own asset limits by aligning SNAP policy with TANF or Medicaid policy, eliminating asset limits entirely, or increasing the limits to allow more households to qualify for benefits.⁶⁴

NAP: The allowable asset limit for NAP eligibility is \$2,000 for units with no elderly or disabled members. Units with individuals age 60 or older or disabled members (as determined by one of seven Federal or State agencies specified in NAP regulation) may have up to \$3,000 in countable assets.

Changes Needed: Puerto Rico would need to adopt the Federal SNAP asset limits or set its own asset limits, as long as they are not more restrictive than the Federal SNAP limits.

⁶⁴ Currently, 37 States have simplified definitions of allowable assets and resources, including 29 States that are using “broad-based” categorical eligibility to eliminate or raise the asset limit for most SNAP applicants.

d. Exemptions From Asset Eligibility Rules

SNAP: The assets of unit members who receive SSI income or benefits under the TANF IV-A or State TANF MOE⁶⁵ program are not counted. Units in which all members receive Federal TANF-IV-A, State TANF MOE benefits, General Assistance, or SSI (i.e., “pure public assistance units”) are categorically eligible for SNAP and therefore exempt from the asset test.

State Option: If the household receives, or is authorized to receive, non-cash or in-kind benefits from programs that are more than 50 percent funded with State money for MOE purposes under Title IV-A, or through Federal money under Title IV-A, the household must be considered categorically eligible. State agencies may confer categorical eligibility on households that receive, or are authorized to receive, non-cash or in-kind benefits from programs that are less than 50 percent funded with State money for MOE purposes under Title IV-A, or through Federal money under Title IV-A. The State agency may also confer categorical eligibility if the a member receives, or is authorized to receive, non-cash or in-kind benefits and the agency determines that the entire household benefits. If the purpose of the program conferring categorical eligibility is to prevent out-of-wedlock pregnancies or to foster or strengthen parent families, the household’s gross income must be under 200 percent of poverty. However, if the purpose of the program is to encourage employment, this income limit does not apply.

NAP: The assets of unit members who have been determined by a Federal or State agency to be totally and permanently disabled and who have received disability benefits are not counted.

Changes Needed: Puerto Rico would need to institute an exemption from the asset test for pure public assistance units. It would need to count the assets of unit members who are totally and permanently disabled.⁶⁶ Puerto Rico would need to exclude the assets of TANF recipients (under any category of TANF in Puerto Rico).

3. FINANCIAL ELIGIBILITY CRITERIA – INCOME

a. Included Income

SNAP: Income considered for SNAP eligibility includes cash income earned from wages, salaries, tips, commissions, self-employment and independent contracting, as well as most unearned cash income. Unearned cash income that is not considered includes loans, combat pay for deployed military personnel, most non-cash income and in-kind benefits.

NAP: NAP considers similar categories of income, but applies more exemptions, waivers, and deductions to some income categories. For instance, NAP only considers a portion of a unit’s Social Security income in certain circumstances (for instance, 1) when the household is composed exclusively of 1) disabled individuals or 2) individuals 60 years and older (or adults 59 years of age or less whose only income is from Social Security) or 3) disabled or elderly individuals who are legally responsible for a minor 18 years or younger (and whose spouse is 59 years or younger with no income and/or a disability). In these instances, the portion of income to be considered may be reduced to 50 percent. Additionally, for individuals who have worked at least 25 hours per week for less than 10 months, NAP only considers a portion of the earned income each month in a tiered process (for example, 100 percent the first 3 months, 66 percent the second 3 months, etc.).

Changes Needed: Puerto Rico would need to adopt SNAP’s list of considered income types, and remove any exemptions, waivers, and deductions that are not applied in the SNAP net income test. See Section 4 below for more detail on SNAP deductions.

⁶⁵ TANF is a cash assistance program with strict work requirements that was implemented in 1997 as a provision of the The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L.104-193). Like SNAP, each State administers its own TANF program. Federal funding is provided to States through a block grant, and each State must meet cost-sharing requirements based on a calculated percentage.

⁶⁶ SNAP counts the resources of those disabled individuals receiving SSA’s Retirement Survivors Disability Insurance (RSDI) and excludes the resource test for those that receive SSI.

b. Gross Income Limit

SNAP: To be eligible for SNAP, a unit must have a gross income at or below 130 percent of the Federal poverty guideline for the appropriate unit size. Units with individuals age 60 or older or disabled members (generally those receiving Federal or State disability or blindness payments) are not subject to the gross income test. Units in which all members receive Federal TANF-IV-A, State TANF MOE benefits, General Assistance, or SSI (i.e., pure public assistance households⁶⁷) are exempt from all income tests. See Table C.1 for gross income limits by unit size and geographic area.

NAP: None. NAP does not have a gross income limit.

Changes Needed: Puerto Rico would be required to institute a gross income limit, set at 130 percent of the Federal poverty guideline for unit size, exempting pure public assistance units and those with disabled members or individuals age 60 or older. If Puerto Rico participates in SNAP, FNS may decide to apply the poverty guidelines for the continental U.S. or another income eligibility procedure. Currently, Guam and the Virgin Islands use the guidelines for the continental U.S. The Department of Health and Human Services (DHHS) notes that “The poverty guidelines are not defined for Puerto Rico, the Virgin Islands, American Samoa, Guam, the Republic of the Marshall Islands, the Federated States of Micronesia, the Commonwealth of the Northern Mariana Islands, and Palau. In cases in which a Federal program using the poverty guidelines serves any of those jurisdictions, the Federal office which administers the program is responsible for deciding whether to use the contiguous-States and D.C. guidelines for those jurisdictions or to follow some other procedure.”⁶⁸

c. Exemptions From the Income Eligibility Rules

SNAP: There are several exceptions to the gross income test. Units with individuals age 60 or older or disabled members (generally those receiving Federal or State disability or blindness payments) are not subject to the gross income test, nor are units which are categorically eligible for SNAP (e.g., those in which all members receive Federal TANF-IV-A, State TANF MOE benefits, General Assistance, or SSI—i.e., pure public assistance households).

State Option: As mentioned in Section 2.d., States have the option of conferring categorical eligibility on (and therefore exempting from all income tests) units receiving a non-cash benefit from programs wherein less than 50 percent of the funding comes from TANF or MOE sources. They may also confer categorical eligibility on households in which at least one member receives the benefit or service, if the State determines that the whole household benefits. If the purpose of the program conferring categorical eligibility is to prevent out-of-wedlock pregnancies or to foster or strengthen marriage, the household’s gross income must be under 200 percent of poverty. However, if the purpose of the program is to further employment, this income limit does not apply.

NAP: None. NAP does not have a gross income test.

Changes Needed: Puerto Rico would need to exempt pure public assistance households from all income tests and exempt elderly and disabled units from any future gross income test.

⁶⁷ In this report, the term household refers to the group of people living together that meet the NAP/SNAP unit definition.

⁶⁸ Retrieved on 9.16.09 from: <http://aspe.hhs.gov/poverty/09poverty.shtml>.

4. DEDUCTIONS TO INCOME

a. Standard Deduction

SNAP: In FY 2009, the standard deduction for a household in the continental U.S. was \$144 for units with one to three members; \$147 for units of four; \$172 for units of five; and \$197 for units of six or more.⁶⁹ Standard deduction amounts are adjusted annually for cost-of-living increases.

NAP: The standard deduction is \$100 for all units with no provision for adjustments that are tied to inflation.

Changes Needed: Puerto Rico would need to increase the standard deduction in accordance with SNAP standards, with variance according to unit size and adjusted annually for cost-of-living increases.

b. Earned Income

SNAP: The earned income deduction is equal to 20 percent of the combined monthly earnings of all unit members.

NAP: The earned income deduction is equal to 50 percent of combined monthly earnings of all unit members, up to a maximum of \$500. A fixed deduction of \$100 is applied if 50 percent of the combined earnings is less than \$100.

Changes Needed: Puerto Rico would need to reduce the earned income deduction to 20 percent and eliminate the minimum and maximum deduction limits.

c. Dependent Care

SNAP: Out-of-pocket costs incurred for the care of children and other dependents may be deducted if such care was necessary for a unit member to work, search for work, or attend school.

NAP: The dependent care deduction is provided only if such care was necessary for a unit member to work, search for work, or attend training for employment. The deduction is equal to \$175 for each minor over age 2 and for each adult dependent with mental or physical disabilities, and \$200 for each minor under age 2.

Changes Needed: Puerto Rico would need to base the dependent care deduction on actual expenses and make the deduction available to members who incur dependent care costs to attend school.

d. Child Support Payments

SNAP: Legally-obligated child support payments made to or for a non-household member may be deducted. States may choose to exclude child support payments from gross income rather than use the deduction.

NAP: None.

Changes Needed: Puerto Rico would need to either deduct child support payments in the calculation of net income or exclude them entirely from gross income.

e. Medical Expenses

SNAP: Out-of-pocket medical costs exceeding \$35 per month incurred on behalf of elderly or disabled unit members may be deducted.

⁶⁹ The standard deduction under SNAP in Guam is about twice that for the continental U.S. In the Virgin Islands, deductions are the same as for the continental U.S. with the exception of the standard deduction for units with 1-3 members, which is \$127. See Table C.3 for standard deduction amounts by unit size and geographic area.

NAP: Units may deduct \$100 for each elderly or disabled unit member who has continuous medical expenses. Medicare Part B premiums deducted from Social Security benefits is one example of a continuous medical expense.

Changes Needed: Puerto Rico would need to replace flat medical deductions with deductions equal to out-of-pocket expenses above \$35. Deductions would need to apply to intermittent as well as continuous expenses.

f. Excess Shelter Expenses

SNAP: Excess shelter (housing) expenses, which may be deducted, are equal to the lesser of 1) a specified maximum shelter deduction (currently \$446 in the contiguous States and indexed to inflation),⁷⁰ or 2) actual shelter costs that exceed 50 percent of the unit's countable income after all other potential deductions are subtracted from gross income. Units with elderly or disabled members are not subject to the maximum shelter deduction limit, and may deduct the full value of shelter costs that exceed 50 percent of their adjusted income. Shelter costs include rent, mortgage payments, utility bills, property taxes, property insurance, and non-reimbursable costs related to repairing home damage resulting from a natural disaster.

State Option: States have the option of using different types of a simplified SUA when determining units' utility costs (rather than actual costs). States have the option to mandate using the State-developed standard utility allowances. States also have an option to allow homeless units a deduction of up to \$143 (in FY 2009) for shelter costs.

NAP: None.

Changes Needed: Puerto Rico would need to allow deductions equal to shelter costs in excess of 50 percent of the unit's countable income after all other potential deductions are subtracted from gross income, subject to a maximum limit (currently \$446 in the contiguous States and indexed to inflation) for units with no elderly or disabled members. Units with elderly or disabled members would not be subject to the maximum shelter deduction limit. Puerto Rico also would need to develop standard utility allowances and decide whether or not they would be mandatory.

g. Unearned Income

SNAP: None.

NAP: Units with unearned income may deduct \$100 unless they also receive deductions for earned income, continuous medical expenses, or the presence of elderly, totally disabled, or student members (see Section B.4.h below).

Changes Needed: Puerto Rico would need to eliminate deductions for unearned income.

h. Other Deductions

SNAP: None.

NAP: Units may deduct \$100 for each elderly, non-disabled member, \$100 for each minor or adult who is totally disabled, \$100 for each student enrolled in a post-secondary institution, and \$200 for each terminally ill member.

Changes Needed: Puerto Rico would need to eliminate the specific deductions for the presence of elderly, totally disabled, student, and terminally ill members.

i. Net Income Limit

SNAP: To be eligible for SNAP, a unit must have net income at or below 100 percent of the Federal poverty guideline for the appropriate unit size. Net income is calculated by subtracting the deductions specified above from

⁷⁰ See Table C.3 for maximum excess shelter deduction amounts by geographic area.

countable gross income. Units in which all members receive Federal TANF-IV-A, State TANF MOE benefits, General Assistance, or SSI (i.e., “pure public assistance units”) are categorically eligible for SNAP and therefore exempt from all income tests. See Table C.2 for net income limits by unit size and geographic area. However, even if the net income calculation is not used to determine eligibility it is used to determine the size of the household benefit.

State Option: States have the option of conferring categorical eligibility on (and therefore exempting from the net income test) other types of units (see Section B.3.c above).

NAP: To be eligible for NAP, a unit must have net income equal to or less than the established maximum net income for the appropriate unit size. The maximum net monthly income for a unit size of one is \$193 and for a unit size of two is \$389. As the unit increases in size by one person, the maximum increases by between \$93 and \$110. See Table C.2 for maximum net income limits by unit size.⁷¹

Changes Needed: Puerto Rico would need to set net income thresholds to 100 percent of the Federal poverty guideline for unit size, exempting pure public assistance units and those with disabled members receiving a disability-based payment.⁷²

5. WORK AND SCHOOL REQUIREMENTS AFFECTING ELIGIBILITY

a. School Attendance

SNAP: None⁷³

NAP: Households must present evidence that minors between the ages of 5 and 17 years old (with the exception of legally emancipated minors) either attend school regularly, enroll in a liberal study program for the completion of the 12th grade, or receive home schooling.

Changes Needed: Puerto Rico would need to eliminate the school attendance requirement.

b. Work

SNAP: All SNAP participants between the ages of 16 and 59, with certain exceptions, must register with the State and participate in employment, education, training, or employment-related activity. With certain exceptions based on local economic conditions, non-exempt able-bodied adults without dependents between ages 18 and 49 (ABAWDs) may only receive SNAP benefits for up to 3 months within a 36-month period unless they participate in employment, training, or work-related activity for at least 20 hours per week. Individuals are exempt from the work requirement if they are responsible for the care of a child or incapacitated unit member or already meet other exemption criteria from the work requirements of the Food and Nutrition Act of 2008.

State Option: States may request a waiver of the work provision for people in areas with an unemployment rate above 10 percent or for those in an area with insufficient jobs. States also have the authority to exempt individuals using the 15-percent exemption authorized by the Balanced Budget Act (P.L. 105–33).

NAP: With certain exceptions, unemployed (not working or working less than 25 hours per week) able-bodied adults between the ages of 21 to 50 years old must make at least three attempts to find a job and submit evidence of

⁷¹ A recently approved amendment to the NAP regulation increased the maximum net income values by 20 percent.

⁷² If Puerto Rico participates in SNAP, FNS may decide to apply the poverty guidelines for the continental U.S. or another income eligibility procedure (see footnote 76 above).

⁷³ There is no school attendance requirement for SNAP eligibility. However, there is an eligibility criterion that individuals who are enrolled at least half-time in a higher education institution are *ineligible* for SNAP, unless they qualify for one of the follow exemptions: 1) are age 17 or younger or 50 or older, 2) are physically or mentally unfit, 3) are receiving TANF, 4) are enrolled because of participation in the Job Opportunities and Basic Skills program, 5) are employed and paid for for at least 20 hours per week, or 6) are participants in a State or Federally financed work study program during the school year.

those attempts by completing an Employment Attempt Form and an Employment Registry form. If the unemployed able-bodied adult has a college degree or has successfully completed technical or vocational courses, the individual will be referred to the Department of Labor and Human Resources to search for a job. Individuals are required to participate in employment and training activities or employment interviews, and accept or continue in employment if it is adequate.

Unemployed able-bodied adults are exempt from the work requirement if they are Category C TANF recipients (single mothers with children); Category C TANF recipients participating in a permitted activity; participants responsible for a child younger than 5 years old or a disabled person unable to care for himself; participants in drug rehabilitation programs; full time students 18 or older studying during the day to obtain a high-school degree; participants 6 months pregnant or more, or diagnosed as high-risk pregnancy; retirees; or participants suspended from work, with or without pay; or provide voluntary service in programs or agencies that work with Federal or State funds.

Changes Needed: Puerto Rico would need to institute a work registration policy for all participants between 16 and 59. The island's unemployment rate has exceeded 10 percent for many years, so Puerto Rico would qualify for a waiver from establishing a time limit on benefits to ABAWDs. If it does not seek the waiver, Puerto Rico would need to establish an ABAWD system along with relevant exceptions and exemptions, instead of its current work requirements. Puerto Rico also would need to adopt SNAP work exemption criteria.

C. BENEFIT CALCULATION AND AMOUNTS

This section compares the basis and structure of the benefits provided under SNAP and NAP, and discusses changes that would be required for Puerto Rico to implement SNAP.

1. BASIS FOR BENEFITS

SNAP: The basis for the maximum SNAP benefit amount is the Thrifty Food Plan (TFP). This plan, designed and maintained by USDA, is the lowest cost of four food plans that meet dietary requirements for individuals. The maximum SNAP benefit allotment is based on the cost of the TFP market basket for a reference family of four. Although TFP market basket cost calculations are adjusted monthly based on inflation and other changes in food prices, the corresponding adjustments to SNAP maximum benefit levels occur once per year. SNAP maximum benefits are based on the TFP costs for the month of June, and the new benefit levels go into effect on October 1st, at the start of the next Federal fiscal year.⁷⁴

NAP: The maximum NAP benefit amounts are determined based on the number of participants and the amount of the Federal block grant. Currently, no TFP exists for Puerto Rico.

Changes Needed: The U.S. would need to set benefit levels for Puerto Rico utilizing one of several alternatives. The U.S. could develop a TFP for Puerto Rico with a corresponding market basket. FNS would set maximum benefit levels for Puerto Rico based on the Puerto Rico TFP's food cost for a family of four. Alternatively, the U.S. could set maximum benefit levels using 1) the levels used in the 48 States, or 2) levels similar to those used for Alaska, Hawaii, the Virgin Islands, and Guam to reflect the food prices in those areas.⁷⁵

2. BENEFIT CALCULATION

SNAP: A unit's monthly benefit is calculated by subtracting a value equal to 30 percent of the unit's net income from the maximum benefit level determined by the unit size. The 30 percent benefit reduction rate reflects the assumption that a unit will spend 30 percent of its net income on food. SNAP provides the difference between that amount and the maximum benefit.

⁷⁴ Note that Congressional intervention can provide adjustments to the maximum benefit levels, such as the ARRA, which increased the SNAP maximum benefit levels 13.6 percent beginning April 1, 2009.

⁷⁵ The cost of the TFP is higher for Alaska, Hawaii, the Virgin Islands, and Guam (see Table C.4).

NAP: Eligible units receive a set benefit amount based on their unit size and net income amount as indicated in Puerto Rico’s Table of Benefits and Maximum Monthly Net Income by Household Unit (see Tables C.4 and C.5). Additional benefits are added for elderly household members.

Changes Needed: Puerto Rico would be required to abandon its Table of Benefits and Maximum Monthly Net Income by Household Unit and institute the SNAP benefit calculation equation. Benefits would not increase due to the presence of elderly unit members (see Section C.3 below).

3. MAXIMUM AND MINIMUM BENEFIT FORMULA

a. Maximum Monthly Benefit Formula

SNAP: Prior to April 1, 2009 the maximum benefit was based on 100 percent of the June TFP for a reference family size of four. The maximum benefit for all other household sizes are derived from the 4-person maximum. The maximum benefit is recalculated each year with June prices. See Table C.4 for maximum benefit amounts by unit size and geographic area prior to April 1, 2009. This report utilized the maximum allotments prior to April 1, 2009, to maintain the same time period for the NAP data available for this study.⁷⁶

NAP: Maximum basic NAP benefit values are based on net income for unit size. However, basic NAP benefit values are subject to a 20-percent increase for each elderly unit member, an increase from monthly bonus payments, and an increase from annual “carry over” amounts added to the benefit (described in Section C.4 below).

Changes Needed: Puerto Rico would be required to set the maximum benefit amount to 100 percent of the TFP (either based on the contiguous States, the noncontiguous States or territories or a newly developed TFP for Puerto Rico) for unit size that is indexed to inflation.

b. Minimum Monthly Benefit Formula

SNAP: SNAP provides a minimum benefit to one- and two-person units equal to 8 percent of the maximum SNAP benefit for a one-member unit. Since the maximum SNAP allotment is indexed to inflation, the minimum benefit changes over time. The FY 2009 minimum is \$14 in the continental U.S., \$21 in Guam, and \$18 in the Virgin Islands. See Table C.5 for minimum benefit amounts by unit size and geographic area.

NAP: Minimum basic NAP benefit values are based on net income for unit size. Minimum benefits for units with elderly members increase by 20 percent for each elderly member.

Changes Needed: Minimum benefits for one- and two-person units in Puerto Rico would need to be established, equaling 8 percent of the cost of the maximum benefit for a unit containing one member. No minimum would apply to other units.

4. OTHER BENEFIT ADJUSTMENTS

SNAP: None.

NAP: Each unit containing an elderly member (ages 60 years or older) receives a 20-percent increase per elderly member in the monthly NAP benefit amount. Additionally, Puerto Rico uses two methods to ensure that it does not exceed the cap of the block grant. These resulting adjustments are described below.

Annual Distributions. As required by the U.S. law, no more than 2 percent of the block grant can be carried forward and retained for emergency funds each year. This amount is called the “carry-over” amount. These funds are distributed to NAP participants either in July or September, during hurricane season. The carry-over funds are

⁷⁶ Passage of the ARRA increased the SNAP maximum allotments and the NAP block grant by 13.6 percent. The maximum allotments will remain unchanged until the June cost of the 4-person reference family TFP exceeds 113.6 percent of the June 2008 4-person reference family TFP.

distributed as a fixed amount based on household size (so that households of a certain size receive the same benefit amount).

Monthly Bonus Payments (11-12 percent of monthly benefit payment amounts). Benefits from the block grant amount are distributed on a monthly basis. Based on the block grant amount (minus the Federal portion of administrative expenses and the carry-over funds), ADSEF calculates a set amount of funds that are available for benefits each month. The difference between the amount of funds available for benefits and the actual amount of calculated benefit costs is issued as a bonus payment to participants each month. This amount is proportionally allocated among all participants and based on benefit amount received. .

Changes Needed: Puerto Rico would not employ these benefit adjustments, as SNAP monthly benefit tables would be used to set benefits.

D. BENEFIT ISSUANCE AND REDEMPTION

This section discusses the procedures for benefit issuance and redemption under SNAP and NAP, and changes that would be required for Puerto Rico to implement SNAP.

1. FORM OF BENEFIT

SNAP: All benefits are delivered in electronic form through a plastic EBT card, similar to a debit card, using online technology.

NAP: All benefits are delivered in electronic form through a plastic EBT Card (called a ‘Family Card’).

Changes Needed: None.

2. HOW BENEFITS ARE DELIVERED AND TIMING OF DISTRIBUTION

SNAP: Benefit amount information is posted on a monthly basis into each SNAP household’s EBT account. Benefits can be used by participants immediately after the benefit allotment has reached its availability date. Benefits must be issued within 30 working business days of initial application filing (except for emergency assistance cases in which case the eligibility must be determined and benefits issued within 7 working business days of initial application filing). If the household’s EBT account is not accessed for a period of 6 months, States have the option to take the benefits offline and make them inaccessible until the household contacts the State SNAP office to request that the benefits be reinstated. Unused monthly benefit allotments that have not been accessed for 1 year are permanently expunged from EBT accounts.⁷⁷ Once benefits are expunged, they cannot be reinstated.

NAP: Same as SNAP, except for timing of suspending unused benefits. If the household’s EBT account is not accessed for a period of 3 months, the benefits are suspended and participants are required to visit the local office to reinstate their benefits and reactivate the card. Unused benefits are expunged after a period of 6 months.

Changes Needed: Puerto Rico’s current benefit delivery method is within the Federal regulations. Puerto Rico would need to provide program participants with 3 additional months to use their benefits and 6 additional months before benefits are expunged.

3. EBT TRANSACTION DATABASE

SNAP: Each State maintains a record of all EBT activity through its EBT vendor’s transaction database. Each State’s system must be compatible with and be able to populate the Federal-level EBT transaction database (which will be discussed in greater detail in the fraud and abuse section of this chapter). Each State’s EBT system must be interoperable with the systems in other States, so recipients can make food purchases anywhere nationwide.

⁷⁷ Each monthly benefit allotment is expunged individually on a monthly basis if the account has not been accessed for 1 year and it has been 1 year since the benefit’s availability date. A household’s whole account cannot be expunged all at once.

NAP: ADSEF maintains a record of all EBT transactions through a database maintained by its vendor, EVERTEC.⁷⁸ ADSEF staff review the EBT reports daily, which show all POS and Automatic Teller Machine (ATM) transactions made by participants.

Changes Needed: Puerto Rico would need to ensure that its vendor's EBT database is compatible with the Federal SNAP regulations with respect to format, language and data elements. The FNS retailer fraud detection system would systematically analyze transaction data for indications of retailer fraud. Puerto Rico would need to continue to review the EBT transaction reports for fraud, particularly for indications of client violations.

4. BENEFIT REDEMPTION – HOW AND WHERE BENEFITS ARE REDEEMED

SNAP: All SNAP benefits are redeemed by swiping the EBT card at the checkout (or POS device) in FNS-authorized food retailers. EBT cards must be interoperable across all States. Retailers that have \$100 or more in SNAP sales per month are eligible for free government-provided POS equipment that can only accept the EBT cards.

NAP: NAP benefits are redeemed by swiping the EBT card at either the checkout (POS device) or alternatively, through the ATM machine to access the 25 percent cash portion of the NAP benefit. Currently, the Family Card only works for retailers located in Puerto Rico. Every NAP-certified retailer is required to have a POS device prior to certification.

Changes Needed: Puerto Rico would need to load all SNAP benefits into the account for dedicated food purchases to prohibit NAP participants from redeeming their benefits as cash through an ATM. Puerto Rico's "Family" EBT card would need to be redeemable across all States. Certified Puerto Rico retailers would have the option to receive basic POS equipment at no cost to the retailer, or else purchase integrated POS equipment.

5. ALLOWABLE ITEMS

SNAP: SNAP recipients can purchase eligible food items defined as any food or food product to be consumed at home. This includes breads, grains, and cereals; fruits and vegetables; fish, meats, and poultry; and dairy products. SNAP recipients can also purchase plants and seeds that produce food. SNAP benefits cannot be used to purchase hot foods, foods to be consumed in the store, alcohol or tobacco products, non-food household items, vitamins and medicines, and pet foods. Generally, SNAP benefits cannot be used to purchase prepared foods (with the exception of prepared meals by an authorized delivery service; soup kitchen; Drug and/or Alcoholic Treatment and Rehabilitation Centers; group housing facilities for the disabled; shelter for battered women and their children; non-profit organizations for the homeless; and a restaurant that has a contract with the State to serve meals to the homeless at concession prices).

NAP: NAP recipients can purchase eligible food items defined as any food or food product for human consumption (same as those listed above including plants and seeds that produce food). NAP benefits cannot be used to purchase alcohol or tobacco products nor prepared foods (with the exception of prepared meals by an authorized delivery service; soup kitchen; Drug and/or Alcoholic Treatment and Rehabilitation Centers; group housing facilities for the disabled; shelter for battered women and their children; non-profit organizations for the homeless; and a restaurant that has a contract with the State to serve meals to the homeless at concession prices).

Changes Needed: None.

6. USE OF 25 PERCENT CASH ALLOWANCE

SNAP: Participants must access all of their funds through the EBT card at authorized food stores to purchase allowable food items. There are no cash benefits in SNAP.

⁷⁸ EVERTEC is a subsidiary of Popular, Inc., the parent company of Banco Popular of Puerto Rico, the largest bank in Puerto Rico.

NAP: NAP recipients can withdraw 25 percent of their benefits as cash through an ATM to buy eligible food items in non-certified retail stores or farmers markets. In total, 100 percent of the benefits must be used to buy eligible food items.

Changes Needed: Puerto Rico's program participants would be required to redeem all benefits through EBT transactions. Implications of this change are discussed in detail in Chapter V.

E. DATA COLLECTION AND VERIFICATION FOR CERTIFICATION AND RECERTIFICATION

This section discusses the procedural requirements for SNAP and NAP recipients as they are certified and recertified. Cost implications of these changes are discussed in detail in Chapter VI.

1. APPLICATION PROCEDURES

SNAP: Individuals can apply for SNAP in a number of different ways depending on the State. Most applicants apply in person at local SNAP offices, although an increasing number use the mail, fax, or computer to do so. All States, however, are required to operate locations where households can meet face-to-face with SNAP personnel.

Note: States develop their own application procedures, including establishing relevant forms, procedures, and databases for recording and storing household-level information. Although each State must obtain some common information, each has its own unique SNAP application.

SNAP certification requires an interview with an eligibility worker, where the eligibility worker reviews the information provided and enters it into a database. The interviews are mostly conducted face-to-face, but can, under certain circumstances, be conducted by telephone.

NAP: Individuals apply for NAP benefits through an in-person visit to an ADSEF local office. Applicants cannot apply to NAP by mail, online, or via telephone.

NAP requires an in-person interview with an eligibility worker, where the worker reviews the information provided and enters the data into the database. The first time the applicant visits the office he/she is given an orientation package and asked general screening questions. Additionally, a full interview is scheduled with a technician within 10 calendar days. The interview takes place in the local office, but can be done through an in-house visit if the health condition of the applicant impedes him/her from going to the local office. All application forms and associated benefit tables are in Spanish.

Changes Needed: None

2. PROCEDURES FOR DETERMINING ELIGIBILITY FOR EMERGENCY BENEFITS

SNAP: Emergency, or expedited, SNAP benefits are available for applicant households that have 1) less than \$150 in monthly gross income, 2) less than \$100 in available liquid resources, and 3) monthly costs that exceed the total amount of the income plus resources. If these criteria are met, a certification decision must be made within 7 calendar days and emergency benefits are available for applicant households immediately following certification. These households are not subject to the same initial documentation verification process, but are required to provide the additional forms of verification in order to continue to receive SNAP benefits.

NAP: Emergency, or expedited, NAP benefits are available for applicant households that have no income, assets or food. These persons are given a walk-in interview. If the three criteria are met a certification decision will be made within 7 working business days and emergency benefits are available for applicant households immediately following certification. These households are not subject to the same initial documentation verification process, but are required to undertake the additional verification requirements during recertification.

Changes Needed: Puerto Rico would need to adopt the rules outlined in SNAP regulations with respect to the standards/requirements for determining emergency assistance.

3. APPLICATION INFORMATION

SNAP: Applicants must provide a complete list of household members and their Social Security Numbers. Documentation is presented and verified in 11 topic areas including: 1) applicant identification, 2) residence/address, 3) immigration status, 4) income and/or resources, 5) utility bills, 6) medical expenses, 7) disability benefits, 8) evidence of being physically or mentally unfit, 9) child support payments, 10) employment (e.g., number of hours worked per week), and 11) past criminal record. Applicants are also asked about employment status, and may be asked to provide documentation to verify their employment status through paystubs and employer contact information. States determine what documentation is sufficient for each area listed above.

NAP: Applicants must provide information for most of the same topics: for example, a complete list of household members and their Social Security Numbers. Table C.6 illustrates a complete list of the topics and associated materials that must be provided for NAP. Some households must show additional documentation if one or more members fall into any of the following categories: 1) totally and permanently disabled, 2) elderly who receive Social Security, and 3) college students age 18 or older who live at home.

Changes Needed: Puerto Rico would need to align its rules with SNAP's rules regarding documentation required to determine eligibility. For example, it would no longer obtain information for student condition and school attendance (topic areas 8 and 9 in Table C.6, respectively), but would need to include past criminal records (including drug felony records) and utility bills (if Puerto Rico chooses not to use the SUA).

4. RECERTIFICATION PROCEDURES

SNAP: All SNAP households are initially certified for a specific period of time and must undergo recertification at the end of that period to continue receiving benefits. An automatic letter is issued from the State to notify SNAP participants of the recertification requirements and the date that the certification period expires. The recertification application is very similar to the initial certification process, although States can opt to have a more streamlined application form for recertification than for the initial application. Households applying for recertification are only required to present documentation that shows 1) changes in income if the change is equal to or greater than \$50 since the last certification; 2) utility expenses if the household experiences a change in such expenses since the last certification; 3) medical expenses if the household's change in medical expenses has been greater than \$25 since the last certification; and 4) child support payments if the household has experienced changes since the last certification. Households must also undergo a face-to-face or telephone interview as part of the recertification process.

NAP: All NAP households must undergo recertification after the initial certification period comes to an end. An automatic letter is issued from ADSEF to notify NAP participants of the the recertification requirements and the date that the certification period expires. The recertification application is essentially the same as for the initial certification: a new application is filed, a recertification interview takes place, and information is verified, but requires much less documentation than the original certification.

Changes Needed: Puerto Rico would need to modify the documents required for recertification and align its recertification requirements with the Federal SNAP regulations. Households applying for recertification would be required to show documentation detailing 1) changes in income, 2) changes in utility expense, 3) changes in medical expenses, 4) changes in child support payments, and 5) other changes (e.g., address, household composition, etc.).

5. TIMING

a. Time From Application to Issuing Benefits

SNAP: States are required to notify applicants of the eligibility decision within 30 days of the initial application submission and within a 7-day period for emergency applications.

NAP: The local office must grant an appointment within 10 calendar days of the receipt of the application and submission of required documents. The local office is required to notify applicants of the eligibility decision within 30 days of the date of the initial application submission and within a 7-day period for emergency applications.

Changes Needed: None

b. Certification Period

SNAP: States set the length of the certification period for each household based on their requirements for reporting changes within Federal guidelines. The most common certification periods are 6 or 12 months, although the length varies by household composition and income. For households with all elderly and disabled members who do not have any earnings, the certification period can be up to 24 months.

NAP: The certification period varies between 3 and 24 months. Guidelines for this determination are shown in Table C.7. To determine the length of the certification period, the local office assesses the applicants' income, assets and household composition.⁷⁹

Changes Needed: None.

6. DATABASES USED FOR CERTIFICATION AND RECERTIFICATION

SNAP: All data collected through SNAP applications are maintained at the State level. Each State has its own software application system and database. These databases are often not compatible or interoperable with those in other States, and often great variance exists between States' systems in terms of capabilities, equipment, age, and sophistication. Additionally, each State uploads some information into a national database called the Electronic Disqualified Recipient System (EDRS). This system keeps track of all individuals and households that are disqualified or suspended from SNAP (both temporarily and permanently) to allow other States to identify disqualified recipients who may then try to apply for benefits in another State.

NAP: All application data is entered, stored, and maintained in the Automated Case Information System (Sistema Automatizado de Información de Casos, or SAIC). The SAIC has been in place since 2003; it is administered by ADSEF and houses all information for both TANF and NAP applicants.

Changes Needed: Puerto Rico would need to upload information on disqualified or suspended individuals into the EDRS. In order to do this, Puerto Rico would also need to ensure that it is collecting the same data points and that the data are in a format compatible with the EDRS. One issue that would likely arise should Puerto Rico enter data into the EDRS is the language discrepancy between Puerto Rico's databases and those in the rest of the U.S. Currently, all data collected in Puerto Rico are in Spanish and all U.S. data and databases are in English.

7. VERIFICATION OF INFORMATION

SNAP: The local office verifies information at the time of certification (or recertification). While not a requirement, States have the option to use a number of existing Federal and State databases to verify any missing or unclear information. For example, States can access 1) the SSA information through the State Data Exchange (SDX) database to verify SSI benefits, 2) the Beneficiary Data Exchange (BENDEX) database to verify Social Security benefits, 3) the Income and Eligibility Verification System (IEVS)⁸⁰ database (which contains State and Federal information on applicants and recipients for multiple benefit programs, including SNAP, Medicaid, and TANF, and other general assistance programs), and 4) the Citizenship and Immigration Services' Systematic Alien Verification for Entitlements (SAVE) database to verify immigration status. If the information is missing, incomplete or questionable, the information is verified through home visits or collateral contacts.

⁷⁹ If the household unit also receives TANF benefits, the certification period will take into consideration the date on which the TANF benefits expire, so that the certification dates can coincide.

⁸⁰ Since the enactment of the Personal Responsibility and Work Opportunity Act of 1996, IEVS is optional for States.

Other types of data-matching systems include 1) the Public Assistance Reporting Information System (PARIS) lists;⁸¹ 2) the Prisoner Verification System (PVS) which contains SSA information on Federal, State, and local incarcerated prisoners; 3) the Death Match, which contains SSA information on State-reported deaths; 4) the EDRS; 5) the National Directory of New Hires (NDNH); and 6) the Treasury Offset Program (TOP), a Treasury Department program to collect Federal debts from delinquent debtors by offsetting the debt from other Federal payments. States can also opt to check if a new SNAP applicant is currently receiving benefits in another State.

Many States opt to use these existing databases and sources for data matching during the verification process as a means to keep their error rates down. States are motivated to take such actions by a Federal system of rewards for those with lower error rates and sanctions for high error rates (more information on this system is available in Section G of this chapter).

NAP: The local office verifies information at the time of certification (or recertification), particularly the citizenship of all household members and income information. ADSEF uses the SAVE database to check the status of resident aliens (who have a green card and are eligible for benefits). Local office technicians check the PARIS lists to determine the SSI amounts received in other States, to see if there is another income source, such as Social Security. If information is missing, incomplete or questionable, it is verified through home visits or collateral contacts.

Changes Needed: Puerto Rico would have the option to be able to access additional databases to verify information, including BENDEX, IEVS, and many others to help them verify information and reduce their error rates (and potential liability). In order to access to the BENDEX database, Puerto Rico must make a formal request to SSA and work out an appropriate data exchange agreement.

a. Verifying Information for Recertification

SNAP: States need to verify the following information: 1) income for households that experienced a change in income equal to more than \$50 dollars since the certification interview, 2) utility expenses if the household experienced changes in actual utility expenses, 3) medical expenses if the changes in medical expenses are greater than \$25, and 4) child support payments if the household experiences changes in child support payments.

NAP: Local offices need to verify the following: 1) income source, 2) gross monthly income that exceeds \$100, 3) the family composition, 4) care expenses for children or dependents with a physical or mental disability that exceed \$25, 5) assets of the householder, 6) expenses for medical treatment, and 7) student status.

Changes Needed: Puerto Rico would need to verify information in accordance with SNAP requirements during the recertification process, including income, utility expenses, medical expenses, and child support payments.

8. REQUIREMENTS FOR REPORTING CHANGES

SNAP: States have flexibility in setting household requirements for change reporting between recertifications. Under the basic rules, most household events must be reported to the SNAP office. If a household reports a change that will increase benefits, the State agency may ask for verification of the change, and must give the household 10 days to present such documentation. If a change will result in either a benefit decrease or disqualification, the State SNAP agency must notify the household within 10 days of being informed, and the change shall be made no later than the following month.

Most States have in place a SNAP option called “simplified reporting.” Under simplified reporting, recipients only need to report 1) changes in income that exceed 130 percent of the Federal poverty guideline and 2) when an ABAWD’s work hours drop below 20 hours per week. Initially only available to households with earned income, the option has been expanded to allow States to extend the option to all SNAP households.

⁸¹ PARIS is a Federal-State partnership initiated by the DHHS's Administration for Children and Families (ACF) to validate information. The information comes from the Veterans Administration (VA), the Department of Defense (DOD), and the Office of Personnel Management (OPM), and the Interstate match of pooled State data.

NAP: Any changes in circumstances must be reported by mail or a visit to the local office. The household must report the following changes: family composition; income sources; gross monthly income that exceeds \$100; care expenses for children or dependents with physical or mental disability that exceeds \$25; resources; expenses for continuous medical treatment; student condition and others. The local office can authorize the extension or retraction of the certification period when the situation warrants it.

Changes Needed: Puerto Rico would need to modify the information required from program participants to match those required under SNAP. States are only required to ask for the information required under simplified reporting, but can require additional information if they do not use the simplified reporting option. Table 4.1 below lists the changes to be reported if the State does NOT use the simplified reporting option.

TABLE 4.1

HOUSEHOLD CHANGES TO BE REPORTED WITHIN A CERTIFICATION PERIOD		
Type of Change	NAP	SNAP - If Simplified Reporting Option Is Not in Place
Residence	Change in physical or postal address	Change in physical address
Shelter Costs	N/A	Change in shelter costs
Household	Household composition	Household composition
Income Source	Income source (e.g., new job, change of job, loss of job)	Income source (e.g., new job, change of job, loss of job)
Income Amount	A change in gross monthly income that exceeds \$100 ⁸²	A change in earned income from last income reporting (threshold of change required to report varies across States); a change of more than \$50 in the amount of unearned income, except changes relating to public assistance or general assistance
Vehicles	N/A	Acquisition of a vehicle that is not excluded under SNAP
Non-Vehicle Resources	Resources of the household head	If household assets (cash, stocks, bonds, bank accounts, etc.) exceed \$2,000
Childcare Expenses	Care expenses for children or dependents with physical or mental disability that exceeds \$25	N/A
Child Support	N/A	Changes in legally-required child support
ABAWDs Work Status	N/A	For ABAWDS only – if work hours fall below 20 hours/week
Medical Expenses	Expenses for continuous medical treatment	N/A
Student Status	Student status	N/A

F. RETAILER MANAGEMENT

This section compares the policies and processes for retailer management in SNAP and NAP, and discusses changes that would be required for Puerto Rico retailers.

1. RETAILER MANAGEMENT - ORGANIZATIONAL STRUCTURE

SNAP: One or more FNS field offices in each region handles most retailer management activities for the region. These designated field offices, overseen by the FNS Benefits Redemption Division, have primary responsibility for authorizing and reauthorizing retailers (including coordinating site visits), interacting with store owners, monitoring retailer performance, and building compliance cases and initiating sanctions against retailers when the situation requires.

NAP: ADSEF’s Office for Retailer Control and Inspection (ORCI) handles all retailer management and inspection activities for retailers in Puerto Rico. The three main activities of this unit are 1) providing orientation and education to new retailers (this occurs during the initial onsite meeting following certification), 2) conducting onsite inspections for all new retailers to ensure that the information provided in the application is accurate and that the food inventory is compatible with NAP requirements, 3) performing routine onsite investigations to certified retailers (retailers are visited once every 3 years), and 4) investigation of those under suspicion of fraud. Overall, the ORCI visits approximately 1,100 retailers per year (800 for new certifications and 300 for inspections).

⁸² As amended by ADSEF-PAN-04-2008.

Changes Needed: FNS would become responsible for authorizing (and reauthorizing) retailers, interacting with store owners, inspecting retailers, building compliance cases and taking sanction actions against retailers when required; Puerto Rico would no longer have these duties. The designated FNS field office in the Mid-Atlantic region would assume the primary responsibility.

a. Retailer Requirements

Table 4.2 below shows the retailer requirements for both SNAP and NAP. In each program, participating retailers must meet one of two specified criteria for food sales.

TABLE 4.2

RETAILER FOOD STOCKING AND SALES REQUIREMENTS

	Criteria A	OR	Criteria B
SNAP	The retailer must sell, on a continuous basis, at least three varieties of food items in each of four staple food groups (breads/cereal; dairy products; fruits/vegetables; and meat/fish/poultry), including two of which must be perishable.		At least 50 percent of the retailer’s total <i>gross sales of staple food items</i> must be from the sales of basic food items for preparation and consumption at home.
NAP	The retailer must have a recognized food department in which at least 50 percent of the retailer’s total gross sales of eligible food items must be from the sales of basic food items.		At least 50 percent of the retailer’s total <i>gross sales of eligible food items</i> must be from the sales of basic food items for preparation and consumption at home.

SNAP: Retailers must meet one of the two criteria listed in Table 4.2 to be authorized to participate in SNAP.⁸³ Authorized retailers are not allowed to restrict what or how much a SNAP recipient can purchase or restrict access in any way; at least one register with an EBT machine must be open at all hours the store is open and the EBT system must be up and online at least 98 percent of the time.

In addition to retail stores, the following entities may be certified: meal providers to the homeless (including shelters, qualified restaurants, and meal delivery services); shelters for battered women and children; drug and alcohol treatment and rehabilitation facilities; and senior living facilities and group homes.

NAP: Retailers must meet one of the two criteria listed in Table 4.2 above to be authorized to participate in NAP. Additionally, these retailers must meet the requirements for a legitimate retail food store.⁸⁴

In addition to retail stores, the following entities may be certified: restaurant or food delivery services⁸⁵ that prepare and deliver low-cost meals to the homeless, the disabled and the elderly; certified group living centers (such as centers for the elderly); and licensed programs for treatment and rehabilitation for drug and/or alcohol addiction.

Changes Needed: Retailers in Puerto Rico would need to meet SNAP eligibility requirements as described in Table 4.2 above. No changes would be needed in the categories or types of retailers that could apply, including supermarkets; grocery stores; meat/fish markets; fruit stands; farmer’s markets; milk routes; bakeries; and private

⁸³ FNS can ask retailers for identification documentation (such as a commercial food license) as part of the application process; however the types of licenses required for retailers to operate legally vary across jurisdictions.

⁸⁴ These requirements include 1) a commercial license for food sales; 2) a physical retail space, hours of operation, visible prices, and parking spaces; and 3) at least \$250,000 in annual retail food sales. Alternatively, ADSEF will consider if, by not certifying the retailer, certain NAP participants would be precluded from using their NAP benefits because of 1) difficulty finding certified retailers, 2) no other source for special ethnic food items, or 3) no other authorized retailer in the area that offers the same type of food items at similar prices.

⁸⁵ Food Delivery Services include a public or private community lunch facility; food delivery service; private non-profit facility for the treatment and rehabilitation of drug addicts and/or alcoholics; public mental health center that offer residential programs for drug addicts and/or alcoholics; group home facility; public or private nonprofit shelter for battered women and children; public or private non-profit establishment that feed the homeless, duly approved by the corresponding State agencies; or a restaurant, under contract with the State, that provides meals to homeless shelters at low or reduce prices.

non-profit cooperative enterprises that purchase food. However, current Puerto Rico’s additional requirements (e.g., physical location, minimum sales volume, etc.) would no longer apply.

2. RETAILER AUTHORIZATION PROCESS

SNAP: Retailers must submit an application (typically by mailing in a paper application or submitting the application electronically) along with supporting documents (listed in Table 4.3 below) to the appropriate FNS field office. The FNS field office enters data and runs a background check on the retailers in the Store Tracking and Redemption System (STARS) database to look for any sanctions from previous participation. If the retailer meets all the requirements, the office will usually send an inspector to conduct an onsite inspection of the retailer to verify the details provided in the application and gather any additional information necessary. All materials, as well as the findings from the onsite inspection, are reviewed by the FNS field office and an authorizing decision is made within 45 days of receipt of the completed application.

NAP: Most retailers visit the ADSEF HQ directly to obtain and submit the application. Retailers can also submit the application by mail or retrieve the application online. (*Note: Most retailers do not use this online option.*) After receiving the application, ADSEF enters data and visits retailers to confirm that the establishment is eligible for certification. During the onsite investigation, the ADSEF inspector verifies that the information provided by the retailer in the application is accurate; reviews the store inventory in order to corroborate the availability of eligible goods; verifies there is an adequate technical infrastructure (e.g., POS and ATM terminals) within the retailer to support NAP benefits; provides orientation on the regulations, specifically fines, and eligible (and non-eligible) goods; and (if recertifying) compares the retailer’s inventory with EBT transaction reports and verifies that the certification and the Anti-Fraud Hotline poster are exhibited in a visible area. ADSEF personnel will approve or deny the application and/or request additional information, within 30 days after the receipt of the original application.

Changes Needed: Puerto Rico retailers would need to apply through the mail or online to the appropriate FNS field office. Retailers would need to submit a different list of required documents. The changes to the list of documents required from retailers in Puerto Rico are illustrated in Table 4.3 below.

TABLE 4.3

DOCUMENTS REQUIRED FOR RETAILER AUTHORIZATION

	NAP Documents Required	SNAP Documents Required
Photo ID	N/A	Photo Identification: copy of driver’s license, passport, military ID, or official State-issued photo ID for all owners, partners, corporate officers, and spouses if it is a community property State.
Business License	Copy of commercial license for food sales.	Copy of one current business license in owner’s name.
Social Security Number	Social Security Number or Tax Identification Number of the establishment.	Social Security Number or acceptable verification of Social Security Number (e.g., tax forms, insurance card, etc.) for all owners, partners, corporate officers, and spouses if it is a community property State.
Signed Statement	Sworn Statement in which the owner or his/her authorized representative certifies that the establishment has read and will comply with the Regulations.	Retailers are required to sign a release form as part of the application to authorize FNS to verify all relevant business-related tax filings with the appropriate agencies.
Permit	Use Permit.	N/A
Tax Records	Evidence of payment of municipal taxes required by the Municipal Tax Law. A certification of filing, payment, and lack of debt issued by the Municipality must be included.	N/A
Application Fee	An administrative fee for application - \$35.	N/A
Lack of Penal Record	Certification of lack of penal record for the owner. If the business is a corporation or a partnership, certification must also be provided for all majority (25 percent or more) shareholders, partners and corporate officers.	N/A

	NAP Documents Required	SNAP Documents Required
Lack of Tax Debt	Certification of lack of tax debt from the Treasury Department. If taxes are owed, a certification from the Treasury Department indicating that a payment plan is in place and being complied with must be submitted. If the business is a corporation or partnership, certification must also be provided for all majority shareholders, partners and corporate officers.	N/A
Income Tax Filings	Certification of filing of income tax returns for the 5 years prior to the date of the application. If the business is a corporation or partnership, certification must also be provided for all majority shareholders, partners and corporate officers. Corporations with less than 5 years of existence must provide a copy of the certificate of incorporation along with the registration number. Partnerships with less than 5 years of existence must provide a copy of the deed of constitution of the partnership.	N/A
Child Support Compliance	Child Support Compliance papers (e.g., certification of no debt for child support). ⁸⁶	N/A

a. Retailer Recertification Process

SNAP: Retailers must be reauthorized every 5 years. Beginning in FY 2010, reauthorization of stores primarily consists of retailers updating information provided in the initial application, including sales, inventory, owners, and location through the Online Reauthorization Application (a paper version is available upon request). The data is then combined and compared with existing retailer data in the STARS database. This will replace the routine store visit, which was previously an integral part of retailer reauthorization.⁸⁷

NAP: Retailers must be reauthorized every year. ADSEF sends a notification letter 2 months in advance. Retailers are required to bring all required documents, including a copy of their tax forms, to ADSEF where they are entered into the Centinela system. No site visit is included as part of the reauthorization process.

Changes Needed: Puerto Rico retailers would be reauthorized by FNS at a minimum of once every 5 years. Some stores may need a site visit as part of the reauthorization process. Retailers would need to send all recertification documents to the FNS field office by mail or online.

3. POS SYSTEMS

SNAP: The State, through its EBT contractor, offers all certified retailers that have \$100 or more in SNAP benefit redemptions per month basic EBT-only equipment free of charge. If a retailer wants to integrate EBT transactions with their electronic cash registers and equipment for processing credit and debit card transactions, the retailer can elect to drive its own terminals or employ a third party processor to drive its terminals. The cost of the EBT-only POS equipment that is offered to retailers at no cost is assumed by the State and FNS (the cost is split 50 percent each). Retailers who forgo the free-government equipment in favor of integrating EBT transaction processing with equipment also utilized for commercial purposes are responsible for all costs associated with this option, including terminal lease/purchase costs, maintenance/service costs, and EBT transaction fees.

NAP: Participating retailers need to obtain POS equipment to process the transactions; Puerto Rico does not assume the cost of these machines. The POS system requires a dedicated telephone line, a personal identification number (PIN) pad, a printer, and a processor. Retailers must pay an initial one-time fee for the basic POS equipment and on-going transaction costs. The average cost for a POS machine is approximately a \$25.00 rental fee per month plus \$0.25-\$0.35 per transaction, depending on the banking institution from which the machine is rented.

⁸⁶ The business has the obligation to comply with the New Employees State Register (known in Spanish as RENE) of the Administration of Child Support (known in Spanish as ASUME), according to Law Number 5 issued December 30, 1996.

⁸⁷ Certified meal providers (such as homeless meal services, shelters, and drug/alcohol treatment and rehabilitation facilities) are recertified through alternate means.

Changes Needed: Puerto Rico would need to offer to provide certified retailers with basic EBT-only POS equipment through its EBT vendor. Puerto Rico retailers who take this option would receive the POS machines free of charge, and the government of Puerto Rico would assume 50 percent of the cost. Retailers who choose not to take this option would be responsible for purchasing and maintaining their own integrated equipment. In addition, Puerto Rico retailers who take advantage of the free EBT-only equipment would no longer be subject to the monthly rental and per-transaction fees. This may enable more small retailers to become certified. Implications of this change are discussed in detail in Chapter V.

4. RETAILER DATABASES

SNAP: There are two databases maintained by FNS to certify and monitor SNAP retailers. First, the Store Tracking and Redemption System database (STARS), is a web-based system used for all retailer management functions and includes both those retailers who are certified for participation and those who apply but are denied certification. STARS is used to track all retailer application, participation, authorization, and investigation processes.

Second, FNS maintains a database called the Anti-Fraud Locator for EBT Retailer Transactions (ALERT) to keep records of all EBT transactions received from each State EBT system. FNS uses this data to monitor retailers and detect possible instances of fraud. The States' EBT contractors are required to submit all EBT data to the ALERT system in daily batches, and the data are analyzed by FNS on a monthly basis.

NAP: ADSEF has two databases to certify and monitor retailers. First, the Programa de Monitoreo de Comercios (SACPAN) is used for all retailer management functions and to keep track of the inspections and recertification cycles. ADSEF also maintains a paper file for each retailer, which includes forms signed by the owner (or the owner's representative) during site visits.

Second, ADSEF maintains an automated fraud detection system known as Centinela. Similar to ALERT, Centinela was designed to help ADSEF monitor retailers and detect potential fraud by detecting irregular patterns in the EBT transactions. Centinela creates a profile for each retailer containing the last 12 months of the retailer's EBT transactions (for the 75-percent portion of the NAP benefit; called a 'transaction history'). The system then compares the retailer's monthly NAP sales transactions against the retailer's tax forms to identify outliers.⁸⁸ Centinela also provides ADSEF with daily reports that detail any irregularities in the EBT patterns and/or ATM transactions.

Changes Needed: Puerto Rico would need to ensure that its processor database could accept retailer data information from the FNS STARS system via a data exchange program file known as the Retailer Electronic Data Exchange (REDE). The REDE files provide FNS Authorization numbers and data that enable EBT transactions to be accepted within Puerto Rico and Puerto Rican clients who travel to the states. Furthermore, Puerto Rico would need to ensure that its current EBT database is compatible with ALERT with respect to format, language and data elements. Puerto Rico would need to upload records from its EBT database to ALERT in daily batches. Puerto Rico would not need to review the EBT reports on a daily basis and would no longer need to update and maintain its own separate fraud detection database, as Centinela would become part of ALERT. Additionally, Puerto Rico would no longer need to maintain SACPAN, which would become part of STARS.

5. RETAILER MONITORING

a. Fraud Detection Policies and Strategies

SNAP: As mentioned earlier, ALERT allows FNS to identify potential retailer fraud by monitoring EBT transactions and looking for problematic patterns. ALERT and STARS exchange data through daily batch jobs: ALERT draws upon retailer characteristics recorded in STARS to help identify fraud, and STARS draws upon retailers identified by ALERT to notify personnel in FNS field offices of retailers that may require further attention.

⁸⁸ Each year, retailers are required to submit their company tax forms to ADSEF to illustrate their sales totals.

Operations compliance hubs located in designated FNS field offices review results of the analyses. Fraud charges may be issued at this point in the process based on the findings. Alternatively, the case may be referred to the Retailer Investigations Branch (RIB) for further field investigation. The RIB, located in FNS HQ with investigators in four regional offices across the country, conducts investigation and analysis around retailer fraud, coordinates investigative activities with other Federal entities (including the OIG and USDA), analyzes data on fraud and anti-fraud research and conducts special projects to improve fraud-investigation processes.

In addition, each State has a SNAP hotline that serves multiple purposes in communicating with SNAP recipients and other affected parties, including receiving tips on potential cases of program fraud or abuse.

NAP: Centinela allows ADSEF to monitor EBT transactions and compare retailers' sales with their tax records. Additionally, ADSEF routinely selects random samples of retailers to analyze their Centinela reports. Second, daily reports from the EBT database are monitored to identify suspicious patterns. Once such patterns are detected, the event is referred to ADSEF inspectors, who schedule a site visit as quickly as possible to assess possible violations.

Another source of frequent fraud leads is ADSEF's Anti-Fraud Hotline, which is solely dedicated to receiving tips on potential program fraud. Most of these calls are about retailers. Inspectors follow up on any complaints received. Additionally, ADSEF periodically visits retailers to ensure compliance with the regulations. Those establishments that were not visited because a complaint against them was never received through the Anti-Fraud Hotline or because a suspicious transaction was never detected through Centinela will receive at least one visit every 2 years to ensure they are meeting regulations.

Changes Needed: Puerto Rico would no longer monitor retailers for fraud, as FNS's Benefits Redemption Division, the RIB and the appropriate FNS field office would take over these responsibilities. Additionally, Puerto Rico retailers would not be visited once every 2 years for a basic inspection. *Note: There are more small retailers in Puerto Rico than large retailers. These establishments often do not provide itemized receipts, so it is harder to detect purchases of ineligible items.*

b. Penalties and Sanctions

SNAP: FNS has strict penalties for SNAP retailers found to be in violation of SNAP rules, ranging from a warning, to fines, to temporary suspension, to permanent disqualification from SNAP participation. FNS regulations provide for an option for a store that is disqualified because it was found to be violating the program to pay a hardship civil money payment (CMP) in lieu of disqualification. Specifically, FNS may impose a CMP as a sanction in lieu of disqualification when the firm subject to a disqualification is selling a substantial variety of staple food items, and the firm's disqualification would cause hardship to SNAP households because there is no other authorized food store in the area selling as large a variety of staple food items at comparable prices. Additionally, if an FNS undercover investigation catches a retailer engaged in trafficking, FNS notifies the Office of the Inspector General (OIG). The OIG has the option to investigate these cases as a criminal investigation with the potential for criminal prosecution or return the case to FNS for administrative action. In FY 2008, 4,035 retailers were investigated for potential program violations and 1,445 retailers were found to be in violation of program rules. A total of 2,070 compliance actions were taken against these retailers, including 803 permanent disqualifications. The Benefit Redemption Division received 589 of those total cases for administrative review, and in 85 percent of these cases the penalties were sustained.

Retailer owners and operators are held legally responsible for actions of all employees working in their stores, which provides owners/operators with incentives to keep their employees well trained and up-to-date on all SNAP program rules. Possible penalties for failure to comply with SNAP rules include fines of up to \$10,000 per illegal transaction plus three times the value of each illegal transaction; criminal prosecution and jail time; disqualification from SNAP participation; referral to the IRS for further investigation; loss of other licenses, such as State lottery or alcoholic beverage sales licenses; and disqualification from participation in other Federal food assistance programs.

NAP: For retailers where there is evidence of fraud, ADSEF's Legal Affairs office conducts an administrative hearing with the retailer, during which ADSEF will recommend a fine (approved by the Administrator). The fine or penalty is typically based on the number of offenses. After the retailer is informed of the decision, the retailer can request a reconsideration hearing (typically this is done in writing but can be done through another hearing).

Approximately 95 percent of retailers exercise this option. In FY 2008, a total of 118 retailers were investigated for conducting fraud; 59 of these were penalized.

ADSEF can impose an administrative fine of up to \$5,000 for each violation.⁸⁹ For selling any non-eligible food product, an administrative fine up to \$3,000 can be imposed per item. ADSEF tends to ‘leave alone’ retailer items such as toothpaste, diapers, and detergents, but retailers are fined for ‘not acceptable’ items such as cigarettes, alcohol, and pornography. If there are multiple violations or if fraud was committed in the application process, ADSEF may revoke the certification indefinitely.⁹⁰ Typically, however, retailers are fined and not disqualified from the program. ADSEF only disqualifies about four to five retailers a year. If there are multiple violations or a pattern of irregular use, due to any of the instances previously described, ADSEF may revoke the certification granted under this Regulation indefinitely. The fines are paid directly to ADSEF, which returns the money to the Treasury Department.

Changes Needed: Puerto Rico’s penalty structure would have to be aligned with that of SNAP. Currently the penalties are much steeper in SNAP than NAP. For example, in SNAP the penalty for a single retailer trafficking violation can include forfeiture of property and up to a \$27,000 fine, whereas in NAP there is no forfeiture of property and the maximum fine for a single violation is \$5,000. Additionally, Puerto Rico retailers may be subject to criminal prosecution through the OIG. Table 4.4 illustrates the differences and similarities in penalties for retailers.

TABLE 4.4

RETAILER PENALTIES

	NAP	SNAP
For retaining a participant’s NAP/SNAP EBT card as a credit account or guarantee of payment of any debt or for any other reason	Fine up to \$5,000 dollars will be imposed for each occurrence.	For first offense, the retailer would receive a cease and desist notice from FNS; for subsequent offenses, the retailer could be subject to a 3-year disqualification.
For establishing a credit line to SNAP/NAP participants with the objective to debit SNAP/NAP funds from the EBT account at some future point	Fine up to \$5,000 will be imposed for each transaction.	A store is subject to a 1-year disqualification penalty.
Buying or selling NAP/SNAP benefits for cash or other items besides eligible food	Fine up to \$5,000 will be imposed for each transaction.	Permanent disqualification, forfeiture of property, and/or a penalty of up to \$27,000 for each violation and will not exceed \$54,000 for all violations occurring during a single investigation.
Sale of Firearms, Ammunition, Explosives, or Controlled Substances (in exchange for benefits)	Fine up to \$5,000 will be imposed for each violation.	Permanent disqualification or a penalty of up to \$27,000 for each violation. Fine will not exceed \$54,000 for all violations occurring during a single investigation.
Sale of Cigarettes, Tobacco, Alcohol or expensive nonfood items (in exchange for benefits)	Fine up to \$5,000 will be imposed for each violation.	3- to 5-year disqualification period or equivalent civil money penalty. A fine may also be assessed.
Sale of common ineligible nonfood items (in exchange for benefits) on a regular basis	Fine up to \$3,000 will be imposed per item.	Sale of common ineligible nonfood items on a regular basis for SNAP benefits may result in a 6-month to 3-year disqualification or equivalent civil money penalty. A fine may also be assessed.
A store whose NAP/SNAP benefit	May be fined and/or temporarily disqualified.	May be disqualified for 3 to 5 years.

⁸⁹ Such violations include 1) the sale of alcoholic beverages, tobacco, pornographic material or tickets for games of chance; 2) charging any amount to disburse money in cash of the 25 percent portion of the Family Card funds; 3) retaining the Family Card from participants as a guarantee of payment of any debt or for any other reason; 4) for establishing a credit line to NAP participants with the objective to debit NAP funds from the Family Card afterwards; and 5) for exchanging for cash the 75 percent benefit portion and handing the cash to the NAP participant.

⁹⁰ ADSEF may also disqualify any authorized retailer on the basis of evidence disqualification from the WIC program; this is based on 7 C.F.R. 278.6).

	NAP	SNAP
redemptions for a specified period of time exceed its food sales for the same period of time		
Accepting NAP/SNAP benefits without authorization or after the effective date of disqualification	May be fined and/or temporarily disqualified.	Fine of \$1,000 for each violation, plus an amount equal to three times the value of the illegally accepted SNAP benefits.
For charging any amount to disburse money in cash of the 25% portion of the Family Card funds	Fine up to \$5,000 will be imposed for each transaction.	N/A
Second and Third Violations	May be permanently disqualified.	The period of disqualification will be doubled for a second violation. For a third violation, the action is permanent disqualification.

d. Appeal

SNAP: The Administrative Review Branch (ARB), located in FNS HQ, is responsible for performing final administrative review of retailer appeals regarding actions to deny application approval, withdraw, or disqualify the retailer from SNAP. Retailers who wish to appeal adverse actions taken against them may file a written request for administrative action. The request, however, must be filed within 10 days of the action being appealed. A retailer who chooses to contest the ARB decision, may obtain judicial review of the appeal determination in the appropriate U.S. District Court.

NAP: ADSEF’s Legal Division is responsible for performing the final administrative hearings regarding actions to deny, withdraw, or disqualify the retailer from NAP. Retailers can then appeal to the Adjudicative Board of the Department of the Family. This board can either confirm the fine or modify it downward (approximately 10 percent of all retailers appeal to this Board). Next, retailers can appeal to the Appellate Court of Puerto Rico and then, if they still do not agree with the finding, to the Puerto Rico Supreme Court.

Changes Needed: Puerto Rico retailers would need to submit appeals to the FNS Administrative Review Branch within ten days of the perceived grievance. Puerto Rico retailers wishing to further contest the appeal determination would be able to file for judicial review in U.S. District Court.

G. PERFORMANCE ASSESSMENT

This section discusses the strategies and processes for ensuring program integrity in SNAP and NAP, and discusses changes that would be required for Puerto Rico to implement SNAP. Cost implications of these changes are discussed in detail in Chapter VI.

1. QUALITY CONTROL REVIEW PROCESS

a. Case File Sampling and Review Procedures

SNAP: FNS provides the States with specific Quality Control (QC) specifications to determine case level and payment level error rates for SNAP. Every month, all States must select a random, representative sample of 1) active cases and 2) denied applications and terminated (negative) cases.⁹¹ QC reviewers in the State thoroughly review each individual case for potential errors in eligibility determination, eligibility status, and benefit allotment amounts. Active case reviews involve 1) examination of all documents and materials included in the case file; 2) a field investigation which includes an interview with the head of household, verification of any information found in the case file with the IEVS; 3) interviews with second party or collateral contacts to check whether all information obtained was correct; and 4) re-calculation of benefit amount. A case is considered as having a payment error only if the difference of the benefit issued and the benefit determined by the review is greater than \$25. For negative cases, the process includes a household case record review. *Note: As part of the QC review process, all States also collect and submit data on application timeliness.*

⁹¹ Active cases are reviewed to determine whether the households are eligible and receiving the correct amount of benefits. Negative cases are reviewed to determine whether the decision to deny or terminate the household was correct.

NAP: Puerto Rico currently participates in the SNAP QC process, using a system called the Measure of Efforts and Results System (MERS). Every 2 months, Puerto Rico selects a random, representative sample of active and negative cases. The cases are distributed to the regional offices and assigned to the MERS QC review technicians, who have 30 days to review the cases and determine whether the household was correctly determined eligible, or correctly denied from the program. The MERS QC technicians 1) request and obtain the household's physical file from the local office; 2) conduct a site visit to the household to conduct in-person interviews and speak with collateral sources; 3) examine and verify eligibility information using outside data sources if needed (e.g., resources, income, identity, address, household composition, citizenship/residency, Social Security Number, work registration and school assistance); and 4) calculate the benefit (e.g., using deductions and household composition). Like SNAP, a case is considered as having a payment error only if the difference of the benefit issued and the benefit determined by the review is greater than \$25.

Changes Needed: The QC process would remain essentially the same, including review procedures, error rate calculations, and sample sizes (1,820 cases consisting of 1,020 active cases and 800 negative cases in FY 2009).⁹²

b. State Error Calculation Procedures

SNAP: States enter their QC review data into the SNAP Quality Control (SNAP QC) database. Next, Federal reviewers in the FNS regional offices select about one-third of the cases from each State for re-review. The findings from the FNS re-review are entered into the same SNAP QC Database. If the results from the FNS re-review of a case do not match with a state's results, they may negotiate to come up with a resolution. If no agreement can be reached on a particular case, the case goes into arbitration with the FNS Quality Control Division.

The following are the types of error rates determined by the SNAP QC process: underpayments; overpayments to eligibles who received too many benefits; overpayments to ineligibles in which the entire benefit is in error; case errors; and negative case errors in which a case was determined ineligible when it was actually eligible (or the State denied the case before allowing full due process). Negative case errors occur in denied cases where the application stopped before obtaining enough information to determine a payment value.

NAP: After the cases are reviewed, the ADSEF Regional Office Supervisor makes the final determination, including a re-review of four cases per technician. Results are recorded manually on a case review worksheet, including error determination, root cause of error, participant- or agency-caused, and the time when the errors occurred, and sent back to the MERS coordinator for input into the electronic MERS database. ADSEF enters results into the MERS database and the error rate is calculated.

The error rate for active cases is calculated by adding over-issuances and under-issuances that are more than \$25 and all ineligible cases, and dividing by the total issuances. The error rate for negative cases is calculated by adding the number of cases that were denied or terminated incorrectly by the total number of negative cases selected and for which reviews could be completed.

Changes Needed: Although there are a number of process-level modifications, the most significant change would be that Puerto Rico would need to enter its QC review data into the SNAP QC database rather than MERS. FNS would take on greater oversight by reviewing a third of Puerto Rico QC cases and negotiating discrepancies with Puerto Rico.

c. Results Submitted to the U.S.

SNAP: States use the SNAP QC database to submit the information to FNS. The SNAP QC database contains detailed information on all cases from the QC reviews in all the States, comprising a nationally-representative sample of about 47,000 SNAP units annually.

⁹² However, according to ADSEF, the MERS sample review process may be less labor intensive under SNAP, since there may not be as many elderly or disabled cases to review. In SNAP, the elderly and disabled are less likely to qualify as a separate household, and in the larger household context they may not be eligible. Fewer of these cases is expected to result in fewer reviews.

NAP: Puerto Rico submits results on 1) application timeliness and 2) error rate to FNS using ‘The Application Timeliness and Active and Negative Error Rate Report.’ This report is submitted within 6 months after the end of the U.S. Fiscal Year (by March). Additionally, ADSEF submits an Annual Report to FNS 90 days after the Error Rate Report is submitted. The annual report includes all of the corrective measures that were implemented for that year based on the errors identified.

Changes Needed: Puerto Rico would no longer have to submit the Error Rate Report or the Annual Report, as it would be fully integrated into the SNAP QC system.

d. State Awards and Penalties

SNAP: FNS provides monetary awards and penalties based on decreases or increases of State error rates, as compared to previous years. FNS issues monetary awards to the States with the lowest payment error rates, the most improved payment error rates, the lowest negative payment error rates, the most improved negative error rates, timeliness in application processing, highest participation rates and most improved participation rates. Monetary penalties are issued to States with the highest error rates. Often, FNS provides an opportunity for the penalized State a year to improve its error rate prior to any penalty payment.

NAP: There are no Federal monetary awards or penalties based on Puerto Rico’s error rate.

Changes Needed: Puerto Rico would be eligible for Federal monetary awards and subject to penalties based on its error rate.

2. PARTICIPANT ERRORS AND FRAUD

a. Fraud Detection Policies and Strategies at Application and Recertification

SNAP: States use a variety of methods to monitor participant compliance and investigate potential fraud. First, some States enter into data-sharing agreements with geographically proximate States to check whether an applicant had recently applied for or is receiving SNAP benefits in another State. Second, States must use the EDRS, which is a national database that tracks all SNAP recipients who are suspended or disqualified from the program across States. Third, some States choose to access the National Directory of New Hires database to check whether participants are reporting changes in employment status. This database is maintained by the Federal Office of Child Support Enforcement and contains data submitted by States, territories, and Federal agencies from the following sources: W-4 tax forms, Quarterly Wage reports, and unemployment benefits. If a State finds a recipient in violation of SNAP rules, the State must investigate and/or report the case to the proper authorities for further action. In addition, States can receive tips on potential instances of fraud through their SNAP information hotlines and, in some States, through an online information line.

NAP: ADSEF uses several methods to monitor participant compliance and investigate potential fraud. In addition to the EBT reports (discussed in Section F.5.a), tips may be provided through the Anti-Fraud Hotline (the 1-800 number for the public to report fraud), the EBT help desk or the regional or local NAP offices. Typically, all cases are referred to the appropriate local office technician, who has 30 days to interview the participant, and investigate and evaluate the complaint.

Changes Needed: Puerto Rico would need to implement use of the EDRS. Additional mechanisms that could be used to monitor participant fraud including data-sharing agreements with other States and the National Directory of New Hires database.

b. Error Recoupment, Penalties and Sanctions

SNAP: If the State finds that an error has been made in a household’s benefit determination or allotment, the State must issue a claim against the household with a plan for corrective action. There are three types of claims: 1) an Intentional Program Violation (IPV), in which a recipient knowingly commits fraud by concealing information, providing false information, etc.; 2) an Inadvertent Household Error Claim (IHE), -which results from a participant

misunderstanding or unintentional error; and 3) an Agency Error Claim (AE), which is caused by an error on the part of the SNAP agency).

If a SNAP recipient received an overpayment due to one of these errors, States undertake one or more measures to recoup the overpaid benefit amount. Examples of various mechanisms the State can use to recoup these payments include reducing the household's future benefits; taking benefits out of the household's current EBT balance; setting up a repayment plan with the household; taking the household to court, or scheduling an administrative disqualification hearing, and seizing Federal tax refunds. The State must take measures to ensure that the recoupment of overpaid benefits does not place the household at risk of food insecurity. For example, for IHE and AE claims, the recoupment plan cannot exceed a reduction in benefits equal to the greater of either \$10 a month or 10 percent of the monthly allotment. For IPV claims, the State can not reduce benefits by more than the greater of either \$20 or 20 percent of the monthly benefit allotment.

States use civil and/or criminal penalties for program participants caught committing an IPV. SNAP recipients may be temporarily suspended, permanently disqualified, and/or required to repay any overpayments, depending on the nature of their violation. The length of the suspension varies between 1 and 12 months, and is determined by the value of unreported household resources. All monies collected from penalties and sanctions get returned to the U.S. Treasury. A total of 741,178 SNAP recipient fraud investigations were conducted in FY 2007, the most recent year for which data are available.

NAP: If a local office technician determines that the participant has intentionally violated program rules, ADSEF's Legal Affairs office will determine the penalty and notify the household. For active participants, ADSEF determines the money owed and sets up a payment plan for the participant. The adjustment is not done in lump sum, but over several months to work down the total error amount so as to not affect the household's food security. For cases found to be ineligible for benefits, the participant is de-certified and a bill is issued. These participants have to submit the payments directly to the local office. The recouped payments go back to ADSEF's Financial Division to get redistributed as benefits. A total of 1,636 cases were investigated for fraud in FY 2008.

Changes Needed: Puerto Rico may need to make some changes to the penalty structure, but the basic procedures are the same. Puerto Rico would need to return the recouped payments back to the U.S. Treasury.

c. Fair Hearings/Claims

SNAP: A participant can request a fair hearing for an action of the State SNAP program that affects the participant's or household's participation in SNAP (i.e. reducing benefit levels or cutting off benefits). Participants have 90 days from the occurrence of the State's action to request the hearing. States must inform participants of their right to and process for filing complaints and requesting a fair and impartial hearing. States can decide to offer fair hearings at the State agency level (which is the case in most States) or at the local level, (in which the case is initially heard at the local agency and only appeals of decision are heard at the State level).

NAP: Residents have 15 days from the receipt of the notification of negative action to request an appeal hearing. If the charge involves an intentional violation and the amount of funds exceeded \$501, then the case is referred to the Department of Justice. If the amount of funds is over \$5,000, the case is prosecuted criminally through the Department of Justice. In such situations, ADSEF is represented by a lawyer assigned through the Department of Justice. Otherwise, the hearing is conducted by the Department of the Family Adjudicative Board, and ADSEF is represented by its lawyers.

Changes Needed: None.

d. Appeals

SNAP: States must have in place a process for participants to appeal the decision from the fair hearing. If the individual wants to appeal a decision from a fair hearing at the local level, the appeal is brought for judicial review the State agency level. If the individual wants to appeal a decision from a hearing at the State level, the appeal would be sent for judicial review in a Federal court.

NAP: Puerto Rico has a clear process for appeals. If the individual wants to appeal a decision from an administrative hearing, an appeal request must be brought to the Board assembled by the Department of Family. If the individual does not agree with the Board's decision, he or she can appeal to the Appellate Court of Puerto Rico and then to the Supreme Court of Puerto Rico.

Changes Needed: None. If the individual wanted to appeal a Puerto Rico Supreme Court decision, he or she would be able to appeal to a U.S. Federal Appeals Court.

3. PERFORMANCE MONITORING

SNAP: In addition to routine State reporting on payment accuracy and the timeliness of application processing that was described above, FNS is responsible for conducting and overseeing three interconnected levels of performance reviews. These include:

- *State Participation Rates*, which are calculated annually by FNS to monitor the proportion of eligible SNAP households who actually participate in the program.
- *State Agency Operations Reviews (SAOR)*, through which FNS annually ensures that States are administering SNAP in accordance with all Federal regulations by identifying a number of agency administrative and operational functions as specific target areas to be reviewed by representatives from the appropriate FNS regional office;
- *Management Evaluation Reviews (MEs)*, through which States are required to regularly monitor and measure the level of compliance with the Federal SNAP regulations at both the State and local levels. As part of these reviews, FNS regional office representatives visit each State to review each State's processes on a biennial basis; and
- *Program Access Reviews (PAR)*, through which the FNS regional offices monitor SNAP operations and compliance in the local SNAP offices. These reviews focus specifically on compliance with the regulations addressing accessibility of SNAP benefits.

If Federal reviews of a State's SNAP find any deficiencies, depending on the nature and extent of the deficiency, the finding must either be immediately corrected or the State must develop a corrective action plan within 60 days of notification of the finding.⁹³ These corrective action plans are submitted to FNS, and States must submit updates on the progress of plan implementation to FNS on a semi-annual basis. Program changes are also submitted to FNS as amendments to the State Plans that States must submit annually.

NAP: FNS has been monitoring Puerto Rico's NAP closely in response to the recommendations from the first OIG audit of the NAP. As a condition for funding, ADSEF submits an annual plan to FNS (called the State Plan of Operations). The plan contains an annual budget, including the full cost of the benefits to participants and associated NAP administrative costs. Additionally, Puerto Rico submits two measures for OMB's Program Assessment Rating Tool (PART) each year to FNS. These include one output measure—proportion of all applications processed within 30 days for regular benefits or within 3 days for emergency benefits—and one efficiency measure—the payment accuracy rate or total benefit over-issuances and under-issuances divided by total benefits. The payment accuracy rate is measured through the MERS. FNS MARO also conducts MEs in Puerto Rico. The specific topics for the review are chosen collaboratively each year between Puerto Rico and FNS.

ADSEF also conducts regular internal reviews, separately from the FNS ME reviews. Each year, ADSEF develops a work plan with goals and objectives for NAP. The goals and objectives are based either on the MERS data or requests from the regions (for FY 2009, there were 9 goals and 20 objectives). For each objective, there are qualitative and quantitative indicators of success. ADSEF HQ reviewers prepare a questionnaire, visit the local

⁹³ Deficiencies for which a corrective action plan is necessary are specified in SNAP regulations.

offices, compile the data and write a report. This report goes to the regional office for implementation of new policies and programs.

Changes Needed: Puerto Rico would continue to submit an annual State Plan and suggested amendments. However, they would be subject to more reviews by FNS, including the PARs and SAORs and, in some circumstances, need to submit corrective action plans. Additionally, Puerto Rico would need to provide a more detailed list of reports to FNS (summarized in 6 ++ below), in addition to the QC review data submission that are directly input into FNS’s National Data Bank. Puerto Rico would also need to follow the process outlined in the regulations for correcting program deficiencies identified by the Federal review processes.

TABLE 4.5

REQUIRED FEDERAL REPORTS

	NAP	SNAP
Monthly	<ol style="list-style-type: none"> 1. Participation Benefits and Benefit Reconciliation (like FNS-388) 2. Status of Claims against Households Report AN-109A (like FNS-209) 	<ol style="list-style-type: none"> 1. FNS-388 – State report of issuance and participation in the FSP 2. FNS-46 – Issuance reconciliation report
Quarterly	<ol style="list-style-type: none"> 1. SF-269 - Quarterly Financial Status report 	<ol style="list-style-type: none"> 1. SF-269⁹⁴(FS) – Quarterly Financial Status report 2. FNS-209 – State's activities relating to recipient claims 3. FNS-583 – State employment and training program activities 4. FNS-388A (submitted twice a year) - Project area report of issuance and participation in the FSP
Annually	<ol style="list-style-type: none"> 1. Application Processing Timeliness Review 2. Retail Monitoring Review 3. MERS Annual Report 4. MERS Active and Negative Error Rates 5. Annual State Plan 6. Audit of NAP (as required by FNS) 	<ol style="list-style-type: none"> 1. FNS-101 – Participation in the FSP by race 2. FNS-366A Program and Budget Summary Statement - budget projection 3. FNS-366B – Program and Budget Summary Statement - program activity (also contains information on application timeliness) 4. FNS-759 – SNAP-Ed report on nutrition education activities or EARS 5. FNS-292, 292A, 292B – As needed, after emergency relief operations are completed

H. WORK POLICY AND PROGRAMS

This section discusses the requirements for employment and training programs in SNAP and NAP, and discusses changes that would be required for Puerto Rico to implement SNAP. Cost implications of these changes are discussed in further detail in Chapter VI.

1. WORK REGISTRATION AND REQUIREMENTS

SNAP: All SNAP recipients between 16 and 59 must register with the State by submitting a work registration form to the State employment office and must participate in an employment, training, or education program if it is offered to them. Exemptions may be issued for those who are 1) physically or mentally unfit to work, 2) already complying with TANF work requirements, 3) responsible for caring for a child under age 6 or an incapacitated person, 4) receiving unemployment benefits, 5) involved in drug or alcohol treatment or rehabilitation, or 6) already working at least 30 hours per week.

NAP: Able-bodied adults between 21 and 50 years old who are able to work (with some exemptions) must register for work using the ADSEF Employment Registry Form provided at the local office. The following persons are exempt: 1) individuals 20 years old or younger and 50 years old or older; 2) those totally disabled (physically or mentally); 3) TANF participants, Category C, that are exempt from the work requirement or are participating in a permitted activity; 4) individuals responsible for a child younger than 5 years old; 5) participants of drug rehabilitation programs; 6) those employed or self-employed for more than 25 hours per week and whose weekly

⁹⁴ FNS has sought approval to replace the SF-269 with the FNS-778, which collects much of the same information.

income is equal or more than the minimal Federal wage multiplied by 25; 7) students 18 years old or older (part or full time); 8) woman 6 months pregnant or more, or with less than 5 months diagnosed as high-risk pregnancy by a physician; 9) those eligible for emergency benefits; 10) retirees; 11) individuals suspended from work, with or without pay; and 12) individuals who provide voluntary service in programs or agencies that work with Federal or State funds such as Red Cross, AmeriCorps, and others.

Additionally, unemployed able-bodied adults between 21 and 50 years old have to register with the Department of Labor before they apply for NAP (if they are not in school) and must bring a certificate showing that they have registered at the Department. ADSEF routinely receives formal notification of compliance from the Department of Labor to verify whether or not the individual has been to the Department to register.

Changes Needed: Puerto Rico would need to implement SNAP work registration requirements. Participants between 16 and 59 years old would be required to participate in an employment, training, or education program if it is offered to them.

2. RELEVANT EMPLOYMENT WAIVERS AND EXEMPTIONS

SNAP: Until temporarily suspended by the ARRA, SNAP rules specify that able-bodied adults without dependents who are between 18 and 49 years old (ABAWDs; also referred to as Employment and Training Mandatory Participants) can only receive SNAP for 3 months in a 36-month period, unless at least one of the following requirements are met: 1) 20-plus hours of employment per week; 2) 20-plus hours of qualified work activity; or 3) participation in a work experience program. An ABAWD must accept a job that is offered through any of the E&T services (unless the position meets the regulation's standards of "unsuitable" employment) and cannot voluntarily quit or reduce hours without justification.

State Option: States may request a waiver of the ABAWD provision for people in areas with very limited employment opportunities. This provision waives the time limit on receipt of benefits for ABAWDs if the individuals reside in an area with an unemployment rate greater than 10 percent, or the area does not have a sufficient number of jobs to provide employment for the individuals.

NAP: Unlike SNAP, NAP places no time limits on how long individuals who are able bodied adults can be looking for work nor on an individual's participation in the program. To be recertified, ABAWDs must complete a Job Search Report, which is a form that documents their attempts to find a job.

Changes Needed: Currently, Puerto Rico meets the conditions for waiving the employment requirements for able-bodied adults without dependents between 18 and 49 years of age, as the Island has an unemployment rate above 10 percent. If such unemployment conditions continue after the suspension of ABAWD requirements expires, Puerto Rico may choose to request a waiver.

3. EMPLOYMENT AND TRAINING PROGRAMS

SNAP: In 1987, Congress established the Food Stamp Employment and Training Program requirement (E&T), under which each State, the District of Columbia, and the Virgin Islands must have an E&T program. The specific characteristics and details of the program are decided by the State. States must submit their E&T Plan to FNS annually, and include specific discussion of any changes that have been made to the program. All States receive Federal funding for their SNAP E&T programs; FNS allocates a total of \$90 million dollars in grants to States for administration and operation of their E&T programs, with an additional \$20 million available to share among States providing services to all "at-risk" participants. FNS uses a formula to determine the allotment for each State. Of the total funds available, no State can receive less than \$50,000 per year for E&T programs, even if the formula yields a lower number. States' expenditures on E&T activities that exceed their allocations are reimbursed by 50 percent.

Each State's program must contain at least one of the following: job search component; job search training; workfare programs (including self-initiated workfare); training to improve employability, including work experience; education to improve literacy and other basic skills; self-sufficiency and self-employment enhancing skills; and other employment, education, or training as approved by USDA's Secretary. States can also provide

support services such as transportation to and from such activities. States have the option to provide job retention services for up to 90 days after an individual begins working.

NAP: Currently, there is no funding earmarked for employment and training for NAP, although Puerto Rico would like to implement this type of program.

Changes Needed: Puerto Rico would need to submit an E&T plan and implement an E&T program. In return, Puerto Rico would receive separate administrative funding at a minimum of \$50,000 per year.

I. NUTRITION EDUCATION AND OUTREACH PROGRAMS

This section discusses the nutrition education and outreach services provided through SNAP and NAP, and the changes that would be required for Puerto Rico to implement SNAP. Cost implications of these changes are discussed in detail in Chapter VI.

1. NUTRITION EDUCATION

a. Nutrition Education Services and Reporting

SNAP: The SNAP Nutrition Education component (referred to as SNAP-Ed) helps States improve the likelihood that SNAP participants will make healthy dietary and lifestyle choices within their limited food budget. Currently, all 50 States, the District of Columbia, and the Virgin Islands provide SNAP-Ed services. States must annually submit a SNAP-Ed plan. All SNAP-Ed activities must fall within one of three activity areas: 1) direct education, 2) indirect education or 3) social marketing, and must be targeted to persons eligible for SNAP.

States are required to submit data on all SNAP-Ed activities and participants through the Education Administration Reporting System (EARS). This system includes information about participant demographics and characteristics, topics covered, education delivery sites, education strategies, and resources allocated. Data collected in EARS is not intended for evaluative purposes, but rather as a tool for FNS to make policy and management decisions on SNAP-Ed. All data collected in EARS will eventually be uploaded to the National Data Bank.

NAP: ADSEF's nutrition education program is called PANECO (Programa de Acción y Nutrición en Casa, or in English, At Home Action and Nutrition Program).⁹⁵ Its mission is to promote healthier eating habits and more active lifestyles, particularly among low-income families by increasing knowledge about family budget, adequate food selection, menu planning, and balanced nutrition. PANECO communicates the nutrition messages in diverse ways. Activities include 1) local office lectures/presentations, 2) school presentations and 3) direct media ads (e.g., TV, newspaper, radio). PANECO uses a guide developed to educate participants about topics such as important nutrients for a balanced nutrition; healthy lifestyles; fruits, vegetables, and fiber consumption; family budget and food purchasing; food labeling; menu planning; and food handling skills and safety. There are separate educational brochures for different population groups. The guide has separate modules for different activities, including 1) supermarkets and food store orientations, 2) local office lectures, 3) schools and summer camp lectures, 4) elderly home lectures and 5) cooking lectures.

Changes Needed: Not applicable.

b. Nutrition Education Funding

SNAP: States are reimbursed for 50 percent of their approved SNAP-Ed costs. In FY 2009, more than \$341 million in Federal funding went to SNAP-Ed programs. Like other SNAP administrative costs, there is no cap on how much Federal funding a State can receive.

NAP: PANECO's activities are funded through the administrative funds portion of the block grant and are matched 50 percent by Puerto Rico's administrative funds. The FY 2009 budget was \$1,400,476 (\$700,000 of this is the

⁹⁵ As of FY 2010, ADSEF is planning to reorganize PANECO; as such, it will no longer be called by this name.

Federal Government reimbursement); \$1 million was spent on a media campaign and the remainder on lectures and other activities.

Changes Needed: Puerto Rico would be eligible for the SNAP-Ed program and receive separate funding for these activities.

2. OUTREACH

SNAP: States may also provide SNAP Outreach, which involves providing information to and encouraging eligible non-participants to apply for SNAP benefits. If States wish to be reimbursed for this activity, they must submit a State Outreach Plan to FNS to ensure that their outreach activities target the populations and areas most in need. If approved, States are reimbursed for 50 percent of the costs of operating such plans.

NAP: NAP outreach is conducted through media campaigns directed outside of PANECO through the Administrators office (e.g., the media campaign that accompanied the launch of the Anti-Fraud Hotline). The available resources for this program have been minimal.

Changes Needed: Puerto Rico would have the option to implement SNAP Outreach, where it would be reimbursed for 50 percent of the costs of operating an approved outreach plan.

CHAPTER V. IMPACT OF CHANGES ON THE LOW-INCOME POPULATION OF PUERTO RICO

This chapter describes the potential impacts that a conversion to SNAP would have on low-income residents of Puerto Rico—both in terms of participation and benefits as well as retailer access and opportunities for fraud. To estimate participation and benefit effects, a microsimulation model was implemented. The results of this model are discussed in Section A below. Additionally, a series of in-depth semi-structured interviews with NAP participants and other stakeholders were conducted to identify the impact of potential changes and challenges to full implementation of SNAP in Puerto Rico. The remaining sections present the results of these interviews. A total of 39 interviews were conducted across each of six stakeholder groups including ADSEF Regional Office Directors, ADSEF Local Office Managers, retailer inspectors, community organizations, retailers and NAP participants. Appendix D provides a detailed summary of the methods utilized for the stakeholder analysis and Appendix E provides the methods used to develop and implement the microsimulation model.

SUMMARY OF CHAPTER:

Results from the microsimulation model show that the conversion to SNAP would substantially increase the number of household units that would receive nutrition assistance. In a typical month, approximately 554,000 household units currently participate in NAP. The model estimated that approximately 721,000 household units would be eligible for SNAP in a typical month and that approximately 89 percent, or 639,000 household units, would actually participate, an increase of 15.3 percent. This transition would also increase coverage of the population from 30 percent to almost 43 percent—a substantially greater percentage than any U.S. State.⁹⁶ Along with an increase in the number of participating household units, the average monthly benefit is expected to increase 9.6 percent—from \$240 to \$263 per household unit per month.

The stakeholder analysis highlighted participants' views and concerns on a variety of topics. First, although the SNAP household application process would involve less documentation, stakeholders reported that the increased number of cases would increase the burden on already-understaffed local offices. Second, for retailers, the current high cost of renting and operating the POS machine is a drawback to becoming certified for NAP. Third, all respondents agreed that fraud does occur, but there were varied opinions as to how a transition to SNAP might affect the frequency and nature of fraud on the Island. Some stakeholders believed that the transition to SNAP would make it harder for participants to commit fraud due to the loss of the cash benefit, whereas others believed that fraud may increase as participants become more desperate to obtain cash. Fourth, the new income limits would result in Puerto Rico's working poor becoming eligible for benefits (currently, most of the working poor are not eligible for NAP). Stakeholders believed that SNAP training programs and work requirements would benefit the participants by encouraging them to work or work more. Last, all NAP participants were strongly against the loss of the 25 percent cash portion of the benefit. In the absence of other Federal cash assistance programs (such as SSI), the cash portion of the NAP benefit has assumed an importance beyond nutrition assistance. The loss of the 25 percent cash benefit may also impact retailers who are not certified or capable of accepting the EBT cards, particularly small businesses and food markets in rural areas, since participants would only be able to acquire food in certified retailers. Loss of this benefit may reduce participant access to retailers, particularly during holidays and off hours when retailers are closed.

A. PROJECTED IMPACT ON ELIGIBILITY AND BENEFITS: MICROSIMULATION ANALYSIS

A primary goal of this study is to assess the impact on low-income households in Puerto Rico of changing the eligibility and benefit determination rules in NAP to match those in SNAP. Specifically, the analysis examines:

- The number and characteristics of households that who would be eligible for and might participate in SNAP relative to NAP,

⁹⁶ This percentage is shy of the 56-percent coverage level observed before the creation of NAP. This may be due in part to limitations in the data as described in Chapter I and in more detail in Appendix E.

- Estimates of changes in benefits available to participants,
- How those changes would impact monthly benefit costs for the U.S. Government, and
- How eligibility and participation under each program vary across demographic and economic subgroups, and whether the proposed changes would affect some subgroups more than others.

A microsimulation model was implemented to assess eligibility and benefit impacts of shifting from NAP to SNAP in Puerto Rico. The model is comprised of a microdatabase and a computer program. This microdatabase was constructed from data on low-income households in Puerto Rico, using the 2007 ACS and enhanced with data from the SAIC (see Appendix E for more details).⁹⁷ Aside from the Decennial Census, the ACS is the only readily available survey that contains demographic and financial information for a large, representative sample of the Puerto Rico population. It is important that the underlying database contains a large sample (representing a broader population than just NAP participants) so that the microsimulation can capture the effects of changes that may extend program benefits to current ineligible. The model's computer program codes the rules of SNAP and then simulates what a caseworker does—that is, it forms assistance units from households and determines whether each unit in the database is eligible for the program and the benefit for which it would qualify. An indicator of eligibility for the program, the resultant benefit amount, and indicators of participation in the new program are stored as new variables in the microdatabase.

The microsimulation results that follow compare characteristics of NAP participants with SNAP participants. Tabulations for NAP are from the SAIC database (specifically, data from March 2009) and tabulations for SNAP are from the ACS-based microsimulation model. Ideally, the microsimulation model results would be compared to baseline data from the same database (i.e., the ACS) to identify impacts of program changes. Using the same database ensures differences in outcomes are due only to differences in program rules and not underlying differences in the data. In this case, however, the nature of the data suggested that using a single database for both baseline and reform tabulations is not prudent. Substantial differences between the SAIC data and the Puerto Rico ACS data suggested that the ACS would not be a good representation of NAP participants. In particular, the income distribution of NAP participants in SAIC is much lower than in the ACS (see Appendix E for more detail). Instead, the model results are compared to program data from SAIC, which reflect benefits paid to NAP participants in March 2009. The SAIC is the best and most recent source of information on current NAP participation and benefits. All financial data in the ACS were inflated to 2009 dollars to be consistent with 2009 data in the SAIC. Summing all benefits under a microsimulation of SNAP and comparing them to the sum of all benefits under NAP provides an estimate of the total change in benefit costs as a result of the program change. Comparing SNAP benefits to NAP benefits for particular subgroups of interest provides insights about which types of units might fare better and which might fare worse as a result of the program change. If the SAIC more accurately represents income that would be collected for determining SNAP eligibility than does the ACS, however, the microsimulation model estimates may be underestimating the low-income population that is eligible for and would participate in SNAP.

This section provides results of the microsimulation analysis with respect to program eligibility, participation, and benefit costs, as well as the distributional impacts of changing from NAP to SNAP in Puerto Rico, in 2009 dollars. The model includes changes made through the Food, Conservation, and Energy Act of 2008 but does not include those made under the ARRA because the baseline data against which simulation results were compared (e.g., SAIC data from March 2009) were pre-ARRA.⁹⁸ Appendix E provides more detailed information about the data and the methodology used in the analysis, as well as additional detail on the results. All SNAP estimates presented in this section are weighted to reflect the population of Puerto Rico. However, it is important to note that all figures presented in this section are estimates and are subject to the quality of the data that were available.

⁹⁷ Throughout this report, the Puerto Rico Community Survey is referred to as the ACS.

⁹⁸ Based on USDA calculations for the U.S. population, the ARRA may increase spending on benefits by 18.02 percent. See Chapter VI for an analyses of the full impact of the ARRA.

1. OVERALL PARTICIPATION, ACCESS AND BENEFIT COSTS

The March 2009 SAIC file contains data on about 554,000 participating NAP service units.⁹⁹ The microsimulation model estimated that, in an average month, 721,000 units would be eligible for SNAP. Under the assumption that all eligible units with no income or with unearned income only, such as income from Social Security, would choose to participate and that 56 percent of units with earned income would participate, the model estimated that an average of about 639,000 units would participate under SNAP each month (see Table 5.1).¹⁰⁰ This is an increase of 15.3 percent in the number of participating units. The assumption yields a SNAP participation rate of 89 percent, which is higher than the participation rate in at least 48 states in 2007 (Cunnyngham et. al, 2008).

Along with an increase in the number of participating units, there is an estimated 9.6 percent increase in the average monthly benefit per unit. Under the participation scenario described above, benefits would increase from an average of \$240 per unit in NAP to an average of \$263 per unit in SNAP.

With a transition from NAP to SNAP, the total monthly cost of program benefits in Puerto Rico would increase from \$132.9 million to an estimated \$167.9 million. Given that more people would be participating, and the average benefit amount would increase, the estimated change in total monthly benefit costs is about 26 percent.

TABLE 5.1

COMPARISON OF AVERAGE MONTHLY PARTICIPATION AND BENEFITS UNDER NAP AND SNAP

	NAP	SNAP	Percent Change
Average Number of Participating Units per Month (in thousands)	554	639	+15.3
Total Monthly Benefit Cost (in millions)	\$132.9	\$167.9	+26.4
Average Monthly Benefit per Unit (\$)	\$240	\$263	+ 9.6

Source(s): NAP: SAIC data for March 2009

SNAP: ACS-based microsimulation model

Note: Does not reflect policies implemented as part of the ARRA.

There are about 1.18 million individuals in the participating units under NAP; with a transition to the Federal program, there would be about 1.40 million individuals in the participating units under SNAP. Thus, while NAP is covering 30 percent of the population in Puerto Rico, SNAP would cover almost 43 percent.¹⁰¹ SNAP participation in any U.S. state is much lower than either of these rates. For example, in July 2008, the state with the highest percent of the population covered was Mississippi (15.5 percent) followed closely by Missouri (15.4 percent).

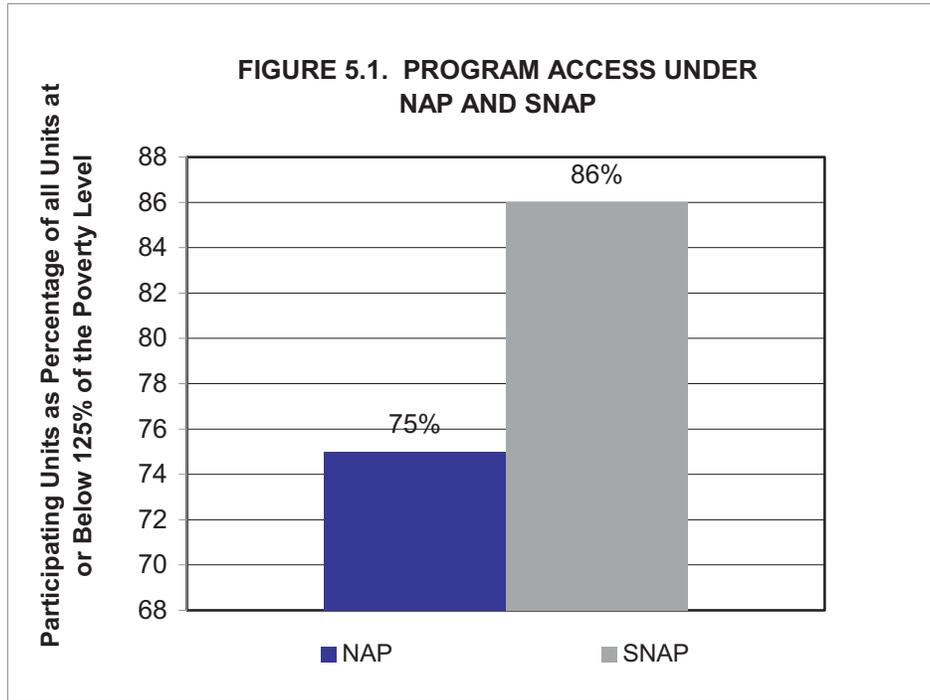
To assess the change in coverage for eligibles, the degree to which low-income people participate in each program was assessed using a measure similar to the Program Access Index (PAI). The PAI is a simple ratio of the average monthly number of SNAP participants over the course of a calendar year to the number of people with income at or below 125 percent of the official U.S. poverty guideline. It is one of the measures FNS uses to reward States for high performance in their operation of SNAP. A PAI-like measure was created using household units as the measure of analysis instead of people. According to the microsimulation model, about 742,000 units had gross

⁹⁹ As discussed in Appendix E, a small number of cases were dropped from the analysis because the SAIC data did not have information about the service unit members.

¹⁰⁰ Because NAP is the primary financial assistance program in Puerto Rico, it was assumed that all units with no income or no earned income would participate in the program. For households with income from earnings, the assumption that 56 percent of individuals in units with earned income would participate was used based on participation rates in the U.S. (Leftin & Wolkwitz, 2009). Approximately 31 percent of the 721,000 eligible SNAP units in the model have earned income. These assumptions were used because no data on NAP participation rates exist. All SNAP estimates presented in the body of the report are based on this participation algorithm. Appendix E presents results for eligible units as well as participating units. If the actual participation rate is greater than the rate assumed here, actual program costs will be higher than the estimates presented in the report; if the actual participation rate is lower than the rate assumed here, actual program costs will be lower than the estimates presented in the report.

¹⁰¹ The ACS-based model includes 3,259,000 individuals residing in Puerto Rico in 2007.

income at or below 125 percent of poverty. Thus, the PAI is estimated to be 86.1 percent under SNAP and 74.7 percent under NAP, an increase of 11.4 percent (see Figure 5.1).



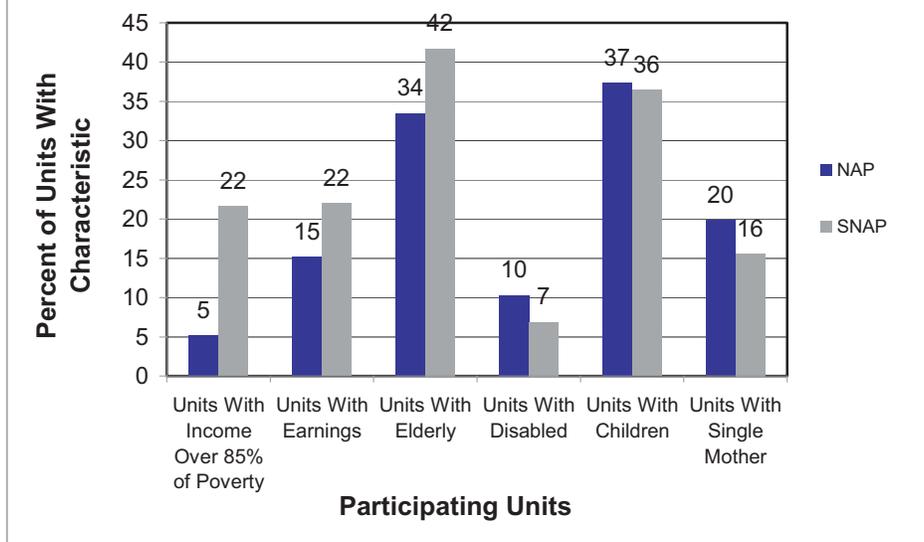
Source(s): NAP: SAIC data for March 2009 and ACS-based microsimulation model
 SNAP: ACS-based microsimulation model
 Note: Does not reflect policies implemented as part of the ARRA.

2. DISTRIBUTIONAL IMPACTS

Because the eligibility and benefit determination calculations in the two programs target subgroups differently, the composition of the caseload differs under SNAP compared to NAP. Figure 5.2 shows the percentage of units with select characteristics participating in NAP and SNAP. Because SNAP income thresholds are higher, a larger proportion of the estimated SNAP caseload consists of units with gross income above 85 percent of poverty and units with earned income as compared to the NAP caseload.¹⁰² Units with elderly members also represent a greater proportion of the caseload under SNAP than under NAP, while units with disabled members and with single mothers represent a smaller proportion of the caseload. The remainder of this section provides additional information about why these differences exist and how these subgroups fare in the shift from NAP to SNAP.

¹⁰² The ACS does not allow separate identification of each source of unearned income. Thus, to maintain as much consistency as possible between the NAP and SNAP estimates, all income sources in the NAP estimate of gross income, including those that do not count toward the NAP eligibility limit, were included.

FIGURE 5.2. UNITS WITH SELECTED CHARACTERISTICS AS PERCENTAGE OF TOTAL PARTICIPATING UNITS UNDER NAP AND SNAP



Source(s): NAP: SAIC data for March 2009
 SNAP: ACS-based microsimulation model
 Note: Does not reflect policies implemented as part of the ARRA.

Because NAP provides special deductions to selected groups of participants, it is expected that the increase in the average benefit would not be consistent across subgroups of the population. The most substantial changes, in terms of both the number of participating units and the average benefit per unit, occur for units with earnings (see Table 5.2). Because of its low income eligibility thresholds, NAP primarily serves people with no earnings. Only about 15 percent of NAP units have earnings. Expanded eligibility limits under SNAP enable more people with earnings to be served. Specifically, the model estimates that about 22 percent of participating units under SNAP would have earnings, which represents an increase of 67.4 percent in the number of participating units with earnings. Average benefits to units with earnings, however, decrease under SNAP. This is likely due to the fact that the NAP earned income deduction is more generous than the SNAP earned income deduction at all levels of earnings under \$2,000 per month.

TABLE 5.2

HOUSEHOLD PARTICIPATION AND AVERAGE BENEFITS UNDER NAP AND SNAP

	Participating NAP Units	Participating SNAP Units	Percent Change
Units With Earnings			
Total Monthly Units	84,000	141,000	+ 67.4
Percentage of All Units	15.2	22.0	+45.1
Average Monthly Benefit/Unit (\$)	298	253	- 15.2
Units With Elderly			
Total Monthly Units	186,000	266,000	+43.3
Percentage of All Units	33.5	41.7	+24.3
Average Monthly Benefit/Unit (\$)	185	195	+5.2
Units With Only Elderly			
Total Monthly Units	158,000	179,000	+13.1
Percentage of All Units	28.5	27.9	- 2.0
Average Monthly Benefit/Unit (\$)	164	147	-10.3

	Participating NAP Units	Participating SNAP Units	Percent Change
Units With Disabled (broad definition for NAP)*			
Total Monthly Units	113,000	n/a	n/a
Percentage of All Units	20.5	n/a	n/a
Average Monthly Benefit/Unit (\$)	221	n/a	n/a
Units With Disabled (narrower definition for NAP)**			
Total Monthly Units	57,000	47,000	-17.8
Percentage of All Units	10.3	7.3	-28.8
Average Monthly Benefit/Unit (\$)	209	224	+ 7.0
Units With Children			
Total Monthly Units	207,000	232,000	+12.2
Percentage of All Units	37.4	36.4	- 2.7
Average Monthly Benefit/Unit (\$)	362	408	+12.7
Units With School-Age Children			
Total Monthly Units	162,000	193,000	+19.6
Percentage of All Units	29.2	30.3	+ 3.7
Average Monthly Benefit/Unit (\$)	378	422	+11.6
Units With Single Mother and Children			
Total Monthly Units	110,000	100,000	- 9.6
Percentage of All Units	19.9	15.6	-21.6
Average Monthly Benefit/Unit (\$)	322	406	+26.0

Source(s): NAP: SAIC data for March 2009
SNAP: ACS-based microsimulation model

Note: Does not reflect policies implemented as part of the ARRA. Numbers of participating units are rounded to the nearest thousand. However, the percent change in the number of participating units was calculated from unrounded numbers.

* For NAP, individuals with disabilities are defined as those who are 1) between the ages of 18-61 and 2) are “totally and permanently disabled” as determined by one of 8-10 agencies that has legal authority to determine disability (these agencies are specified in the NAP regulation), regardless of their receipt of Social Security income. This “broad definition” is intended to mimic how individuals with disabilities are actually identified in NAP. For SNAP individuals with disabilities are defined as those who 1) have Social Security income, 2) are between the ages of 18-61, 3) have difficulty working, and 4) have difficulty dressing, difficulty going out, difficulty remembering, physical difficulty, or vision or hearing difficulty.

**For NAP, individuals with disabilities are defined as those who are 1) between the ages of 18-61, 2) are “totally and permanently disabled” as determined by one of 8-10 agencies that has legal authority to determine disability (these agencies are specified in the NAP regulation) and 3) who have Social Security income. This “narrower definition” is intended to mimic how individuals with disabilities are identified in SNAP. For SNAP, individuals with disabilities are defined as those who 1) have Social Security income, 2) are between the ages of 18-61, 3) have difficulty working, and 4) have difficulty dressing, difficulty going out, difficulty remembering, physical difficulty, or vision or hearing difficulty.

Units containing elderly members would also experience substantial changes in the shift from NAP to SNAP. The number of units containing any elderly members is estimated to be 43.3 percent greater under SNAP than under NAP, and the average benefit to these units is 5.2 percent higher. However, the effect depends on whether or not the household unit is composed solely of elderly members. Units with elderly members only lose 10.3 percent in average monthly benefits under SNAP. That is, some units with elderly gain while others lose benefits. This is because SNAP offers a deduction to units with elderly members for out-of-pocket medical expenses in excess of \$35 and an unlimited excess shelter expense deduction, but it does not offer an additional deduction for each elderly member, nor does it increase benefits for units with elderly members.

In NAP, the elderly are often split into their own units, regardless of how they may share responsibility for food purchase and preparation with others living in their households. Only 15 percent of all units containing elderly individuals also contain non-elderly individuals. Because of the requirement under SNAP that members of a household who purchase and prepare food together file together as a single unit, elderly individuals are more likely to be in a unit with other non-elderly individuals in SNAP and are therefore also more likely to benefit from other deductions (such as the earned income deduction) directed at the non-elderly. The estimated percentage of units containing elderly members that also contain non-elderly members is more than double in SNAP what it is in NAP (33 percent vs. 15 percent).

As with the elderly, NAP provides deductions specifically targeted toward individuals with disabilities that SNAP does not provide. Specifically, NAP provides a \$100 deduction per month for each minor or adult who is totally disabled and a \$200 deduction per month for each terminally ill unit member. In addition, the definition of disability is much broader under NAP than under SNAP. While both programs intend to identify recipients who are “totally and permanently disabled,” the operational definitions of “totally and permanently disabled” are quite different under each program. Disability under current NAP rules is based on functional limitations and is determined by any one of seven agencies that has legal authority to determine disability in Puerto Rico (these agencies are specified in the NAP regulation); determination of disability is not contingent upon receipt of disability payments. Disability under SNAP is generally defined as individuals receiving Federal or State disability or blindness payments. One of the primary programs conferring disability status under SNAP is the SSI program, which does not exist in Puerto Rico. In part because of the difference in definitions and in part because of the difference in deductions targeted toward individuals with disabilities, fewer non-elderly disabled adults are eligible to participate in SNAP compared to NAP. Table 5.2 first illustrates how the number of participating units with disabled individuals decreases with a shift from the current NAP operational definition to the SNAP operational definition (from 113,000 to 57,000). It then illustrates how that number decreases further (to 47,000) when the SNAP eligibility and benefit determination rules are applied to each unit. Among units with disabled individuals who are eligible and participate under the SNAP definition and rules, the average monthly benefit is estimated to be roughly similar to what units with disabled individuals under the NAP definition and rules were receiving (\$224 vs. \$221).

Other subgroups of potential interest include units with any children, units with school-age children, and units containing a single mother with children. Among all household units with children, there is a 12.2 percent increase in the number of participating units under SNAP compared to NAP and a 12.7 percent increase in the average monthly benefit.¹⁰³ The trend for units with school-age children is similar, though the percentage increase in participation is somewhat higher. Among units containing a single mother with children, however, participation decreases under SNAP compared to NAP, while the average monthly benefit increases more than for other subgroups with children.¹⁰⁴

To better understand what happens to the benefits of current NAP participants in the shift to SNAP, an income threshold was chosen that captured a high concentration of the participating NAP units. Nearly 95 percent of NAP units have income below 85 percent of the poverty guideline. Analyzing data among units with income below 85 percent of the poverty guideline for both NAP and SNAP demonstrates how nearly all current NAP units are affected by a switch to SNAP. This exercise focuses SNAP results by excluding higher-income units that become newly eligible for SNAP. Table 5.3 presents results for this analysis.

Restricting the NAP to SNAP comparison to the poorest units results in a 24-percent increase in average benefits, compared to an increase of 9.6 percent if considering the full population of participating units. This suggests that current NAP participants are likely to experience a substantial increase in benefits.

TABLE 5.3

HOUSEHOLD PARTICIPATION AND AVERAGE BENEFITS UNDER NAP AND SNAP, AMONG THOSE WITH GROSS INCOME UNDER 85 PERCENT OF POVERTY GUIDELINE

	NAP Participants	SNAP Participants	Percent Change
All Units			
Total Monthly Units With Income Under 85 Percent of Poverty	526,000	501,000	- 4.7
Percentage of All Units	94.9	78.4	-17.4
Average Monthly Benefit/Unit (\$)	244	302	+24.0

¹⁰³ While policymakers and program administrators are also typically concerned about units receiving TANF benefits, the TANF program in Puerto Rico is sufficiently small that such a comparison is not very meaningful in this context.

¹⁰⁴ In these analyses, units containing a single mother with children are not necessarily headed by a single mother with children.

	NAP Participants	SNAP Participants	Percent Change
Units With Earnings			
Total Monthly Units With Income Under 85 Percent of Poverty	83,000	77,000	- 6.6
Percentage of All Units With Earnings	98.3	54.9	- 44.2
Average Monthly Benefit/Unit (\$)	299	345	+15.5
Units With Elderly			
Total Monthly Units With Income Under 85 Percent of Poverty	164,000	184,000	+12.3
Percentage of All Units With Elderly	88.2	69.1	- 21.7
Average Monthly Benefit/Unit (\$)	186	226	+21.5
Units With Only Elderly			
Total Monthly Units With Income Under 85 Percent of Poverty	138,000	122,000	-11.3
Percentage of All Units With Elderly	74.3	46.0	-38.1
Average Monthly Benefit/Unit (\$)	163	167	+ 2.4
Units With Children			
Total Monthly Units With Income Under 85 Percent of Poverty	206,000	203,000	- 1.4
Percentage of All Units With Children	99.5	87.5	-12.1
Average Monthly Benefit/Unit (\$)	363	439	+21.0
Units With School-Age Children			
Total Monthly Units With Income Under 85 Percent of Poverty	161,000	169,000	+ 5.2
Percentage of All Units With Children	77.6	72.8	- 6.2
Average Monthly Benefit/Unit (\$)	379	454	+19.9
Units With Single Mother and Children			
Total Monthly Units With Income Under 85 Percent of Poverty	110,000	91,000	-17.2
Percentage of All Units With Children	53.0	39.1	-26.2
Average Monthly Benefit/Unit (\$)	323	432	+33.8

Source(s): NAP: SAIC data for March 2009

SNAP: ACS-based microsimulation model

Note: Does not reflect policies implemented as part of the ARRA. Numbers of participating units are rounded to the nearest thousand. However, the percent change in the number of participating units was calculated from unrounded numbers.

Similar results were found for the key subgroups. Among all units with earnings, the average benefit decreases by 15.2 percent in the shift from NAP to SNAP, but among the poorer units with earnings, benefits increase by an estimated 15.5 percent. Thus, it is likely that NAP participants with earnings would see an increase in benefits under SNAP while the newly eligible SNAP units would see an average benefit that is lower than the average for these types of units under NAP. The average benefit for all units with elderly increases 5.2 percent, but for those under 85 percent of the poverty guideline, the average increases by 21.5 percent. For units with children, the average benefit, regardless of income, increases 12.7 percent, but among the poorest units, the average benefit increases 21.0 percent.

B. COVERAGE OF BENEFIT AND ABILITY TO MAKE NUTRITIONAL FOOD CHOICES: STAKEHOLDER ANALYSIS

As mentioned above, one effect of transitioning to SNAP would be an increased monthly benefit amount for some participants. Stakeholders reported that, in its current form, the NAP benefit is increasingly inadequate due to rising food prices and stagnant benefit-allotment levels. A recent study conducted by NAP's PANECO found that 75 percent of NAP participants reported that they do not have sufficient food in their homes by the time the NAP monthly benefits arrive (Rosado-González, 2008). To make ends meet, participants rely primarily on other sources of assistance, such as family and/or community organizations.

C. PARTICIPANT CERTIFICATION AND RECERTIFICATION EXPERIENCES: STAKEHOLDER ANALYSIS

A transition to SNAP would reduce the paperwork required and potentially the number of trips an applicant takes to the local office, as the SNAP application process requires less documentation than does the NAP application process. In describing the complications of the NAP certification process, participants noted difficulties in gathering the necessary documentation, repeated unsuccessful attempts to become certified and difficulty in traveling to the local office to apply.

Representatives from community organizations supported this finding. Those who act on their clients' behalf to secure NAP benefits (e.g., they assist their new clients in getting the NAP benefits transferred from their families, such as in the case of individuals going to a group home or staying at a domestic violence shelter) reported ongoing difficulties in this certification process, explaining that they are assigned to one individual ADSEF technician and are only permitted an appointment once a month. If a recipient's designated technician is absent, the recipient is forced to reschedule the visit for the following month..

Though the certification process would be streamlined under SNAP, ADSEF staff anticipated an increased burden to meet the demands of a higher volume of cases. They reported that local offices are already-understaffed and that recent cutbacks in ADSEF staffing have compounded this issue. Service quality may decline unless or until additional staff are obtained.

D. BENEFIT ISSUANCE AND REDEMPTION: STAKEHOLDER ANALYSIS

1. USE OF THE 75 PERCENT NON-CASH PORTION OF THE BENEFIT

When asked how the 75 percent non-cash portion of the benefit obtained from the EBT card is typically spent, most participants stated they used them to purchase staple food items including rice, beans, milk, meat, and cereal. The majority of participants reported that they do not purchase nutritious fruits and vegetables, but differed in their reasons why. Some stakeholders stated that participants' food choices are consistent with the typical Puerto Rico resident's diet, which involves very little vegetable intake. Another common viewpoint was that participants cannot afford the high prices of fresh fruits and vegetables with the benefits they receive. A few of the NAP participants that were spoken with do, however, strive to consume a balanced diet, particularly for medical conditions.

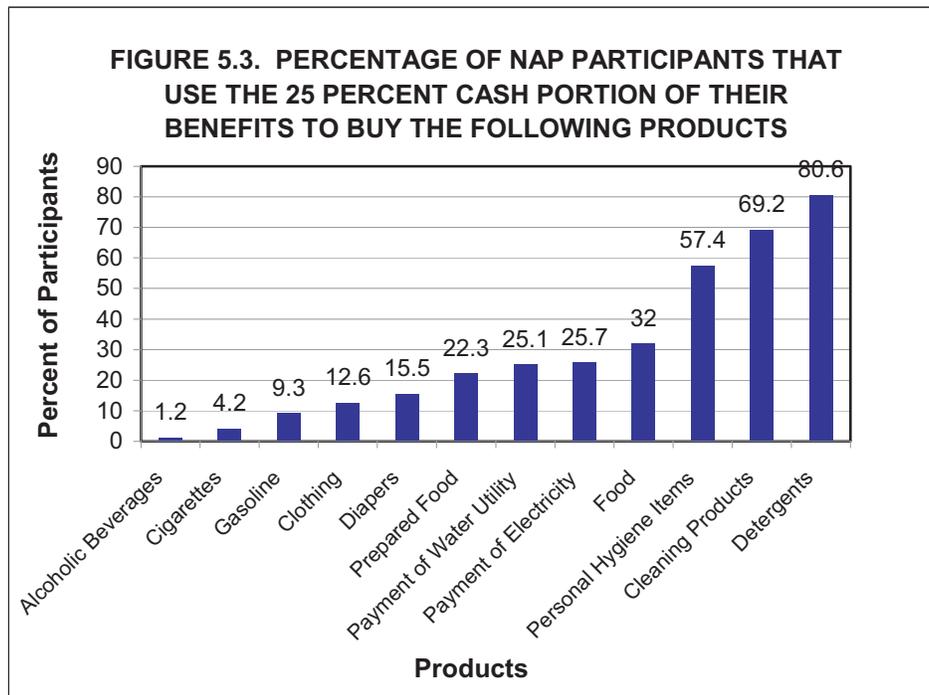
2. USE OF THE 25 PERCENT CASH PORTION OF THE BENEFIT

Before 1999 and the transition to the EBT card, 100 percent of the NAP benefits could be used as cash. Effective in late 2001, Puerto Rico's Senate changed the requirement to mandate that NAP recipients use 75 percent of their monthly benefits to buy eligible food items at certified retailers. The remaining 25 percent of a household's benefit may be redeemed for cash for food purchases at uncertified retailers. Because Puerto Rico does not have SSI or General Assistance and only a small TANF program, NAP has been the main source of cash assistance. For example, TANF has approximately 50,000 participants (as of April, 2009), compared to NAP's 544,000.

In the absence of other sources of income, stakeholders reported that the 25 percent cash portion of the NAP benefits has assumed an importance beyond nutrition assistance. While NAP requires the cash be used to purchase eligible food items, the use of this cash component is unmonitored. All respondents reported that at least some of the allotted cash is used for non-food items. The majority reported that the cash benefit is used to help pay for non-food essentials such as medicine, and hygiene items such as toothpaste, toothbrushes, soap, shampoo, and diapers. A few respondents mentioned clothing, shoes, school supplies for children or public transportation. Use of NAP cash appears to vary by type of participant. For example, elderly participants tend to use the cash benefit for medicine. Foster homes tend to use it for children's non-food expenses. Stakeholders indicated that only a small number of participants use the 25 percent cash benefit for non-essential items such as lottery tickets, cell-phone bills, and car payments.

Studies conducted by ADSEF support these views. An internal 2008 study (PANECO Pregunta) found that relatively few (21.2 percent) of the 665 NAP participants interviewed were aware that the cash portion is only for purchasing eligible food items. Additionally, none of these participants stated that they use the cash portion of the benefits to buy only eligible food items (Rosado-González, 2008). In contrast, almost all (98 percent) of the NAP participants were aware that they are required to use the 75 percent non-cash portion of the benefits for the purchase of eligible food items, and the majority (73.3 percent) of participants stated that they do so.

Figure 5.3 below illustrates the products that are most purchased by NAP participants with the 25 percent cash portion of the benefit.



Source: Rosado-González, R. (2008)

3. LOSS OF 25 PERCENT CASH PORTION OF THE BENEFIT

NAP is a critical Federal Government assistance program provided to low-income residents of Puerto Rico and the only real source of cash income. A majority of respondents who expressed an opinion (71 percent) opposed eliminating the cash portion of the benefit. This view was expressed by all NAP participants and all but one of the community organizations.

Without the 25 percent cash portion of the benefit, participants reported that they would need to find other ways to pay for essential non-food items, such as medication and diapers, as well as basic hygiene items like soap, shampoo, toothpaste, and detergent. For example, one chronically ill female participant worried that she would need to seek part-time employment to afford these basic essentials. Another participant explained that she spends most of her cash allotment on medicine, and without that allotment she would be unable to purchase needed medicine.

Many stakeholders were eager to discuss the loss of the cash benefit, indicating the level of concern across the Island regarding the loss of the cash benefit given the lack of other public forms of cash assistance. These stakeholders echoed participants' concerns about the impact of losing the cash they need to purchase basic necessities. A domestic-violence shelter representative expressed a concern for women with children, estimating that 90 percent of her clients have no other source of cash.

Seven of the nine ADSEF Local Office Supervisors, however, tended to favor the elimination of cash, citing the program's integrity as the chief reason for change. One supervisor reported that a simplified system

would make the benefits easier to administer. Another supervisor felt that, by eliminating improper use of the 25 percent cash benefit, more families would have the nutrition assistance that the program is intended to provide.

E. ACCESS TO CERTIFIED RETAILERS: STAKEHOLDER ANALYSIS

One of the main reasons that Puerto Rico maintains 25 percent of the benefits in cash was to allow participants without access to certified retailers a way to purchase food. However, all seven NAP participants interviewed reported that accessing certified retailers was currently easy. Other stakeholders reported similar results. Community organizations did not report difficulties making purchases for their clients or taking clients to shop using NAP benefits. A few ADSEF staff pointed out that some remote villages (*barríos*) do not have NAP-certified retailers but that residents of these areas are accustomed to traveling to local municipalities to redeem the non-cash portion of their NAP benefits. They expect that, under SNAP, participants would have similar retailer access. Access may even improve under SNAP if access to government provided EBT equipment brings new retailers into the program.

F. SNAP AS A WORK SUPPORT: STAKEHOLDER ANALYSIS

Generally, respondents reported that a move to SNAP would better help low-income residents of Puerto Rico become self-sufficient because of SNAP's work requirements. With the higher income thresholds, SNAP would provide benefits to many more working poor than the current NAP. As reported by ADSEF staff, this philosophy is more aligned with the current mission of ADSEF, which is to create self-sufficiency for program participants. These staff reported that the Island's working poor are a significant portion of the population who are in need but currently ineligible for benefits of any kind. Most participants reported that the NAP benefits were their only source of income.

“People who have no income are already in NAP. The working poor are the ones that NAP does not reach.”
- ADSEF Stakeholder

A few stakeholders reported that participants chose NAP benefits over working because the benefits provide more income than a job would. Others reported that some participants may work more than they claim, explaining that if they reported all income, they may be deemed ineligible for NAP. A shift to SNAP would eliminate that trade-off. However, a lack of employment opportunities may be the driving factor. Interviews of NAP participants revealed that all were either unemployed or underemployed; their incomes were well below the maximum income level for NAP eligibility. Participants cited a lack of jobs as one major factor in being under-employed or unemployed. In addition, many of the NAP participants who were interviewed said that while they would like to work they are unable to do so because of age, disability or other circumstances.

“The amount of allowable income is not high – \$593 for a family of 4. Since the minimum wage is currently \$7.25/hr, they can only work less than 20 hours per week to be in NAP.”
- Community Organization

G. EXTENT AND NATURE OF PARTICIPANT FRAUD: STAKEHOLDER ANALYSIS

ADSEF staff reported that there is more fraud among retailers in Puerto Rico than among participants, but acknowledged that it may be just because retailer fraud is easier to detect. Nearly all of the stakeholders interviewed reported that participant fraud is relatively rare. In January 2009, there were 6,361 cumulative active claims against participants for intentional violations (approximately 1 percent of active households). Methods of participant fraud include 1) using NAP cash to purchase non-eligible food items;¹⁰⁵ 2) underreporting income, household composition or other status; 3) maintaining two addresses (one in U.S.) and receiving benefits through NAP as well as SNAP; and 4) card trafficking.

“Since 2008, I think we have been very effective, we have been better equipped to identify fraud and educate retailers of the consequences.”
- ADSEF Stakeholder

¹⁰⁵ Stakeholders explain that, unless the participant withdraws the cash from a retailer's EBT machine at the time of purchase, it is impossible to track the source of cash being used to purchase items.

Participants were asked whether the elimination of a cash NAP benefit would result in more or less trafficking. Some stakeholders believe such a change would reduce fraudulent practices (such as the purchase of non-eligible food items). Others believe the change may increase fraud, as participants become more desperate to obtain cash to meet their other needs.

H. RETAILER OPERATIONS: STAKEHOLDER ANALYSIS

In 2008, there were 2,725 retailers certified for NAP, approximately 10 percent of all retailers on the Island, and most of which are located in the urban area surrounding San Juan. The vast majority of NAP benefits were redeemed in supermarkets and wholesalers (73 percent in supermarkets and 11 percent in wholesalers), with the remainder of transactions occurring in smaller retailers. By contrast, in 2008, only about 12 percent of SNAP benefits were redeemed in supermarkets. The type of retailer where the largest percentage of SNAP benefits were redeemed was the convenience store—over 35 percent of SNAP benefits were redeemed in convenience stores in 2008. Combination grocery/other stores (which includes independent drug stores, dollar stores, and general stores) comprised over 17 percent of benefit redemption transactions.

NAP-certified retailers were interviewed to find out about certification and recertification procedures and the use and operation of the EBT machine. The results of these interviews are shown below.

Certification and Recertification. Many of the interviewed retailers reported that they had to become certified in order to stay in business, as they operate in areas where the majority of the population receives NAP benefits. None of the retailers reported procedural difficulty in becoming certified initially, but a couple reported that the annual recertification process was burdensome. One retailer observed that very little of the information required for recertification changes from year to year. Another retailer explained that it takes him 4 days each year to prepare for recertification. He explained that if the materials are submitted late, the EBT machine is blocked and no transactions can go through, resulting in profit loss.

EBT Equipment Costs. Certified retailers were vocal about the perceived high cost of renting and operating the EBT machine. However, all certified retailers reported that receiving NAP payments is good for business despite the costly bank fees. ADSEF staff reported that small businesses that cannot afford a phone line or the bank fees associated with the EBT machine tend not to apply for certification (the 25 percent cash portion of the NAP was created to help support this kind of business). The loss of the 25 percent cash benefit may impact retailers who are not certified or capable of accepting the EBT cards, particularly small businesses and food markets in rural areas, since participants would only be able to acquire food in retailers that accepted the EBT card.

“Retailers lose money when they pay the fees that the bank charges them per transaction.”
- ADSEF Stakeholder

Fraud. Perceptions varied about how common NAP-related retailer fraud is, but all agreed that it does occur. These include 1) selling non-eligible food and non-food items in exchange for benefits; 2) trafficking, or selling NAP benefits for cash; 3) charging participants a point-of-service tax on NAP purchases; and 4) having all benefits redeemed in the form of “store credit” (wherein the retailer accepts entire benefit amount at once). One participant reported that some retailers refuse to accept the NAP card for sales below \$5.00, which they are not allowed to do. According to one ADSEF staff member, retailers can avoid detection on ADSEF’s fraud-tracking system by waiting several minutes between processing food purchases made with a participant’s NAP card and then allowing the participant to use the card to withdraw cash for non-food purchases.

Some stakeholders thought that the transition to SNAP would make it harder for retailers to commit fraud while others believe that there would be no effect, since, according to one stakeholder, “these retailers will find a way to do so regardless of the program rules.” Some retailers supported the change, reporting difficulties in explaining to NAP participants what they may and may not purchase with both the 75 percent non-cash portion and the 25 percent cash portion of the benefit. These retailers felt that a transition to SNAP would reduce the chance that they might make a mistake and get fined for fraud.

“We are not lenient but are mindful of how it may impact people. The motto is: each time you violate the law, you pay for it. But, if you disqualify a retailer here, you put them out of business.”
- ADSEF Stakeholder

Stakeholders consistently reported that it is the smaller retailers and not the large chain stores that commit fraud. Smaller retailers' transactions, stakeholders explained, are more difficult to track because they do not provide the itemized grocery receipts for all purchased items that are provided by large stores (in addition to the EBT receipt that shows how much was debited to the NAP account). Smaller retailers also often know their clientele personally and may be more willing to engage in fraudulent practices as a result. According to many interviewees, retailers engage in fraud as a means of increasing their profits. A few respondents, however, reported that compassion for low-income customers may be the motivation—for example, allowing customers whom they know well to purchase non-food essentials. ADSEF's retailer management staff noted the balance that must be struck in determining penalties for fraud, as severe penalties may put some operations out of business, which impacts access to retailers in the local area.

CHAPTER VI: EXPECTED COST CHANGES TO THE FEDERAL GOVERNMENT AND PUERTO RICO

This chapter discusses the changes in costs that would occur if SNAP were reinstated in Puerto Rico. The total cost changes are disaggregated into two categories: 1) the changes in the costs of benefits, and 2) the changes in administrative costs. The changes in administrative costs are further disaggregated into retailer management and other administrative costs. The cost estimates include changes made through the Food, Conservation, and Energy Act of 2008 but do not include those made under ARRA.¹⁰⁶ For the administrative cost estimates, FY 2008 was used as the baseline year since it was the most recent period for which Puerto Rico had complete data. As it is not known what year the transition to SNAP would occur, the cost estimates performed for this analysis are not adjusted for inflation for future years. Future costs can be expected to vary with policy changes, price changes and shifts in the economy of Puerto Rico. Section A discusses the changes in overall costs, Section B details the changes to benefit costs and Section C illustrates the changes in administrative costs.¹⁰⁷

An administrative cost model was developed with a detailed breakout of each cost factor that would change under SNAP. The inputs for the administrative cost model came from financial reports that Puerto Rico submits to FNS and interviews with relevant ADSEF, FNS headquarters and MARO staff. The costs represented in the chapter below illustrate the increase in net costs to both Puerto Rico and the U.S. Many of the administrative cost increases result from shifts in the payment structure. Currently, the U.S. funds the costs of benefits and half of the administrative costs through the existing block grant. If SNAP was reestablished in Puerto Rico, the U.S. would pay for benefit costs directly and share most administrative costs equally through a separate mechanism in lieu of block grant funding. Appendix F provides a detailed description of the cost estimation methodology, including assumptions underlying the model, as well as detailed cost tables.

SUMMARY OF CHAPTER:

Converting from NAP to SNAP would lead to increased costs for both Puerto Rico and FNS. The change to SNAP eligibility rules would increase the number of eligible households in Puerto Rico and correspondingly expand the number of households applying for and receiving SNAP benefits. With more participants, benefit costs would increase significantly. In addition, the increase in caseload would increase the administrative costs. Puerto Rico would need to increase staff and modify its information and reporting systems. For instance, Puerto Rico would need to update its case-management system to incorporate changes in eligibility requirements. Furthermore, Puerto Rico would need to recruit and train current and new ADSEF staff on SNAP rules and regulations. Financial and other reporting requirements would also necessitate changes to Puerto Rico's existing information systems.

This study estimates that a transition to SNAP will cost an additional \$457.3 million in FY 2009 dollars.¹⁰⁸ The U.S. Government would bear 95 percent of the increase in costs, or about \$439.2 million. Most of this increase is attributable to the the estimated \$420 million in additional benefit costs. The remaining \$19.2 million increase represents the increase in the Federal share of administrative costs. In total, it is estimated that Puerto Rico would be responsible for an additional \$18.1 million in administrative expenses or 4 percent of the total cost increase.

A. CHANGE IN TOTAL COSTS

A summary of the changes in total costs are shown in Table 6.1. With the projected transition from NAP to SNAP, the estimated total change in cost would be approximately \$457.3 million. Most of the cost increase would come from the \$420 million in benefit costs. The remaining \$37.3 million increase results from the changes in administrative costs.

¹⁰⁶ Based on USDA calculations for the U.S. population, the ARRA may increase spending on benefits by 18.02 percent. Puerto Rico has already received some ARRA funds and could receive more in future years. These funds, however, are set to expire over time, so the total amount of ARRA funds that Puerto Rico could receive under SNAP depends upon when it would convert to SNAP. See Section C for details on the impact of the ARRA on administrative costs.

¹⁰⁷ This chapter focuses solely on the change in costs. For a detailed discussion of all the administrative changes associated with the adoption of SNAP, please see Chapter IV.

¹⁰⁸ Total NAP costs for FY 2010 are estimated at approximately \$2 billion (ADSEF, 2009).

Since the U.S. Government is responsible for 100 percent of the cost of benefits, the vast majority of the increase in cost, 95 percent, would be borne by the U.S. Government. In total, the transition is expected to cost the U.S. an additional \$439.2 million. Most of the cost increase comes from the \$420 million in benefit costs.

Puerto Rico would be responsible for an additional \$18.1 million (5 percent of the total cost increase). Given the current economic climate and recent layoffs in the Puerto Rico government, even this additional financial obligation could place a significant burden on Puerto Rico's limited resources.

TABLE 6.1

Cost Categories	Changes in Cost (in thousands)		
	A. Total	B. Federal	C. Puerto Rico
Total Costs	\$457,328	\$439,187	\$18,141
1. Benefits	\$420,000	\$420,000	\$0
2. Administrative Costs	\$37,326	\$19,186	\$18,140
a. Retailer Management	\$4,648	\$2,824	\$1,824
(1) NAP Cost Adjustment*	-\$424	-\$212	-\$212
(2) SNAP for Retailer Management Costs**	\$1,000	\$1,000	\$0
(3) Point of Service/EBT Issuance Costs	\$4,072	\$2,036	\$2,036
b. Other Administrative Functions	\$32,680	\$16,363	\$16,317
(1) One-Time Startup***	\$5,130	\$2,565	\$2,565
(a) IT Hardware	\$3,892	\$1,946	\$1,946
(b) IT Professional Services	\$1,060	\$530	\$530
(c) Initial Training	\$158	\$79	\$79
(d) Update Accounting System	\$20	\$10	\$10
(2) Case-Management-Driven****	\$1394	\$720	\$674
(a) MIS Staff	\$410	\$205	\$205
(b) Software Licenses	\$80	\$40	\$40
(c) Central Office Staff	\$858	\$429	\$429
(d) Federal Quality Control	\$46	\$46	\$0
(3) Caseload-Driven (Dependent)*****	\$26,154	\$13,077	\$13,077
(a) Staff Costs	\$24,560	\$12,280	\$12,280
(b) Other Direct Costs	\$1,594	\$797	\$797

Note: Numbers may not add up due to rounding.

*NAP Cost Adjustment refers to the decline in costs if neither Puerto Rico nor the FNS were to perform retailer management.

**SNAP for Retailer Management costs refers to those costs that Puerto Rico and FNS would incur for retailer management under SNAP.

***One-Time Startup costs refer to expenses that occur at the beginning of the transition and are not repeated.

****Case-Management-Driven costs refer to costs that occur repeatedly but are not a function of the SNAP caseload.

*****Caseload-Dependent costs refer to those costs that vary as a function of the SNAP caseload.

B. CHANGE IN BENEFIT COSTS

Benefit costs are estimated using the results from the microsimulation model detailed in Chapter V, which estimates both an increase in the number of households participating and an increase in the average monthly benefit amount. Under SNAP, the number of households receiving benefits would increase by 15.3 percent (the model estimated that an average of about 639,000 units would participate under SNAP each month) and the average monthly benefits would increase by 9.6 percent. These figures convert to an increase of \$35 million a month, from \$132.9 million to \$167.9 million (as discussed in Chapter V). This results in a cost increase of \$420 million annually, a 26 percent increase for benefits overall. Because the Federal Government pays 100 percent of the costs of benefits, this increased cost of benefits would be solely borne by the Federal Government.

C. CHANGE IN ADMINISTRATIVE COSTS

1. Approach

This analysis estimates how administrative costs would change if Puerto Rico were to convert to SNAP, rather than estimating the total administrative costs under NAP and the total administrative costs under SNAP.¹⁰⁹ Even estimating the change in costs is quite complicated. Because a large number of factors affect the cost changes, a comprehensive administrative cost model was developed to identify and track each factor. Cost categories for the administrative cost model were based on data derived from the SF-269 (administrative cost reports) and detailed interviews with Federal FNS staff and Puerto Rico's ADSEF staff.

Based on this data, changes in administrative tasks were identified and the causes of these changes were estimated. The changes were categorized along the following two dimensions:

1. **Retailer Management Costs:** Retailer management has several components: the certification and recertification of retailers; retailer management; oversight of retailers to investigate fraud; and the provision and repair of POS machines as well as the costs of EBT issuance. The transition from NAP to SNAP would lead to significant changes in retailer management responsibilities and tasks. Under NAP, Puerto Rico is responsible for retailer management, and uses the block grant plus its matching funds to pay for this activity.¹¹⁰ A change to SNAP would transfer most of these program functions from Puerto Rico to FNS. Puerto Rico, however, would be required to take over the costs associated with POS machines and EBT payments to retailers. Because of the shift in responsibilities from Puerto Rico to the Federal Government, separate cost estimates for retailer management are provided below.
2. **Other Administrative Functions:** These costs have been divided into three areas as follows.
 - a) **One-Time Startup Costs:** A transition from NAP to SNAP would create costs that would be incurred before SNAP could be implemented, such as upgrades to the software and recruiting and training new case managers.
 - b) **Case-Management-Driven Costs:** Some administrative costs are not directly driven by caseload size. For example, updating the case-management and reporting information systems to store new data elements and to process cases using SNAP rules.
 - c) **Caseload-Driven Costs:** For a large number of administrative tasks, increases in the caseload causes a change in costs. Costs were further disaggregated into staff costs and other direct costs, such as overhead costs for rent and utilities.

¹⁰⁹ The original approach to estimating the administrative costs was to determine the total administrative costs by administrative activity (e.g., certification, recertification, retailer management, and EBT issuance). However, because the data collection and reporting requirements of NAP costs differ significantly from the SNAP requirements, FNS agreed that the administrative cost analysis would focus on the change in administrative costs. Appendix F details the strengths and challenges of each of these approaches to cost estimation and the reasoning for this choice in methodology.

¹¹⁰ Under NAP, Puerto Rico does not provide and pay for POS machines, which it would be required to do under SNAP.

2. Retailer Management Costs

The costs associated with changes in retailer management provide one of the most complicated issues associated with the transition to SNAP. Under SNAP, FNS would take responsibility for certifying and recertifying retailers as well as investigating retailer fraud. These additional responsibilities will require the U.S. Government to incur both one-time implementation costs and the ongoing expense of retailer management functions. Start-up costs include professional services needed to develop and update the relevant information technology systems and the costs of initial training. Ongoing functions include authorizing retailers to accept SNAP benefits, training retailers, monitoring compliance, and initiating investigations of suspicious SNAP retailer activities. To transition retailer management duties from Puerto Rico to FNS, FNS estimates its first-year costs would be approximately \$1 million.¹¹¹ *Note: FNS would no longer pay for 50 percent of retailer activities through the block grant. Since FNS provides 50 percent matching funds for this activity under NAP, FNS would also incur a savings of approximately \$212,000.*

Under NAP, however, Puerto Rico has been responsible for retailer management and pays for these expenses using funds from the block grant and its matched funds. As a result, the switch to SNAP would lead to a savings of approximately \$212,000 in Puerto Rico.

Under SNAP, however, Puerto Rico would have other responsibilities for retailers that would have significant budgetary implications to them. These administrative costs focus on issues of EBT issuance, processing and monitoring and would be shared equally with FNS. For example, Puerto Rico would become responsible for the costs associated with providing POS machines to retailers including 1) costs to deploy, operate and maintain POS equipment processing EBT transactions, 2) costs to provide households with EBT cards, and 3) costs to the EBT contractor to provide ALERT data, upgrade retailer customer service, and ensure interoperability with the U.S. states. States contract most of these services to vendors and banks. As a result, many of the costs associated with EBT depend upon the structure of the contract. For example, in some states the cost per case month (CPCM) paid to the EBT contractor includes EBT-only POS terminals for retailers. In other states, the CPCM does not include the costs for a POS machine. Puerto Rico estimates that an EBT POS machine costs \$25 per lane per month and transaction charges range from \$1.01 to \$1.49 per case per month.

Table 6.2 provides a rough estimate for the change in annual costs to provide these EBT services. The number of SNAP households comes from the microsimulation model. The estimated CPCM and the number of staff persons come from the Electronic Benefit Transfer Profile Matrix. According to the Matrix provided by FNS, States have between 1 and 15 staff members involved in EBT services. The average number of EBT staff is approximately 2.7 full-time equivalents (FTE).¹¹² The CPCM ranges from \$0.36 and \$3.71, with an average of \$1.49. The wide variation in costs is a function of many factors, including the level of competition for the EBT contract and the extent of covered services. The loaded salary for one FTE associated with EBT issuance is the average loaded salary for Puerto Rico personnel involved in NAP retailer management (see Appendix F, Table F.5.b for details). The estimated cost for EBT issuance under NAP is derived from information provided by Puerto Rico (see Appendix F, Table F.2.B for details).

¹¹¹ It is very difficult for FNS to fully identify all of the costs involved in transitioning retailer management duties. For example, if Puerto Rico were to convert, FNS would need to decide how and when to certify retailers. One option would be to certify all retailers as part of the transition. Another option would be to accept the NAP certification for any NAP-certified retailer. As such, FNS based this estimate on its current retailer management experience and extrapolated those results to Puerto Rico. This estimate includes the costs to establish a Federal retailer management process, convert existing information from Puerto Rico's databases on retailers to comply with the Federal systems, recruit and train field offices for accepting retailer applications, authorize retailers to accept SNAP benefits, train current and new retailers on SNAP responsibilities and noncompliance penalties, and initiate investigations of suspicious retailer SNAP activities. The breakout details were withheld from the study because FNS's standard position is to guard any and all information that reveals retailer investigative techniques.

¹¹² FTE is the number of hours a fully employed person would work within a year. FTEs can vary significantly based upon the number of holidays in a year as well as the number of hours worked within a day. In Puerto Rico, an FTE equals 1,950 hours.

TABLE 6.2

ESTIMATION OF INCREASE IN COSTS FOR ADDITIONAL RETAILER
EBT SERVICES IN PUERTO RICO

Category	Amount
1 Estimated Number of Households Under SNAP	639,000
2 Monthly Cost per Household for EBT Services	\$1.49
3 Estimated Annual Cost for Additional EBT Services (Row 1 × Row 2 x 12)	\$11,425,320
4 Number of Additional FTEs for Puerto Rico Staff Associated With Additional EBT Services	2.7
5 Estimated Loaded Salary for One FTE	\$30,000
6 Estimated Increased Staff Costs for Additional EBT Services (Row 4 x Row 5)	\$81,000
7 Total Estimated Increased Costs of EBT Services in Puerto Rico	\$11,506,320
8 Estimated Cost of NAP EBT Issuance	\$7,434,945
9 Increased Cost Associated With EBT Issuance	\$4,071,375

3. Other Administrative Functions

In addition to retailer management, a number of other administrative functions factor into the administrative cost model, including certification and recertification of households, fraud investigations, fair hearings, quality control, report management, employment and training, outreach, and nutrition education. The costs for most, but not all, of these activities would change upon the projected transition to SNAP. The costs for these activities were disaggregated into three categories, including 1) one-time startup costs, 2) ongoing operational costs that are case-management-driven (fixed), and 3) caseload-driven (variable) costs. Each of these categories is discussed below.

a. One-Time Startup Costs

One-time startup costs refer to the non-recurring costs associated with Puerto Rico's transition from NAP to SNAP.¹¹³ These costs are associated with the following four activities:

- **Information Technology (IT) Hardware:** IT hardware includes the purchase of servers for the additional data to be collected, disk space for storage, workstations for additional staff, telecommunications equipment, printers, and hardware.
- **IT Professional Services:** These services include the contract labor needed to update the IT systems, including the EBT and case-management systems.
- **Training:** NAP staff are unfamiliar with some of the rules, policies, and reporting requirements associated with SNAP. The new staff, particularly the case managers and financial management staff, would need to receive training to implement and apply these new rules.

¹¹³ The estimates for start-up costs do not include the start-up costs for retailer management. Depending upon how FNS decides to implement the initial certification process (e.g., require all NAP-certified retailers to apply to SNAP or automatically include all NAP-certified retailers in SNAP), retailer management start-up costs could be significant.

**Impact of the Time-Limited¹¹⁴
American Recovery and Reinvestment Act of 2009 (ARRA)**

Data collection for this report occurred prior to the American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5) implementation. As a result, the benefits used in the microsimulation model and the resulting cost analysis do not include the additional funds available to Puerto Rico under the ARRA. FNS estimates that the ARRA increased SNAP benefit costs by 18.02 percent.¹¹⁵ If Puerto Rico had been operating SNAP at the time ARRA funds became available, benefit costs in Puerto Rico might have increased by a similar amount (to an estimated \$381 million), all of which would have been paid by the Federal Government (see Row 7 in Table 6.3 below).

The Fiscal Year 2010 NAP block grant included \$240 million in ARRA funds—a 13.6-percent increase in the block grant over the previous year. Since Puerto Rico has already received these ARRA funds, they should not be included in an estimate of the costs associated with implementing SNAP in Puerto Rico while the ARRA is effective. Excluding the 2010 ARRA funds Puerto Rico already received from the estimate of the total benefit cost increase resulting from the ARRA reduces the FY 2010 ARRA increase to \$141.7 million in ARRA funds if Puerto Rico were to convert to SNAP.

Table 6.3 illustrates the estimated increase in benefit costs in Puerto Rico resulting from the ARRA. To calculate this cost, it was first determined how much of the current NAP block grant Puerto Rico uses for benefits by multiplying the amount of the current block grant by the percentage of the block grant that Puerto Rico spends on benefits.¹¹⁶ This value was then added to the estimated increase in benefits (\$420 million) from the conversion from NAP to SNAP to obtain the total benefit cost if SNAP was implemented in Puerto Rico. The total SNAP benefit cost was then multiplied by 18.02 percent to estimate the value of FY 2010 benefit costs that can be attributed to the ARRA. Finally the \$239 million that Puerto Rico has already received under the ARRA was subtracted from the FY 2010 benefit costs that can be attributed to the ARRA to determine the additional amount of ARRA-related benefit costs that would be incurred if Puerto Rico were to convert to SNAP. As such, the resulting estimate indicates that if Puerto Rico were to convert to SNAP, the Federal Government would incur an additional \$141.7 million in ARRA funds).

**TABLE 6.3. ESTIMATION OF INCREASE IN FY 2010 SNAP BENEFITS IN PUERTO RICO
DUE TO THE ARRA**

CATEGORY	AMOUNT
1 FY 2009 NAP Block Grant Funding Pre-ARRA	\$1,760,435,000
2 Percent of NAP Block Grant Used for Benefits	96.4%
3 Estimate of Total NAP Benefit Costs Pre-ARRA (Row 1 × Row 2)	\$1,697,059,340
4 Estimate of the Increased Cost of Benefits From Conversion to SNAP (Chapter V)	\$420,000,000
5 Estimate of Total SNAP Benefit Costs (Row 3 + Row 4)	\$2,117,059,340
6 FNS Estimate of the Percent Increase in Benefits from ARRA	18.02%
7 Estimate of Total Benefit Cost Increase From ARRA (Row 5 × Row 6)	\$381,070,681
8 ARRA Increase Included in Puerto Rico's FY 2010 Block Grant	\$239,419,160
9 Estimate of Additional ARRA Increase (Row 7 – Row 8)	\$141,651,521

¹¹⁴ The ARRA authorized a 13.6 percent increase in the maximum benefit allotments. The amount of this increase was the same for all families of equal size (for example, \$80 per month for a family of four). But, because most households receive less than the maximum allotment, the relative increase in benefits was more than 13.6 percent. FNS estimates that the 13.6 percent increase in maximum allotments increased total benefit costs by 18.02 percent.

¹¹⁵ Using the FY 2009 NAP status report in the FY 2011 President's Budget, FNS estimated that Puerto Rico uses 96.4 percent of the block grant for benefits.

- **Accounting System:** Puerto Rico designed its accounting system to produce the version of the financial status report that FNS requires Puerto Rico to submit under NAP. This report differs significantly from the SF-269 that States must submit under SNAP. Specifically, Puerto Rico's version of the form aggregates administrative costs into a single column, while the SNAP version disaggregates the administrative costs into 27 categories.¹¹⁶ In order to provide FNS with a new financial report, Puerto Rico would need to update this accounting system.

As Table 6.1 shows, the one-time startup costs are \$5.13 million, which would be split equally between Puerto Rico and the U.S. Federal Government. Over 95 percent of these costs would be incurred for the development of IT systems, including the purchase of IT hardware and IT professional services as well as updating Puerto Rico's accounting system. The remaining costs are for training staff in Puerto Rico.

b. Case-Management-Driven (Fixed) Costs

As Table 6.1 shows, the case-management-driven costs are \$1.394 million. Case-management-driven costs are costs associated with management processes that are not directly a function of the size of the caseload. These ongoing operational costs, which are fixed, include the costs of the management information system staff, software licenses, and central office staff per year. Over \$1.3 million of the ongoing operational costs would be for additional personnel. The remaining \$80,000 would cover annual software licenses for the databases and other software needed to operate SNAP. Included in these costs are the costs associated with Federal QC reviews, which FNS does not do under NAP and for which FNS would pay all costs. Other than Federal QC, these case-management-driven costs are split equally between Puerto Rico and the U.S. Government.

c. Caseload-Driven (Variable) Costs

As Table 6.1 shows, the caseload-driven costs are \$26.2 million, which is split equally between Puerto Rico and the U.S. Government. Caseload-dependent costs are directly a function of the size of the caseload. The greater the change in caseload between NAP and SNAP, the more these costs would increase. Costs were categorized into staff costs and other direct costs. Staff costs (salary and benefits) refer to the costs associated with the key functions needed to provide client services, including certification, recertification, issuance and other case management. Other direct costs that vary as a function of caseload, but are not paid in salary and/or benefits include rent, utilities, work-related staff travel, postage, printing, and office supplies.

Outside of the increase in benefit costs, the increase in variable costs would be the largest expense at approximately \$26.2 million. About 94 percent of these costs would go towards the additional staff.

¹¹⁶ It was assumed that Puerto Rico will use the version that FNS currently requires. Since then, FNS has developed a new financial report, the FNS-778, which was published for public comment in the Federal Register in April 2009.

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APPENDIX A

RESEARCH QUESTIONS AND KEY DATA SOURCES

APPENDIX A
RESEARCH QUESTIONS AND KEY DATA SOURCES

Research Questions	Key Data Sources
HISTORY OF PUERTO RICO NAP (BACKGROUND DESCRIPTION OF NAP)	
<ol style="list-style-type: none"> 1. What is the history of Puerto Rico’s Nutrition Assistance System (NAP)? 2. What were the reasons that the U.S. switched Puerto Rico to a block grant? 3. How does NAP compare to the Supplemental Nutrition Assistance Program (SNAP) in terms of participant characteristics, including: <ul style="list-style-type: none"> - participants as a percentage of the entire population, and - the representation of demographic groups among participants? 4. How does NAP compare to SNAP in terms of: <ul style="list-style-type: none"> - benefit costs, - administration, - error rates, - incidence of fraud and abuse, etc.? 5. What is Puerto Rico’s recent fiscal situation? 6. What is the availability of other assistance program benefits for low-income families, including nutrition assistance (excluding the role of assistance or financial help coming from non-government organizations, tax policies, etc.)? 	History/Literature review; Semi-structured interviews with Puerto Rico and U.S. Officials
SOCIOECONOMIC CHARACTERISTICS OF PUERTO RICO COMPARED TO U.S. STATES	
<ol style="list-style-type: none"> 1. What are the socioeconomic characteristics of Puerto Rico? 2. How is Puerto Rico similar/different from the States with respect to: <ul style="list-style-type: none"> - Household income, - Poverty (including how poverty is defined, who defines it, and the percent of those living in poverty), - Inflation (especially food price inflation), - Overall cost of living, - Unemployment, - Demographic distribution, - Family structure and size, - Population distribution (e.g., urban/rural), - Food security, and - Health and well-being (e.g., obesity, diabetes, nutritional status, other)? 	Descriptive Analysis; 2008 Puerto Rico Community Survey
SIDE-BY-SIDE COMPARISON OF NAP AND SNAP	
<ol style="list-style-type: none"> 1. What are the main similarities and differences between NAP and SNAP? Major categories of analysis will include: <ol style="list-style-type: none"> a. <i>Eligibility.</i> What are the current eligibility rules for all types of beneficiaries? What are the rules for categorical eligibility under each system? How are Supplemental Security Income (SSI) and Temporary Assistance for Needy Families (TANF) recipients treated under each system with respect to eligibility? b. <i>Data collection and verification for certification (application) and recertification.</i> What data do Puerto Rico and the U.S. currently collect and maintain? What system and process do Puerto Rico and the U.S. use to collect this data? How is this information verified? c. <i>Reporting requirements.</i> What are the requirements for households to report changes, for example, to income or household composition? d. <i>Benefits.</i> What is the current benefit formula? How are current benefits calculated, including income limits, asset limits, age requirements, retirement/disability/work status? Are there special adjustments for different household types? What is the maximum benefit? How is the maximum benefit determined? How does the maximum benefit change over time? How do benefit costs compare? Per person? For different types of beneficiaries? How are benefits adjusted for inflation? Other adjustments (including the extra ‘bonus payments’ that participants receive from time to time due to holdover funds in the block grant)? e. <i>Thrifty Food Plan.</i> SNAP uses the Thrifty Food Plan (TFP) for a reference family of four in determining maximum benefits. What measure is used in Puerto Rico? What is the “basket of goods”? How does this compare to the TFP? How is it adjusted over time? With inflation? f. <i>Benefit issuance.</i> What is the form of the benefit? How are benefits delivered and how often? g. <i>Benefit redemption.</i> How are they redeemed, where can benefits be redeemed, and what may they be 	Implementation/Systems Change Analysis: Literature review; Semi-structured interviews with Puerto Rico and U.S. Officials

Research Questions	Key Data Sources
<p>redeemed for (food, cash)? Are there restrictions on how benefits are legally used? What are benefits actually used for? Are cash benefits commonly used for purposes other than food purchases (e.g.,rent, transportation or childcare)?</p> <p>h. <i>Program administration.</i> How does program administration differ in NAP and SNAP? What are the administrative functions, requirements, and costs at the local, regional and headquarters level?</p> <p>i. <i>Program integrity.</i> What are the main features of the Quality Control (U.S.) /Measure of Efforts and Results (Puerto Rico) systems, including the data and reporting requirements, and information systems used in quality control? What are the policies and strategies for detecting and dealing with fraud and abuse (such as benefit tracking or purchasing eligible items)? How does Puerto Rico identify benefit tracking or purchasing of ineligible items? What are the incentives/penalties related to fraud and abuse? (specify differences in quantity and procedures of retailer fraud vs. participant fraud).</p> <p>j. <i>Authorized retailers.</i> What are the authorization requirements and process for agents (stores, restaurants) to participate in the program? What is the percent of food business requirement? What is the number (total and per person) of authorized food retailers? How are authorized retailers geographically distributed among urban and rural areas? Are any areas not served by retailers, or only served by high-cost retailers? How large are the costs to authorize stores? Under SNAP rules, would the number of authorized stores increase or decrease? How much?</p> <p>k. <i>Employment and training.</i> What are characteristics of employment and training programs in NAP/SNAP (e.g., number served, kinds of services provided)? What are the rules/work requirements for non-exempt, able-bodied adults without dependents between ages 18 and 49 (ABAWDs)? Other populations?</p> <p>l. <i>Other important features.</i> (e.g., nutrition education)</p>	
NECESSARY CHANGES REQUIRED TO BRING PUERTO RICO INTO SNAP	
<p>1. What are the changes required to bring Puerto Rico into SNAP? Major categories of analysis will include:</p> <p>a. <i>Eligibility.</i> How would the eligibility rules need to change? What would be the specific changes required with respect to different types of eligibles? How would categorical eligibility change?</p> <p>b. <i>Data collection for certification (application) and recertification.</i> What new/different information would Puerto Rico need to collect and maintain? What administrative and information system changes would be required?</p> <p>c. <i>Reporting requirements.</i> How would Puerto Rico’s reporting requirements have to change? Are its current requirements reflected in any current SNAP State options?</p> <p>d. <i>Benefits.</i> What changes would be required in the benefit formula? What would be the changes with respect to different groups of beneficiaries? Would any benefits be lost (e.g., benefits to seniors, students, bonus payments) or added?</p> <p>e. <i>Thrifty Food Plan.</i> How would changes to the TFP affect the NAP system?</p> <p>f. <i>Benefit issuance.</i> What changes would be required in the form of the benefit? What about how the benefits are delivered and how often?</p> <p>g. <i>Benefit redemption.</i> How would the use of benefits change? Currently, 25 percent of the benefits may be withdrawn using the Electronic Benefit Transfer (EBT) card in the form of cash. What changes are needed to the list of eligible food items?</p> <p>h. <i>Program administration.</i> Would additional tasks, labor or technology be required? Would new administrative functions need to be added? Would staffing need to change? If so how? Would information systems need to change? If so, how?</p> <p>i. <i>Program integrity.</i> What would be required for Puerto Rico’s quality control system to meet SNAP requirements? Are there new data that Puerto Rico would need to collect, maintain and submit? Would this require any systems changes? What would be required to improve its ability to detect and reduce fraud and abuse?</p> <p>j. <i>Authorized retailers.</i> What changes would need to be made to the NAP system to bring it in line with SNAP requirements for certifying and managing retailers? How would FNS staffing need to change for authorizing and reauthorizing stores?</p> <p>k. <i>Employment and training.</i> Given the high unemployment rate in Puerto Rico, would it likely be eligible for a waiver on ABAWD work requirements under SNAP? What would be the impact on other States when 100 percent Federal funds are allocated to include Puerto Rico in Employment & Training (E&T)? Would</p>	<p>Implementation/Systems Change Analysis: Literature review; Semi-structured interviews with Puerto Rico and U.S. Officials</p>

Research Questions	Key Data Sources
<p>this reduce funds available to other States?</p> <p>I. <i>Other important changes.</i> What other changes would be needed to bring Puerto Rico into SNAP?</p>	
IMPACT ON LOW INCOME RESIDENTS OF PUERTO RICO	
<p>What would be the impact on the low-income population of Puerto Rico if Puerto Rico were required to utilize the same laws and regulations that States use for administering SNAP?</p> <p>a. <i>Certification and recertification process.</i> What impact would changes to the certification and recertification process, including the information and filing requirements, have on low-income residents of Puerto Rico? Would the certification and recertification requirements be easier or more onerous to comply with and how might this affect eligibility? Would it make it easier or more difficult for people to apply, receive and maintain benefits?</p> <p>b. <i>Eligibility.</i> How might changes to the eligibility rules affect the low-income population? Would the number of eligibles be expected to increase or decrease? Which types of beneficiaries might gain or lose eligibility under the SNAP system? How would the eligibility of different demographic groups be affected—elderly, disabled, children, working adults, students, etc? What would be the impact of changes/implementation of categorical eligibility rules? How would this increase or decrease the number of eligibles and which groups would be affected?</p> <p>c. <i>Benefits.</i> How would benefits change? Increase? Decrease? What would be the impact on benefits for different demographic groups? Would certain groups be affected more positively or negatively by such a change? Specific attention shall be paid to shifts in the distribution of benefits between different groups of beneficiaries, including the elderly, children, different family sizes, and household compositions, Social Security beneficiaries, those with disabilities, those with recurrent medical treatments, those with childcare/dependent care expenses, those with a terminal illness, students, and those with earnings. The analysis shall include potential gains/losses to these groups in terms of the number of eligibles or participants, average benefits, and total benefits. What would be the impact of the loss of NAP bonus payments? (Currently, Puerto Rico pays out excess block grant funds in the form of monthly bonus payments, which increases overall benefits.)</p> <p>d. <i>Benefit redemption.</i> How would changing to a SNAP system affect where and how benefits could be redeemed? What would be the impact if 100 percent of benefits had to be redeemed through stores and none could be redeemed as cash? What impact could this have on beneficiaries?</p> <p>e. <i>Nutritional status/food security/diet quality.</i> In general, how would requiring Puerto Rico to utilize the same laws and regulations that States use for administering SNAP be expected to impact the nutritional status of low-income residents of Puerto Rico? Is there information available to track these changes over time? If not, what would be needed?</p>	<p>Implementation/ Systems Change Analysis: Semi-structured interviews with retailers and low-income residents of Puerto Rico;</p> <p>Impact Analysis: Microsimulation</p>
IMPACT ON COSTS	
<p>1. What are the additional costs involved in bringing Puerto Rico into SNAP for the <i>U.S. Government</i>?</p> <p>a. How would the U.S. costs be expected to change if Puerto Rico were required to utilize the same laws and regulations that States use for administering SNAP? (e.g., what would be the expected increase/decrease in total cost?)</p> <p>b. Benefit costs?</p> <p>c. Administrative costs (incorporating new functions and altering existing systems) and infrastructure (including technology)?</p> <p>d. How would U.S. Government costs change if SNAP was to become responsible for retailer management in Puerto Rico?</p> <p>e. Which of these costs would be one-time, and which would be variable and subject to increase or decrease over time?</p> <p>2. What are the additional costs involved in bringing Puerto Rico into SNAP for the <i>government of Puerto Rico</i>?</p> <p>a. How would Puerto Rico’s total costs be expected to change (e.g., increase/decrease) if it were required to utilize the same laws and regulations that States use for administering SNAP?</p> <p>b. Benefit costs?</p> <p>c. Administrative costs (incorporating new functions and altering existing systems) and infrastructure (including technology)?</p> <p>d. How would Puerto Rico’s costs change if the U.S. was to become responsible for retailer management?</p>	<p>Implementation/Systems Change Analysis (for administrative changes);</p> <p>Impact Analysis: Microsimulation (for eligibility and benefits);</p> <p>Cost Analysis</p>

Research Questions	Key Data Sources
e. Which of these costs would be one-time, and which would be variable and subject to increase or decrease over time? f. Given the current fiscal situation, would Puerto Rico's government be able to pay 50 percent of the administrative costs in a new SNAP system?	

APPENDIX B
DESCRIPTIVE ANALYSIS TABLES

APPENDIX B
DESCRIPTIVE ANALYSIS TABLES

TABLE B.1
DEMOGRAPHIC PROFILE OF THE UNITED STATES AND PUERTO RICO¹¹⁷
(In Percentages)

	Puerto Rico		United States	
	2000	2007	2000	2007
Total Population	3,808,610	3,942,375	281,421,906	301,621,159
AGE				
Preschool (4 or younger)	7.6	6.2	6.8	6.9
School Age (5-17)	21.3	19.4	18.9	17.6
18-35	26.2	25.0	25.3	24.5
36-59	29.6	30.6	32.8	33.6
60 or over	15.4	18.8	16.3	17.4
Median Age (years)	34.1	35.0	35.3	36.0
RACE/ETHNICITY				
White, Non-Hispanic	1.0	1.1	69.1	65.8
Black or African-American, Non-Hispanic	0.0	0.1	12.0	12.1
Other Race, Non-Hispanic	0.1	0.1	4.6	5.4
Multi-Racial, Non-Hispanic	0.0	0.0	1.8	1.6
Hispanic or Latino (of any race)	99.0	98.7	12.5	15.0
GENDER				
Male	48.0	48.1	49.0	49.3
Female	52.0	51.9	51.0	50.7
MARITAL STATUS (population age 15+)				
Married	51.7	39.8	54.4	50.2
Separated	3.6	3.8	2.2	2.2
Never Married	28.6	36.5	27.1	30.8
Divorced	9.6	12.5	9.7	10.5
Widowed	6.4	7.5	6.6	6.3
PERSONS WITH A DISABILITY (disabled population age 5+)				
Total Persons Disabled	944,303	820,932	52,230,874	38,551,694
5-17	7.6	8.6	7.0	7.9
18-35	20.1	11.1	20.2	12.1
36-59	38.1	35.7	36.7	34.0
60 or over	34.3	44.5	36.1	46.0
LANGUAGE SPOKEN AT HOME (population age 5+)				
English Only	11.0	3.0	76.0	75.0
Non-English	89.0	97.0	24.0	25.0
Spanish	89.0	97.0	14.0	15.0
EDUCATIONAL ATTAINMENT (population age 25+)				
Less Than High School; No Diploma	39.9	33.6	19.5	15.5
High-School Graduate/GED	22.6	25.8	28.7	30.2
Associates Degree (some college/no degree)	19.2	19.4	27.4	26.9
Bachelors Degree or Higher	18.2	21.2	24.4	27.5
ANNUAL INCOME (from all sources)				
Less Than 5,000	61.8	44.6	39.4	21.3
5-9,999	12.6	17.5	9.2	10.2
10-14,999	9.6	12.0	7.9	9.1
15-19,999	5.2	7.2	6.7	7.5
20-24,999	3.9	5.2	6.4	7.3
25-29,999	1.7	3.5	5.3	6.0
30,000+	5.2	10.0	25.1	38.6
Median Annual Income	\$9,200	\$10,200	\$21,300	\$25,000

Source(s): 2007 American/Puerto Rico Community Survey (1 Year Estimates)
2000 Decennial Census 1 Percent PUMS Data, United States Census Bureau

¹¹⁷ Unless otherwise indicated, the denominators for the percentages presented in this table are based on the entire population.

TABLE B.2

INCOME AND POVERTY PROFILE OF THE UNITED STATES AND PUERTO RICO¹¹⁸
(In Percentages of the Total Population; Past 12 Months)

	Puerto Rico		United States	
	2000	2007	2000	2007
Total Population	3,808,610	3,942,375	281,421,906	301,621,159
PERSONS LIVING BELOW PERCENTAGES OF THE POVERTY GUIDELINE				
0%	1.0	8.6	2.7	4.0
1-20%	12.6	7.7	3.1	1.4
21-40%	8.6	7.5	1.5	1.7
41-60%	9.9	7.4	2.1	2.2
61-80%	8.8	7.5	2.5	2.9
81-100%	8.2	7.5	2.9	3.1
101-130%	10.1	10.0	4.8	5.0
131+%	40.8	43.8	80.5	79.7
PERSONS LIVING BELOW 131% OF THE POVERTY GUIDELINE				
AGE				
≤4 Years	68.3	65.7	25.9	29.0
5 to 17 Years	69.4	65.5	23.6	24.8
18-59 Years	54.8	51.6	17.7	18.7
60 Years and Over	56.6	57.6	18.9	18.2
GENDER				
Female	60.3	57.3	20.9	21.7
Male	58.9	55.1	18.6	19.0
DISABILITY STATUS (population age 5+)				
With Disability	65.3	66.1	28.9	34.1
Without Disability	34.8	33.9	71.1	65.9
FAMILIES LIVING BELOW 131% OF THE POVERTY GUIDELINE				
< 5,000	23.9	29.4	14.9	15.4
5-9,999	29.1	21.9	24.7	17.1
10-14,999	27.1	23.0	31.8	24.5
15-19,999	12.3	15.2	15.3	21.4
20-24,999	5.5	5.9	8.8	10.7
25-29,999	1.6	3.1	3.1	6.4
30,000+	0.4	1.7	1.4	4.5
HOUSEHOLDS LIVING BELOW 131% OF THE POVERTY GUIDELINE				
All Households	58.0	55.4	17.0	17.7
Households With Related Children Under 6	74.2	55.0	41.8	22.1
Married Couple Households	49.3	43.0	7.9	7.6
Households With Female Householder	71.6	67.8	35.1	36.9
Households With Related Children Under 6	84.4	83.1	56.7	59.0

Source(s): 2007 American/Puerto Rico Community Survey (1 Year Estimates)
2000 Decennial Census 1 Percent PUMS Data, United States Census Bureau
2001 Statistical Abstract

¹¹⁸ The denominators for the percentages presented in this table are based on persons, families or households, as indicated in the row title.

TABLE B.3

HOUSEHOLD AND FAMILY CHARACTERISTICS OF THE UNITED STATES AND PUERTO RICO¹¹⁹
(In Percentages of Total Families or Households)

	Puerto Rico		United States	
	2000	2007	2000	2007
Total Households	1,261,325	1,204,285	105,480,101	112,377,977
FAMILY TYPE				
Family Households With Children	44.6	37.7	35.7	34.1
Married Couple Family	70.6	57.6	74.2	70.6
Male Householder - No Wife Present	4.4	7.2	6.1	7.2
Female Householder - No Husband Present	24.9	35.1	19.7	22.2
Family Households Without Children	35.4	36.8	32.6	32.8
Nonfamily Households	20.0	25.5	31.7	33.2
Householder Living Alone	18.4	22.4	25.8	27.2
HH 60 Years and Over	30.6	12.3	27.6	10.6
Average Family Size	4.0	3.6	3.7	3.6
Median Family Income (in dollars)	\$11,800	\$20,500	\$30,000	\$60,000
PRESENCE OF CHILDREN IN FAMILY				
With At Least One Own Child (under 18)	38.7	31.0	33.0	31.2
Without Own Child (under 18)	61.4	69.0	67.0	66.8
FAMILY TYPE BY HH IN LABOR FORCE				
Family With Single Male HH in Labor Force	2.3	4.2	4.6	5.6
Family With Single Female HH in Labor Force	8.1	13.7	11.3	13.0
Family With Single Male HH Not in Labor Force	2.9	3.0	1.5	1.3
Family With Single Female HH Not in Labor Force	15.9	16.9	5.6	5.3
Family With Married Male (only) in Labor Force	20.4	16.2	19.1	19.2
Family With Married Female (only) in Labor Force	5.4	5.2	4.8	4.6
Family With Both Spouses in Labor Force	18.9	21.9	41.7	41.8
Family With Neither Spouse in Labor Force	26.2	19.0	11.3	9.2
HOUSEHOLD INCOME (e.g., wages, salary)				
Less than 5,000	16.1	18.2	2.5	2.9
5-9,999	17.5	14.2	5.8	4.5
10-14,999	14.5	12.3	6.4	5.7
15-19,999	11.1	9.6	6.4	5.5
20-24,999	8.7	7.6	6.7	5.7
25-29,999	6.4	6.6	6.4	5.3
30,000+	25.8	31.5	65.8	70.5
Median Household Income (dollars)	\$14,500	\$17,600	\$42,000	\$50,000
Households With Social Security	423,066	489,203	25,545,745	30,217,662
Median Social Security Income (dollars)	\$4,600	\$8,500	\$6,000	\$13,000
Households With Cash Public Assistance Income	240,304	60,300	3,404,732	2,394,095
Median Cash Public Assistance Income (dollars)	\$1,800	\$1,200	\$1,800	\$2,000
HOUSEHOLD SIZE				
Average Household Size	3.8	3.4	3.5	3.4
Households With 1+ People Under 18 Years	44.9	38.1	36.2	34.4
Households With 1+ People 65 Years and Over	26.2	30.7	23.8	23.4
VEHICLES AVAILABLE IN HOUSEHOLD				
No Vehicles Available	29.4	21.0	10.3	8.7
1 Vehicle Available	39.1	41.0	34.3	33.1
2 or More Vehicles Available	31.6	38.1	55.4	58.1
HOUSING UNITS				
Occupied				
Owner Occupied (percent of occupied housing units)	73.0	74.2	66.2	67.2
Renter Occupied (percent of occupied housing units)	27.0	25.8	33.8	32.8
Vacant (percent of all housing units)	11.1	6.6	9.9	5.2

Source(s): 2007 American/Puerto Rico Community Survey (1-Year Estimates)
2001, 2004, and 2009 Statistical Abstract of the United States
2000 Decennial Census 1 Percent PUMS Data, United States Census Bureau

¹¹⁹ Unless otherwise indicated, the denominators for the percentages presented in this table are based on the entire population of families or households, as indicated in the row title.

TABLE B.4

ECONOMIC CHARACTERISTICS OF THE UNITED STATES AND PUERTO RICO

	Puerto Rico		United States	
	2000	2007	2000	2007
GROWTH INDICATORS				
GDP Total (current prices; in thousands)	63,149,700	89,701,200	9,817,000,000	13,841,000,000
GNP Total (current prices; in thousands)	41,366,300	58,712,400	9,856,000,000	13,937,000,000
GDP Growth Rate (from previous FY)	5.0	3.0	4.0	2.0
GNP Growth Rate (from previous FY)	8.0	0.0	4.0	2.0
EMPLOYMENT/WAGES				
% Unemployment	11.0	10.0	4.0	5.0
Average Annual Compensation	\$20,280	\$24,584	\$35,323	\$42,535
Average Wage per Hour	\$9.00	\$12.00	\$14.00	\$17.00
LABOR FORCE PARTICIPATION BY INDUSTRY TYPE (in percentage; population 16+)				
Agriculture	1.8	1.1	1.7	1.4
Manufacturing	12.2	9.6	13.8	10.6
Trade	18.3	18.5	14.0	13.7
Government	19.1	21.0	4.3	4.4
LABOR FORCE (population age 16+)				
In Civilian Labor Force	1,133,093	1,402,008	137,615,728	152,258,199
% In Labor Force	40.0	45.9	63.7	64.7
% Not in Labor Force	60.0	54.1	36.3	35.3
EMPLOYMENT (population age 16+)¹¹⁹				
% of Civilian Labor Force Employed	80.4	84.8	94.3	93.7
% Full-Time (40+ Hours)	69.5	68.9	73.5	74.1
% Part-Time (21-39 Hours)	15.8	19.2	14.5	16.3
% Less Than Half Time (20 hours or less)	8.8	11.9	9.1	9
% of Civilian Labor Force Unemployed	19.6	15.2	5.7	6.3

Source(s): *Progreso Economico (labor force participation)*

Statistical Abstract of the United States (labor force, commercial banking)

Banco Popular (growth indicators)

Business Register Puerto Rico

CIA World Factbook; Retrieved 7.6.09 from <https://www.cia.gov/library/publications/the-world-factbook/geos/rq.html>

2007 American/Puerto Rico Community Survey (1 Year Estimates)

2000 Decennial Census 1 Percent PUMS Data, United States Census Bureau

¹¹⁹ The employment rate is the proportion of employed persons to the total number of persons in the labor force. The labor force participation rate is the proportion of persons in the labor force to the total adult population age 16 and older.

TABLE B.5

COST OF LIVING MEASURES: UNITED STATES AND PUERTO RICO

	Puerto Rico			United States		
	2000	2007	% Change	2000	2007	% Change
Total Households	1,261,325	1,204,285	-4.5%	105,480,101	112,377,977	6.5%
Average Household Size	3.8	3.5	-9.2%	3.5	3.4	-3.5%
HOUSING COSTS						
Average Gross Rent (monthly)	\$332	\$315	-5.1%	\$658	\$750	14.0%
Average Mortgage Payment (monthly)	\$156	\$721	362.2%	\$382	\$1221	219.6%
Fire/Hazard/Flood Insurance (yearly)	\$200	\$148	-26.0%	\$450	\$843	87.3%
Utilities						
Gas (monthly)	\$10	\$17	70.0%	\$37	\$53	43.2%
Other Fuel Costs (yearly)	\$5	\$5	0.0%	\$85	\$128	50.6%
Water (yearly)	\$314	\$433	37.9%	\$293	\$321	9.6%
Electricity (monthly)	\$53	\$105	98.1%	\$82	\$121	47.6%
Housing Cost (as % of monthly income)	19.0	25.1	32.1%	15.5	7.0	74.2%
ANNUAL HOUSEHOLD CONSUMPTION EXPENDITURES (total in thousands and per HH)						
Food	\$5,098,800	\$7,259,200		\$562,397,000	\$736,786,000	
Per HH	\$4,042	\$6,028	49.1%	\$5,332	\$6,556	23.0%
Clothing	\$2,756,700	\$3,510,200		\$202,524,000	\$225,938,000	
Per HH	\$2,186	\$2,915	33.4%	\$1,920	\$2,011	4.7%
Housing	\$4,631,800	\$8,010,000		\$1,346,868,000	\$2,033,228,000	
Per HH	\$3,672	\$6,651	81.1%	\$12,769	\$18,093	41.7%
Household Operations	\$4,165,300	\$6,485,500		\$74,844,000	\$118,269,000	
Per HH	\$3,302	\$5,385	63.1%	\$710	\$1,052	48.3%
Medical Care	\$6,299,300	\$8,305,700		\$225,868,000	\$342,814,000	
Per HH	\$4,994	\$6,897	38.1%	\$2,141	\$3,051	42.5%
Transportation	\$4,708,000	\$6,300,300		\$811,189,000	\$1,052,362,000	
Per HH	\$3,733	\$5,232	40.2%	\$7,690	\$9,364	21.8%
ANNUAL FEDERAL PROGRAM DISBURSEMENTS (total in thousands and per HH)						
Social Security Payments						
Retirement Insurance	\$1,877,590	\$2,827,137		\$267,261,151	\$368,970,192	
Per Household	\$1,489	\$2,348	57.7%	\$2,534	\$3,283	29.6%
Survivors Insurance	\$845,809	\$1,228,969		\$81,716,633	\$112,814,759	
Per Household	\$671	\$1,020	52.2%	\$775	\$1,004	29.6%
Disability Insurance	\$1,223	\$1,814,670		\$60,317,825	\$105,166,326	
Per Household	\$1	\$1,507	n/a	\$572	\$936	63.7%
Supplemental Security Income	n/a	n/a		\$35,027,441	\$36,481,898	
Per Household	n/a	n/a	n/a	\$332	\$325	-2.2%
Federal Retirement and Disability Benefits	\$269,078	\$279,284		\$78,083,893	\$98,935,061	
Per Household	\$213	\$232	8.7%	\$740	\$880	18.9%
Veterans' Death Pension Benefits	\$365,675	\$583,288		\$21,616,114	\$43,382,382	
Per Household	\$290	\$484	67.1%	\$205	\$386	88.4%
Federal Employees Life and Health Insurance	\$56,978	\$92,970		\$12,729,992	\$22,841,876	
Per Household	\$45	\$77	70.9%	\$121	\$203	68.4%
Medicare						
Hospital Insurance	\$477,868	\$698,561		\$128,535,163	\$187,896,268	
Per Household	\$379	\$580	53.1%	\$1,219	\$1,672	37.2%
Supplementary Medical Insurance	\$712,392	\$1,317,627		\$87,153,473	\$161,197,316	
Per Household	\$565	\$1,094	93.7%	\$826	\$1,434	73.6%

Source(s): Bureau of Labor Statistics, Household Expenditure Survey

American Community Survey 2007

Government Development Bank for Puerto Rico

2004 Statistical Abstract of the United States

Consolidated Federal Funds Reported for Fiscal Years 2000 and 2007

Centers for Medicare and Medicaid Studies; Retrieved 7.7.09 from http://www.cms.hhs.gov/MedicaidBudgetExpendSystem/02_CMS64.asp#TopOfPage

TABLE B.6
HEALTH PROFILE OF ADULTS 18+ IN THE UNITED STATES AND PUERTO RICO
(In Percentages)

	Ever Told: Diabetes (%)			Diagnosed With Heart Disease (%)			Body Mass Index (Mean)			% Obese (BMI = 30+)						
	2000		2007	2000		2007	2000		2007	2000		2007				
	P.R.	U.S.	P.R.	U.S.	P.R.	U.S.	P.R.	U.S.	P.R.	U.S.	P.R.	U.S.				
TOTAL POPULATION	9.2	7.3	13.0	9.6	n/a	4.6	6.7	4.2	26.7	26.5	27.3	27.4	20.5	19.2	24.7	24.6
AGE																
18-64	6.7	5.8	9.8	7.5	n/a	2.6	4.9	2.5	26.7	26.5	27.4	27.0	20.9	19.6	21.6	25.3
65 Years +	2.5	14.8	28.9	20.1	n/a	13.9	15.9	13.1	26.5	26.3	27.2	27.5	18.1	17.7	25.3	21.8
HOUSEHOLD INCOME																
<15,000	11.9	13.3	19.8	16.9	n/a	8.5	9.7	7.9	26.9	27.3	27.6	28.2	21.3	24.5	25.3	29.0
\$15,000 to \$24,999	7.3	9.8	10.2	13.7	n/a	6.5	6.5	6.5	27.1	26.8	27.7	28.1	23.9	22.5	28.1	29.2
\$25,000-\$34,999	7.3	7.6	12.6	10.7	n/a	4.3	4.0	5.0	26.1	26.7	27.2	27.8	21.0	20.8	24.6	27.5
\$35,000-\$49,999	5.3	5.8	8.7	9.0	n/a	3.4	5.1	4.1	26.6	26.7	27.9	27.7	17.4	21.1	28.0	26.8
\$50,000+	14.7	4.7	6.1	6.6	n/a	2.6	4.1	2.3	25.9	26.1	27.2	27.0	16.1	16.6	23.3	23.1

TABLE B.6 (Continued)
HEALTH PROFILE OF ADULTS 18+ IN THE UNITED STATES AND PUERTO RICO
(In Percentages)

	Diagnosed With Stroke (%)				Exercise: Last 30 Days (%)				Consume Vegetables at Least Once per Day (%)			
	2000		2007		2000		2007		2000		2007	
	P.R.	U.S.	P.R.	U.S.	P.R.	U.S.	P.R.	U.S.	P.R.	U.S.	P.R.	U.S.
TOTAL POPULATION	n/a	2.3	2.7	1.8	45.9	72.5	56.3	76.0	29.8	68.2	24.2	67.0
AGE												
18-64	n/a	1.2	1.1	1.5	47.2	74.0	58.2	77.8	29.5	66.6	24.1	65.8
65 Years +	n/a	7.4	5.4	8.4	38.1	65.4	46.6	67.6	31.8	75.4	25.0	72.9
HOUSEHOLD INCOME												
<15,000	n/a	5.9	2.9	6.2	37.6	57.8	46.4	58.6	22.5	61.5	21.4	60.9
\$15,000 to \$24,999	n/a	3.8	1.6	4.5	50.0	63.8	57.4	64.7	33.2	66.6	23.5	62.1
\$25,000-\$34,999	n/a	1.8	0.6	3.2	69.0	70.1	66.6	71.5	40.9	68.5	28.7	64.3
\$35,000-\$49,999	n/a	1.4	1.1	2.2	63.6	75.7	73.3	76.5	44.2	67.8	32.1	66.5
\$50,000+	n/a	0.7	0.8	1.2	66.4	83.5	68.1	85.6	42.7	69.3	27.3	69.6

Source: Behavioral Risk Factor Surveillance System 2000, 2007

APPENDIX C

SNAP VERSUS NAP COMPARISON TABLES

APPENDIX C
SNAP VERSUS NAP COMPARISON TABLES

TABLE C.1

SNAP GROSS INCOME SCREEN: FY 2009
(In Dollars per Month)^a

Household Size	Continental United States, Guam, and the Virgin Islands	Alaska	Hawaii
1	\$1,127	\$1,409	\$1,296
2	1,517	1,896	1,745
3	1,907	2,384	2,193
4	2,297	2,871	2,642
5	2,687	3,359	3,090
6	3,077	3,846	3,539
7	3,467	4,334	3,987
8	3,857	4,821	4,436
Each Additional	+390	+488	+449

^a The fiscal year 2009 SNAP gross income limits are based on the 2008 poverty guidelines issued by the Department of Health and Human Services. FNS derived the fiscal year 2009 gross income limits by multiplying the 2008 poverty guidelines by 130 percent, dividing the results by 12 and rounding up to the nearest dollar. The 2008 poverty guidelines were developed on the basis of the 2007 Census poverty thresholds. The gross income screen is effective from October 1, 2008 to September 30, 2009.

Source: U.S. Department of Agriculture, FNS: <http://www.fns.usda.gov/snap/rules/Memo/2008/073108a.pdf>

TABLE C.2

SNAP AND NAP NET INCOME SCREEN: FY 2009
(In Dollars per Month)

Household Size	SNAP ^a			NAP ^b
	Continental United States, Guam, and the Virgin Islands	Alaska	Hawaii	
1	\$867	\$1,084	\$997	\$193
2	1,167	1,459	1,342	389
3	1,467	1,834	1,687	499
4	1,767	2,209	2,032	593
5	2,067	2,584	2,377	689
6	2,367	2,959	2,722	786
7	2,667	3,334	3,067	883
8	2,967	3,709	3,412	976
Each Additional	+300	+375	+345	+93 to 110

^a The fiscal year 2009 SNAP net income limits are based on the 2008 poverty guidelines issued by the Department of Health and Human Services. FNS derived the fiscal year 2009 net income limits by dividing the 2008 poverty guidelines by 12 and rounding up to the nearest dollar. The 2008 poverty guidelines were developed on the basis of the 2007 Census poverty thresholds. The net income screen is effective from October 1, 2008 to September 30, 2009.

^b A recently approved amendment to NAP regulation increased the maximum net income values by 20 percent.

Source(s): U.S. Department of Agriculture, FNS: <http://www.fns.usda.gov/snap/rules/Memo/2008/073108a.pdf>; and Fiscal Year 2009 Table of Benefits and Maximum Monthly Net Income by Household Unit

TABLE C.3

SNAP DEDUCTION AMOUNTS: FY 2009

(In Dollars per Month)

Deduction	Continental				Virgin Islands
	U.S.	Alaska	Hawaii	Guam	
Standard Deduction					
1-3 people	\$144	\$246	\$203	\$289	\$127
4 people	147	246	203	294	147
5 people	172	246	203	344	172
6 or more people	197	246	226	393	197
Maximum Excess Shelter Expense Deduction	446	713	601	524	352
Homeless Household Shelter Estimate	143	143	143	143	143

Source: U.S. Department of Agriculture, FNS: <http://www.fns.usda.gov/snap/rules/Memo/2008/073108a.pdf>

TABLE C.4

MAXIMUM SNAP BENEFIT and MAXIMUM BASIC^a NAP BENEFIT: FY 2009
(In Dollars per Month)

Household Size	SNAP ^b							NAP
	Continental U.S.	Alaska Urban	Alaska Rural I	Alaska Rural II	Hawaii	Guam	Virgin Islands	
1	\$176	\$210	\$268	\$326	\$276	\$260	\$226	\$112
2	323	385	492	598	506	476	415	216
3	463	552	704	857	725	682	595	315
4	588	701	894	1,088	921	867	756	410
5	698	833	1,062	1,293	1,094	1,029	898	499
6	838	999	1,275	1,551	1,313	1,235	1,077	599
7	926	1,105	1,409	1,715	1,451	1,365	1,191	679
8	1,058	1,263	1,610	1,960	1,658	1,560	1,361	776
Each Additional	+ 132	+ 158	+ 201	+ 245	+ 207	+ 195	+ 170	+97 or 98

^a The maximum basic NAP benefit values are based on net income for unit size and do not take into account the 20-percent increase to the unit benefit for each elderly unit member, monthly bonus payments, or annual "carry over" amounts added to the benefit.

^b The maximum SNAP benefit values are effective from October 1, 2008 to September 30, 2009 and are based on the cost of the Thrifty Food Plan in the preceding June for a reference family of four, rounded to the lowest dollar increment.

Source(s): U.S. Department of Agriculture, FNS: <http://www.fns.usda.gov/snap/rules/Memo/2008/073108a.pdf>; and Fiscal Year 2009 Table of Benefits and Maximum Monthly Net Income by Household Unit in the State Plan of Operation for NAP

TABLE C.5

MINIMUM SNAP BENEFIT AND MINIMUM BASIC^a NAP BENEFIT: FY 2009

Household Size	SNAP ^b							NAP
	Continental U.S.	Alaska Urban	Alaska Rural I	Alaska Rural II	Hawaii	Guam	Virgin Islands	
1	\$14	\$17	\$21	\$26	\$22	\$21	\$18	\$55
2	14	17	21	26	22	21	18	100
3	-	-	-	-	-	-	-	166
4	-	-	-	-	-	-	-	233
5	-	-	-	-	-	-	-	293
6	-	-	-	-	-	-	-	364
7	-	-	-	-	-	-	-	415
8	-	-	-	-	-	-	-	484

^a The minimum basic NAP benefit values are based on net income for unit size and do not take into account the 20-percent increase to the unit benefit for each elderly unit member, monthly bonus payments, or annual "carry over" amounts added to the benefit.

^b The minimum SNAP benefit values are effective from October 1, 2008 to September 30, 2009.

Source(s): U.S. Department of Agriculture, FNS: <http://www.fns.usda.gov/snap/rules/Memo/2008/073108a.pdf>; and Fiscal Year 2009 Table of Benefits and Maximum Monthly Net Income by Household Unit in the State Plan of Operation for NAP

TABLE C.6

NAP CERTIFICATION MATERIALS NEEDED

	Topic	NAP: At least one of the following must be submitted
1.	Applicant Identity	<ul style="list-style-type: none"> • Drivers License • Work or School ID • Official Document With a Photo
2.	Residence (including exact address of the family)	<ul style="list-style-type: none"> • Water Receipt • Electricity Receipt • Rent Receipt • Any other source of verification available
3.	Authorization to Request or Offer Information	<ul style="list-style-type: none"> • The form is provided by the local office for signature by every adult or emancipated minor in the household
4.	Citizenship and Alien Condition	<ul style="list-style-type: none"> • Birth Certificate (if the name of the person is not inscribed, he/she must present a christening certificate) • Naturalization Certificate • U.S. Passport • Court's resolution that certifies citizenship (as amended by ADSEF-PAN-05-2008) • Alien status • Permanent Resident Card (I-151 or I-551) • I-94, Entrance and Exits Registry • Sponsored Alien - "Statement of Commitment" (known as 213A, form I-864 or I-864-A)
5.	Social Security Number (for all household members)	<ul style="list-style-type: none"> • Social Security Card • Checks • Official Letters, Lists • Tapes provided by the Social Security Administration • Referral Letter for the request of the Social Security Number • Medicare Card
6.	Resources, Assets and Income (for all household members) ¹²⁰	<ul style="list-style-type: none"> • Deeds • Appraisals • Affidavit of the value of the property • Bank Statements • Letters from financial institutions, certification of insurance settlement, inheritance, royalties, reimbursements, etc. • Income is verified through documentary evidence from the source of income • When household incomes are paid on a weekly basis, the nucleus of service must present 4 consecutive paystubs to compute the monthly income • If the income is variable or biweekly, 4 consecutive paystubs must be presented • If paystubs are not available, a letter of the employer stating the income of the last 3 months or the time that the individual has been working must be presented
7.	Expenses for Self-Employment or Own Business	<ul style="list-style-type: none"> • Self-employed individuals must present their Income Tax Return or a Negative Certification issued by the Treasury Department (Departamento de Hacienda de Puerto Rico) • Self-employed individuals must also present a Certification from the Merchant Registry and the Certification of Retainer Agent or the Certification of Exempt Retainer Agent
8.	Student Condition	<ul style="list-style-type: none"> • Certification issued by the institution (studies of students in post-secondary institutions)
9.	School Attendance	<ul style="list-style-type: none"> • Certification issued by the institution must be presented for all children 5 to 17 years of age
10.	Childcare or Care for Dependents With Physical or Mental Disabilities	<ul style="list-style-type: none"> • The head of the household must present a letter issued by the care provider, dated, signed and including the Social Security Number of that person
11.	Disability Condition	<ul style="list-style-type: none"> • Medical Certificate (evidence of total disability) • Expenses or dependent care for children with physical or mental disability and Social Security Number of the person providing the service
12.	Medical Expenses	<ul style="list-style-type: none"> • Medical Certificate • Official documents issued by the Social Security Administration that the Medicare premium deduction form their Social Security Benefits.(as amended by ADSEF-PAN-04-2008)
13.	Age	<ul style="list-style-type: none"> • Birth Certificate • Christening Certificate
14.	Employment Requirements	<ul style="list-style-type: none"> • Able-bodied adults between ages 21 and 50 must register by providing the ADSEF Employment Registry Form provided at the local office • Form provided by the local office to certify the attempt to find a job • To be exempt, a medical certification, a certification issued by a governmental or private entity responsible for providing disability benefits, student enrollment certification, or official certification of the program or agency to which they provide voluntary service is required

¹²⁰ Including wages, gifts, pensions, payments from Unemployment Insurance, the State Insurance Fund, and others.

TABLE C.7

NAP CERTIFICATION PERIODS

	Certification Period	Household Characteristics
1.	3 Months	<ul style="list-style-type: none"> • Individuals with expired licenses that present evidence of efforts to renew
2.	6 Months	<ul style="list-style-type: none"> • Residents of shelters for battered women and children • Households that have a possibility of change in their income, socioeconomic situation or other circumstances
3.	7 to 12 Months	<ul style="list-style-type: none"> • Households whose income and socioeconomic situation are unlikely to change • Household heads whose income is from own business and is not stable
4.	12 Months	<ul style="list-style-type: none"> • Households whose income is from own business, stable, and their circumstances can be anticipated • Residents of elderly institutions • Households comprised solely of individuals 60 years or older or disabled, whose income is earned or a combination of earned and unearned¹²¹
5.	12 to 24 Months	<ul style="list-style-type: none"> • Households comprised solely by individuals 60 or older or disabled whose income is solely unearned¹²²

¹²¹ As amended by ADSEF-PAN-03-2008

¹²² As amended by ADSEF-PAN-03-2008.

TABLE C.8

SNAP VS. NAP: DETAILED COMPARISON¹²³

U.S. SNAP		Puerto Rico NAP		Required Changes
A. UNIT FORMATION				
1. Basic definition of filing unit	A Supplemental Nutrition Assistance Program (SNAP) “service unit” consists of individuals who share a residential unit and purchase and prepare food together. Individuals who live together but purchase and prepare food separately may apply as separate service units.	A Nutrition Assistance Program (NAP) “nucleus of service unit” consists of individuals who share a residential unit. In some cases, individuals who do not live in the residence (i.e., because of work, school, or hospitalization) can be included.		PR would be required to adopt the SNAP “service unit” definition. Individuals not residing together would always constitute separate units and would need to apply separately.
2. Inclusion of noncitizens	The following groups of legal noncitizens are eligible and may be part of the filing unit: <ul style="list-style-type: none"> • noncitizens who are receiving disability benefits, effective October 1, 2002; • noncitizens who have lived in the U.S. for over 5 years, effective April 1, 2003; and • noncitizens under age 18 regardless of date of entry, effective October 1, 2003. All other noncitizens are ineligible.	Same as SNAP.		None
3. Elderly and disabled members	Elderly members who purchase and prepare food with the household are considered part of the service unit. Only elderly members who are disabled and part of a household that is below 165% of the poverty guideline can file as an individual service unit. The definition of disabled is determined by 1) status as a recipient of Supplemental Security Income (SSI) or other disability benefits based on SSI rules and determinations, 2) a disabled veteran who is either housebound or in need of regular aid and attendance, and 3) a surviving spouse or child of a veteran who receives Veterans Administration (VA) benefits and is considered disabled.	Unlike SNAP, elderly individuals who share a residence with non-elderly individuals may file as their own service units separately from the rest of the household. An individual is considered disabled if he or she has a Medical Certification or certificate of total and permanent disability issued by a Federal or state agency and has received benefits for the disability.		PR would not be able to allow elderly individuals to apply as a separate service unit. PR would need to align its definition of “disabled” with the SNAP definition.
B. FINANCIAL ELIGIBILITY CRITERIA – ASSETS				
1. Vehicle assets included	Not counted: <ul style="list-style-type: none"> • the value of vehicles worth \$1,500 or less after all loans are paid off; • the value of certain income-producing vehicles; • the value of vehicles used as mobile homes, for long-distance (other than daily commute) 	Not counted: <ul style="list-style-type: none"> • the value of 1 vehicle per unit, independent of its value or use; • the value of all income-producing vehicles; and • the value of 1 vehicle registered and used for the transportation of a disabled member of the 		PR would have to implement an equity test for all non-excluded vehicles except 1 per adult in the unit and any used by a unit member under age 18 to commute to employment, training, or education. PR would need to replace the exclusion of 1

¹²³ All SNAP information is for the continental U.S., unless otherwise noted. SNAP information is based on Federal rules only and does not identify State options.

	U.S. SNAP	Puerto Rico NAP	Required Changes
	<p>work travel;</p> <ul style="list-style-type: none"> the value of a vehicle needed for transportation of a physically disabled unit member; and the value of a vehicle needed to carry water or fuel. <p>Counted:</p> <ul style="list-style-type: none"> for 1 vehicle per adult in the unit and any vehicles used by a unit member under age 18 to commute to employment, training, or education the Fair Market Value (FMV) of the vehicle in excess of \$4,650 is counted; and for all other vehicles, the higher of either the FMV exceeding \$4,650 or the equity value (which is the FMV less any encumbrances). 	<p>unit.</p> <p>Counted:</p> <ul style="list-style-type: none"> for all other vehicles registered to the unit, the total value of vehicles in excess of \$4,650. 	<p>vehicle per unit with the exclusion of all vehicles worth \$1,500 or less after all loans are paid off.</p> <p>PR would have to count the value of certain income-producing vehicles.</p> <p>PR would have to exclude the value of all vehicles (not just 1) needed for transportation of a physically disabled unit member, vehicles necessary for long-distance non-commuting work travel, and vehicles needed to carry most unit water or fuel.</p>
2. Non-vehicle assets included	<p>The following assets are counted: cash; money in checking/savings accounts; non-tax-preferred retirement accounts; instruments issued by banks and credit unions (e.g., savings certificates or certificates of deposit); stocks; bonds; shares in mutual funds; lump-sum payments (other than Earned Income Tax Credits (EITCs)); equity of property not producing income consistent with its value.</p>	<p>The following assets are counted: cash; money in checking/savings accounts; individual retirement accounts (IRAs); saving certificates; stocks; bonds; lump-sum payments; non-liquid assets available to be traded immediately.</p>	<p>PR would need to reverse its rules around retirement accounts and specify that among accounts for education expenses, only tax-preferred accounts would be excluded.</p> <p>PR would need to exclude lump-sum payments from the EITC.</p> <p>PR would need to count shares in mutual funds.</p>
3. Asset limit	<p>\$2,000 or \$3,000 if the unit contains an elderly or disabled member.</p> <p>Current asset limits are adjusted by indexing them to inflation, rounded down to the nearest \$250.</p>	<p>\$2,000 or \$3,000 if the unit contains an elderly or disabled member (as determined by at least 1 Federal or State agency).</p>	<p>PR would need to clarify that non-liquid assets that count include the equity of property not producing income consistent with its value, rather than assets available to be traded immediately.</p> <p>PR would have to begin indexing the current asset limits to inflation, rounded down to the nearest \$250.</p>
4. Exemptions from asset rules	<p>The assets of unit members who receive SSI income or benefits under the Temporary Assistance for Needy Families (TANF) IV-A or state TANF MOE (Maintenance of Effort) program are not counted.</p> <p>Units in which all members receive Federal TANF-IV-A, state TANF MOE benefits, General Assistance, or SSI (i.e. "pure public assistance units") are exempt from the asset test.</p>	<p>The assets of unit members who have been determined totally and permanently disabled and who have received benefits for disability are not counted.</p>	<p>PR would need to institute an exemption from the asset test for pure public assistance units.</p> <p>PR would need to count the assets of disabled individuals and exclude those of TANF recipients (under any category of TANF).</p>
C. FINANCIAL ELIGIBILITY CRITERIA – INCOME			
1. Included income	<p>Income includes cash income earned from wages, salaries, tips, commissions, self-employment and independent contracting as well as most unearned</p>	<p>NAP employs similar income categories as SNAP but provides more exemptions, waivers, and deductions to the income categories. For instance,</p>	<p>PR would need to adopt SNAP's list of considered income types, and remove any exemptions, waivers, and deductions that are not</p>

	U.S. SNAP	Puerto Rico NAP	Required Changes
	cash income. Income excludes loans, combat pay for deployed military personnel, and most non-cash income and in-kind benefits. A unit must have gross income at or below 130 percent of the Federal poverty guideline for its unit size.	NAP only considers Social Security payments under certain conditions, and only considers a portion of earned income from members who have worked for less than 10 months. None	applied in the SNAP net income test.
2. Gross income limit	Units with elderly or disabled members are not subject to the gross income test.	None	PR would need to institute a gross income limit (set at or below 130 percent of the Federal poverty guideline for unit size), allowing for the exemptions described below.
3. Exemptions from income rules	Units in which all members receive Federal TANF-IV-A, state TANF MOE benefits, General Assistance, or SSI are exempt from the gross and net income test.	None	PR would need to exempt pure public assistance units from all income tests. PR would need to exempt elderly and disabled units from any future gross income tests.
D. DEDUCTIONS TO INCOME			
1. Standard deduction	The standard deduction is adjusted annually for cost-of-living. In FY 2009, the deduction schedule in the continental U.S. was: \$144 for units with 1-3 members; \$147 for units of 4; \$172 for units of 5; and \$197 for units of 6 or more. ¹²⁴	The standard deduction is \$100 for all units.	PR would have to increase the standard deduction and apply different deduction amounts according to unit size.
2. Earned income	20% of the combined earnings of all unit members is deducted.	50% of combined earned income is deducted up until a maximum of \$400. A fixed deduction of \$100 is applied if 50% is less than \$100.	PR would have to begin adjusting the deduction annually for cost-of-living increases.
3. Dependent care	Out-of-pocket costs incurred for the care of children and other dependents is deducted when necessary for a unit member to search for or go to work or to attend school.	A \$175 flat amount for each minor older than 2 years old; \$175 for each adult dependent with mental or physical disabilities; or \$200 for each minor younger than 2 years old is deducted when necessary for unit member to search for or go to work or to attend training for employment.	PR would have to reduce the percentage of earned income deducted and eliminate the maximum and minimum deductions. PR would need to eliminate the deduction cap.
4. Child support payments	Legally obligated child support payments made to or for a non-household member.	None	PR would need to provide the deduction when necessary for a unit member to attend school.
5. Medical expenses	Out-of-pocket medical costs exceeding \$35 per month incurred on behalf of elderly or disabled unit members	\$100 for each elderly or disabled unit member who has continuous medical expenses. This deduction applies to individuals who have Medicare (Part B) premiums deducted from their Social Security benefits.	PR would have to either deduct child support payments from gross income or exclude it from the calculation of gross income. PR would have to replace the flat deduction with a deduction of actual costs above \$35. PR would need to eliminate the requirement for medical expenses to be continuous.
6. Excess shelter expenses	The lesser of (1) a maximum shelter deduction (currently \$446) ¹²⁵ or (2) actual shelter costs that	None	PR would need to allow deductions equal to shelter costs in excess of 50 percent of the unit's

¹²⁴ In Guam, the standard deduction under SNAP is about twice that for the continental U.S. In the Virgin Islands, the deductions are the same as for the continental U.S. with the exception of the standard deduction for units with 1-3 members, which is \$127.

¹²⁵ The current maximum excess shelter deduction under SNAP is \$524 in Guam and \$352 in the Virgin Islands.

	U.S. SNAP	Puerto Rico NAP	Required Changes
	exceed 50 percent of the unit's countable income after all other potential deductions are subtracted from gross income. Units with elderly or disabled members may deduct the full value of shelter costs that exceed 50 percent of their adjusted income.		countable income after all other potential deductions are subtracted from gross income, subject to a maximum limit for units with no elderly or disabled. Units with elderly or disabled members would not be subject to the maximum shelter deduction limit.
7. Unearned income	None	\$100 for units with unearned income. This does not apply to units that receive deductions for earned income, continuous medical expense, or the presence of elderly, totally disabled, or student members.	PR would need to eliminate the unearned income deduction.
8. Other deductions	None	\$100 for each elderly, non-disabled unit member. \$100 deduction for each minor or adult who is totally disabled. \$100 deduction for each student included in the unit who is enrolled in a university or a post secondary education institution. \$200 for each individual member with a terminal illness.	PR would need to eliminate these other deductions.
9. Net income limit	To be eligible, a unit must have net income at or below 100 percent of the Federal poverty guideline for that unit size. Units in which all members receive Federal TANF-IV-A, State TANF MOE benefits, General Assistance, or SSI are exempt from the gross and net income test.	To be eligible, a unit must have net income equal to or less than the established maximum net income for that unit size: the maximum for a unit of 1 is \$193 and for a unit of 2 is \$389. As the unit increases in size by 1 person, the maximum increases by between \$93 and \$110. ¹²⁶	PR would have to anchor net income thresholds to 100% of the Federal poverty guideline for unit size. PR would have to institute an exemption from the net income test for pure public assistance units.
E. WORK AND SCHOOL REQUIREMENTS AFFECTING ELIGIBILITY			
1. School attendance	None	Minors between the ages of 5 and 17 years old must attend school regularly, enroll in a liberal study program for the completion of the 12 th grade, or receive home schooling.	PR would have to eliminate the school attendance requirement.
2. Work requirements	All SNAP participants between 16 and 59 years old must register with the State and participate in employment, education, training, or employment-related activity (certain exceptions apply). Non-exempt able-bodied adults between 18 and 49	Unemployed (defined as not working or working less than 25 hours per week) able-bodied adults between 21 to 50 years old must perform at least 3 personal attempts to find a job and submit evidence of those attempts (certain exceptions apply).	PR would need to institute a work registration policy for all participants between 16 and 59. PR would need to implement SNAP work registration requirements. PR would need to institute a time limit on benefits to ABAWDs.

¹²⁶ A recently approved amendment to the NAP regulation increased the maximum net income values by 20 percent.

	U.S. SNAP	Puerto Rico NAP	Required Changes
	who do not have dependents (ABAWDs) can only receive SNAP benefits for up to 3 months within a 36-month period unless they participate in employment, training, or work-related activity for at least 20 hours per week (certain exceptions apply).	If the unemployed able-bodied adult has a college degree or technical or vocational courses, the individual will be referred to the Department of Labor and Human Resources to search for a job.	along with relevant exceptions and exemptions. Unless PR requests an FNS waiver due to an unemployment rate above 10 percent, PR would have to institute SNAP ABAWD requirements.
F. BENEFIT CALCULATIONS AND AMOUNTS			
1. Basis for benefits	Based on the June cost of the Thrifty Food Plan (TFP) for a family of 4, adjusted for unit size and geographic area. ¹²⁷	Based on the number of participants and the amount of the Federal block grant.	PR would need to base benefits on the TFP (either the one currently in place in the U.S. or a new one that would be developed specifically for PR).
2. Benefit calculation	A unit's monthly benefit is calculated using the following equation: Benefit = Maximum Benefit Amount – 30% of Net Income.	Eligible units receive the benefit amount for that unit size and net income level as indicated in PR's Table of Benefits and Maximum Monthly Net Income By Household Unit.	PR would have to abandon its Table of Benefits and Maximum Monthly Net Income By Household Unit and institute the SNAP benefit calculation equation.
3. Maximum benefit formula	The maximum benefit is 100 percent of the Thrifty Food Plan for unit size. The maximum benefit is indexed to inflation and includes a Cost-of-Living Adjustment.	None	PR would need to abandon its Table of Benefits and Maximum Monthly Net Income By Household Unit and set the maximum benefit amount to 100 percent of the Thrifty Food Plan for unit size.
4. Minimum benefit formula	SNAP provides a minimum benefit to 1- and 2-person units equal to 8 percent of the cost of the maximum SNAP allotment for a unit containing 1 member. Since the maximum SNAP allotment is indexed to inflation, the minimum benefit will increase with annual increases in the maximum allotment.	None	PR would need to index the maximum benefit to inflation and include a Cost-of-Living Adjustment.
5. Benefit adjustments (other than for over- or under-issuances)	None	Benefit adjustments include: <ul style="list-style-type: none"> • a 20% increase to the unit benefit for each elderly unit member; • monthly bonus payments; and • annual "carry over" amounts. 	PR would need to eliminate these benefit adjustments.
G. BENEFIT ISSUANCE AND REDEMPTIONS			
1. Form of benefit	Benefits are delivered in an electronic form through an EBT card.	Same as SNAP (card is called a "Family Card").	None
2. How benefits are delivered and timing of distribution	Benefits are delivered through automatic deposit into household's EBT account on a monthly basis. Benefit and cards must be issued by the local SNAP office within 30 days of initial application filing.	Same as SNAP.	None

¹²⁷ The Thrifty Food Plan is set at a different level in Alaska, Hawaii, the Virgin Islands, and Guam.

	U.S. SNAP	Puerto Rico NAP	Required Changes
3. EBT transaction databases	(and within 7 days for emergency benefits). Each State has an Electronic Benefit Transfer (EBT) transaction database operated by the EBT vendor, which are uploaded into the Federal-level EBT transaction database.	PR's Administration for Socioeconomic Development of the Family (ADSEF) maintains an EBT transaction database through its EBT vendor.	PR would need to ensure that its EBT database is compatible with the Federal SNAP regulations with respect to format, language and data elements and compatible with the Federal-level EBT transaction database.
4. How and where benefits are redeemed	Benefits can be redeemed at retailers that have been certified by FNS for participation in SNAP. EBT cards must be interoperable across all States. Retailers are given a choice of receiving a free EBT Point of Service (POS) device upon certification or purchasing integrated equipment. Benefits can be used to purchase any food item to be consumed in the household. SNAP benefits can also be used to purchase plants and seeds that produce food. Benefits cannot be used to purchase alcohol or tobacco products, nor for prepared meals for immediate consumptions (with some exceptions). Participants must access all of their funds through the EBT card at authorized food stores to purchase allowable food items. There are no cash benefits.	Benefits can be redeemed at retailers that have been certified by ADSEF for participation in NAP. Family Cards are only compatible with retailers located in PR. Retailers must obtain their own EBT POS devices to become certified. Same as SNAP except eligible food item is defined as any food or food product for human consumption.	Puerto Rico's "Family"/EBT card would need to be redeemable across all States. PR would need to provide certified most retailers with basic EBT POS equipment. PR retailers would receive the EBT equipment free of charge. None
5. Allowable items			
6. Use of 25 percent cash allowance		Participants can withdraw up to 25 percent of their benefits as cash through an automatic teller machine (ATM) to buy eligible food items in non-certified retail stores or farmers markets. 100 percent of the benefits must be used to buy eligible food items.	PR participants would be required to redeem all benefits through EBT transactions.
H. DATA COLLECTION AND VERIFICATION FOR CERTIFICATION AND RECERTIFICATION			
1. Application procedures and requirements	Applicants can apply at the local SNAP office. In some states, applications can be filed online, mailed or faxed in. Participants are required to have a face-to-face interview to review application information and provide documentation. <i>Note: States develop their own application procedures and, as such, each has its own unique SNAP application.</i> Emergency, or expedited, benefits are available for applicant households that have less than \$150 in monthly gross income, less than \$100 in available liquid resources, or monthly costs that exceed the total amount of their income plus resources. If those criteria are met, the household is eligible to	Applicants can apply at the local ADSEF office. Participants are required to have a face-to-face interview to review application information and provide documentation. Emergency, or expedited, benefits are available for applicant households that have no income, assets, or food. These persons are given a walk-in interview and if criteria are met, a certification decision will be made within 7 days.	PR would need to reduce the documents required to determine eligibility by no longer requiring information on self-employment expenses, student condition, and school attendance (specified in more detail, in Table C.6). PR would need to adopt the rules outlined in SNAP regulations with respect to standards and requirements for determining emergency assistance.

	U.S. SNAP	Puerto Rico NAP	Required Changes
2. Recertification procedures and certification periods	<p>receive benefits within 7 calendar days and is not subject to the same verification process.</p> <p>All SNAP households must undergo recertification after the initial certification period comes to an end. Participants must complete an application, show documentation for any changes in income, and undergo an interview for recertification. Interviews are usually conducted in person, although some States have started to do telephone interviews.</p> <p>Certification periods can vary by State. The most common certification periods are 6 or 12 months, although the length varies by household composition and income. In general, a 12-month period is assigned to households whose income is stable.</p>	<p>All NAP households must undergo recertification after the certification period comes to an end. Participants must complete an application, show documentation, and undergo an interview for recertification. Interviews are usually conducted in person.</p> <p>Certification periods can vary between 3 and 24 months. In general, a 12-month period is assigned to households whose income is stable.</p>	<p>PR would need to align its recertification documentation requirements in accordance with Federal SNAP regulations.</p>
3. Databases used for certification and recertification	<p>Each State has a separate database and system for maintaining applicant and participant information. There is no national level database of all SNAP participants.</p> <p>Each State also uploads information into a national database called the Electronic Disqualified Recipient System (EDRS), which keeps track of all individuals and households that are disqualified or suspended from SNAP.</p>	<p>All data is entered, stored and maintained in the Sistema de Automatizado e Información de Casos (SAIC).</p>	<p>PR would need to upload information on disqualified or suspended individuals into the EDRS. In order to do this, PR would need to ensure that it is collecting the same data elements and that the data are in a format compatible with the EDRS.</p>
4. Verification of information	<p>States can verify information provided through checking documentation, by interview, or through follow-up home visits and collateral contacts.</p> <p>States use other State and Federal databases to verify information, including the State Data Exchange (SDX), the Beneficiary Data Exchange (BENDEX), the Income and Eligibility Verification System (IEVS), and the Citizenship and Immigration Services' Systematic Alien Verification for Entitlements (SAVE).</p>	<p>The local office verifies information provided. If any information is missing, incomplete or questionable, the information is verified through house visits or collateral contacts.</p> <p>ADSEF uses the Public Assistance Reporting Information System (PARIS) list and SAVE to verify citizenship. Additionally, it contacts other States by phone to determine if cases are closed for applicants moving from another State.</p>	<p>PR would be able to request access to additional databases to verify information, including SDX, BENDEX, and IEVS.</p> <p>For recertification, PR would need to verify information in accordance with SNAP requirements during the recertification process.</p>
5. Requirements for reporting changes	<p>In general, most household changes must be reported to the SNAP office. If a household reports a change that will lead to an increase in benefits, the State may ask for verification of the change. If a change is such that it will result in either a decrease in or disqualification from benefits, the State must notify the household within 10 days of being notified of the change.</p>	<p>In general, most household changes must be reported. The changes can be reported by mail or by a visit to the local office. The local office can authorize the extension or retraction of the certification period when the situation warrants it.</p>	<p>PR would need to modify the changes required from program participants to match those required under SNAP. States are only required to ask for the changes required under simplified reporting, but have the option to require additional information.</p>
I. RETAILER MANAGEMENT			
1. Retailer requirements	<p>1 of the following 2 criteria must be met for a retailer to be authorized for participation in SNAP:</p> <ul style="list-style-type: none"> The retailer must be met for a 	<p>1 of the following 2 criteria must be met for a retailer to be authorized for participation in NAP:</p> <ul style="list-style-type: none"> The retailer must sell primarily food items for 	<p>Retailers in PR would need to meet the new requirements for certification as set by FNS.</p>

	U.S. SNAP	Puerto Rico NAP	Required Changes
	<ul style="list-style-type: none"> The retailer must sell at least 3 of the varieties of food items in each of the 4 staple food groups, including 2 of which that must be perishable. There is no specification on how many or much of these items must be in stock. At least 50 percent of the retailer's total gross sales must be from sales of these staple food-group items. 	<ul style="list-style-type: none"> Retailers that do not primarily sell of food items for preparation and consumption at home must have a recognized food department where 1 or more of the basic food items constitute more than 50% of the sales of eligible foods. 	
2. Retailer certification process	<p>Retailers submit an application to an FNS regional office by mail or electronically. FNS checks the STARS (Store Tracking and Redemption System) database for prior sanctions.</p> <p>If the application meets basic criteria, FNS sends an inspector to conduct a site visit to verify information.</p> <p>See Table 4.3 in Chapter IV for a list of required documentation for retailer certification.</p>	<p>Retailers submit an application to ADSEF by mail or in person.</p> <p>If an application meets basic criteria, FNS sends an inspector to conduct a thorough site visit to verify information.</p> <p>See Table 4.3 in Chapter IV for a list of required documentation for retailer certification.</p>	<p>PR would no longer be responsible for monitoring retailers; this would be done by FNS.</p> <p>Retailers in PR would need to apply through the mail or online to the appropriate FNS field office.</p> <p>PR would need to modify the list of required retailer documents.</p>
3. Retailer recertification process	<p>Retailers must be reauthorized every 5 years.</p> <p>Beginning in FY 2010, reauthorization of retailers will primarily consist of retailers providing updated information of items provided in the initial application via the Online Reauthorization Application.</p>	<p>Retailers must be reauthorized every 2 years.</p> <p>Typically, retailers bring all required documents to ADSEF in-person.</p>	<p>PR retailers would need to be authorized every 5 years and inspected less frequently.</p> <p>PR retailers would complete the reauthorization process primarily through the Online Reauthorization Application.</p>
4. Retailer databases	<ul style="list-style-type: none"> ALERT database STARS database 	<ul style="list-style-type: none"> Centinela SACPAN or "Programa de Monitoreo de Comercios" 	<p>PR would need to ensure that its current EBT database is compatible with ALERT with respect to format, language and data elements.</p> <p>PR would need to upload records from its EBT database to ALERT and would no longer need to update and maintain its own separate fraud detection database.</p>
5. Retailer monitoring	<p>Retailers are monitored using the:</p> <ol style="list-style-type: none"> ALERT database STARS database <p>States can receive tips on potential instances of fraud via their SNAP information hotline.</p>	<p>Retailers are monitored using:</p> <ol style="list-style-type: none"> Centinela (used to compare monthly sales figures with tax return income) EBT data/transaction reports <p>ADSEF also uses the Anti-Fraud Hotline to obtain fraud tips from the public.</p>	<p>Centinela would become part of ALERT and SACPAN would become part of STARS.</p> <p>PR would no longer monitor retailers for fraud, as FNS and the appropriate FNS Field Office would take over these responsibilities.</p>
b. Penalties and sanctions	<p>See Table 4.4 in Chapter IV for the list of retailer penalties and sanctions.</p>	<p>See Table 4.4 in Chapter IV for the list of retailer penalties and sanctions.</p>	<p>PR's penalty structure would have to be aligned with that in SNAP, as currently the penalties are much steeper in SNAP than NAP.</p>

	U.S. SNAP	Puerto Rico NAP	Required Changes
c. Appeals	<p>The FNS Administrative Review Branch performs administrative review of retailers requesting appeals regarding FNS actions.</p> <p>The retailer may obtain judicial review of the appeal determination in the U.S. District Court for the region in which the retailer is located.</p>	<p>ADSEF conducts fair hearings for retailers committing fraud. Retailers can appeal their fines through the reconsideration process.</p> <p>The retailer can then appeal to the Adjudicative Board of the Dept of the Family, then the Appellate Court of Puerto Rico, then the Supreme Court of Puerto Rico.</p>	<p>Additionally, PR retailers may be subject to criminal prosecution through the OIG.</p> <p>PR retailers would need to submit appeals to the FNS Administrative Review Branch within 10 days of the perceived grievance.</p> <p>PR retailers wishing to further contest the appeal determination would be able to file for judicial review in the U.S. District Court.</p>
J. PROGRAM INTEGRITY			
1. QC policies and processes	<p>States review randomly selected representative samples of active and negative cases monthly to check for correct eligibility determination and benefit allotment.</p> <p>States submit review results to FNS, where reviewers re-check roughly 1/3 of the cases.</p> <p>Twice-reviewed sample cases are entered into FNS' SNAP QC (Quality Control) database.</p> <p>FNS calculates state and national error rates.</p>	<p>ADSEF reviews randomly selected representative samples of active and negative cases bi-monthly to check for correct eligibility determination and benefit allotment.</p> <p>ADSEF uses a system called Measure of Efforts and Results System (MERS) to calculate error rates.</p> <p>Application Timeliness and Active and Negative Error Rates are reported to the U.S. 6 months after the end of the U.S. Fiscal Year, and an Annual Report is then submitted 90 days after reporting error rates.</p>	<p>PR would need to enter its QC review data into the SNAP QC database rather than MERS.</p> <p>FNS would take on greater oversight by reviewing a third of Puerto Rico's QC cases and negotiating discrepancies with Puerto Rico.</p>
2) Participant monitoring			
a. Fraud detection policies	<p>States establish data-sharing agreements with geographically proximate states and perform data matching with the Federal EDRS and National Directory of New Hires databases to look for potentially fraudulent applicants.</p> <p>States can receive tips on potential fraud cases via their SNAP info hotline.</p> <p>States can investigate fraud cases themselves and/or refer the cases to the proper authorities.</p>	<p>ADSEF received tips on potential fraud cases through the Anti-Fraud Hotline, the EBT help desk, or regional and local NAP offices.</p> <p>Local ADSEF staff investigate all complaints.</p>	<p>PR would have additional mechanisms to monitor participant fraud, including data-sharing agreements with other States, use of the EDRS and the National Directory of New Hires database.</p>
b. Error recoupment, penalties and sanctions	<p>If a state finds an error in a benefit determination or allotment, the state must issue a claim with a corrective action plan to recoup any overpaid benefits. States can use a variety of mechanisms to recoup overpayments.</p> <p>In instances of fraud, depending on nature and severity of fraud, penalty can be fines, suspension, or permanent disqualification.</p> <p>States must provide a process for participants to file claims or grievances and must have in place procedures for responding to such claims, through a</p>	<p>Typically, local offices set up a payment plan for participants who received an overpayment.</p> <p>Depending on nature and severity of fraud, penalty can be fines, suspension, or permanent disqualification.</p>	<p>No major changes in the penalty structure have been identified. PR would need to return the recouped payments back to the U.S. Treasury.</p>
c. Fair hearings and appeals		<p>Participants have 15 days from negative action to request an appeal hearing.</p>	<p>None.</p>

	U.S. SNAP	Puerto Rico NAP	Required Changes
	<p>fair hearing within 90 days of the perceived grievance.</p> <p>States must also have in place a system through which participants can appeal the decision from the fair hearing.</p>	<p>ADSEF provides the opportunity for the family to request an appeal hearing for any actions taken. The Justice Department holds hearings and issues appeal resolutions.</p>	
<p>K. EMPLOYMENT AND TRAINING</p> <p>1. Employment and training</p>	<p>States are required to run E&T programs, which must include at least 1 of the following: job search training; training to improve employability; education; self-sufficiency and self-employment enhancing skills; or other employment, education, or training.</p> <p>States submit an annual plan to FNS and are reimbursed based on an allotment formula.</p>	<p>Currently, there is no funding for an employment training program for NAP.</p>	<p>PR would be eligible for the E&T program where it would be funded based on an allotment formula.</p> <p>PR would need to submit an E&T program, implement the program, and to submit an annual plan and report activities.</p>
<p>L. NUTRITION EDUCATION AND OUTREACH</p> <p>1. Nutrition education</p>	<p>SNAP-Ed is an optional component run entirely by the States. Activities must be direct education, indirect education, or social marketing campaigns. States must report activities through the Education Administration Reporting System (EARS) database.</p> <p>States submit an annual plan to FNS and are reimbursed for 50% of the administrative costs.</p>	<p>Programa de Acción y Nutrición en Casa (PANECO) is ADSEF's program to promote good eating habits. Activities include lectures/presentations and Media- TV, newspaper, and radio ads.</p> <p>PANECO is funded separately within ADSEF; 50% is reimbursed by the U.S. through the block grant.</p>	<p>PR would be eligible for the SNAP-Ed program where it would be reimbursed for 50% of the costs of operating its nutrition education plan.</p> <p>PR would need to submit an annual plan and report activities through the EARS database.</p>
<p>2. Outreach</p>	<p>SNAP Outreach is an optional component run entirely by the States. Activities are designed to provide information on SNAP to potentially interested and eligible households.</p> <p>States submit an annual plan to FNS and, if approved, can be reimbursed for 50% of their operating costs.</p>	<p>Outreach activities are completed through ADSEF's office of the administrator.</p> <p>Outreach is funded separately within ADSEF. Resources have been minimal.</p>	<p>PR would be eligible for the SNAP Outreach program, where it would be eligible to be reimbursed for 50% of the costs of operating its outreach plan.</p> <p>PR would need to submit an annual plan.</p>

APPENDIX D
STAKEHOLDER ANALYSIS METHODS

APPENDIX D

STAKEHOLDER ANALYSIS METHODS

A. INTRODUCTION

The key to successful program implementation often lies in the participant and stakeholder involvement and support. A primary purpose of this study, therefore, was to speak with many different program participants and other stakeholders to help identify any potential unrealized challenges or barriers to full implementation of the Supplemental Nutrition Assistance Program (SNAP) in Puerto Rico. Additionally, it was necessary to identify how community nonprofit organizations and various levels of the Administration for Socioeconomic Development of the Family (ADSEF) coordinate with or support the program. By investigating the context in which Puerto Rico's Nutrition Assistance Program (NAP) operates, it was possible to clarify the environmental conditions in Puerto Rico that contribute to the success of the program and identify factors conducive to successful transition to SNAP.

A comprehensive stakeholder analysis was conducted between March and June of 2009 involving 39 in-depth, in-person interviews during four week-long site visits to Puerto Rico to collect the data for this study. The primary goal of the stakeholder analysis was to assess how NAP currently operates and how changes in policy would directly or indirectly impact stakeholders at various levels (including government, community, individual program clients and retailers). The objective of this research was to determine:

- how community organizations and government offices coordinate with or support NAP and how changes in policy would affect their work,
- how retailers who redeem NAP benefits operate and how policy changes would affect such operation, and
- how current NAP participants obtain and use their benefits and how a transition would affect them.

The following sections describe the research methods that were used to perform the stakeholder analysis. Section B describes the selection of stakeholder groups, procedures for recruiting representatives to interview from each group, and the development of semi-structured interview protocols to collect data. Sections C and D describe the methods for data collection and analysis. Section E provides an overview of the respondents by stakeholder group.

B. STAKEHOLDER GROUPS

Guided by the research questions for the feasibility study and the goals of the stakeholder analysis, the study sought to speak with a wide range of representatives including 1) government officials at the ADSEF headquarters (HQ), regional and local levels who oversee NAP and would be responsible for administering any policy changes, 2) representatives from the community who serve NAP participants, 3) NAP-certified retailers, and 4) NAP participants themselves.

1. IDENTIFYING STAKEHOLDER GROUPS FOR DATA COLLECTION

A list of six separate groups of stakeholders who could best address the research questions and inform the analysis was developed. A total of 39 interviews were conducted across all of the six stakeholder groups including Regional ADSEF Office Directors, Local ADSEF Office Managers, retailer inspectors, community organizations, retailers and NAP participants. Each of these six stakeholder groups are described below.

1. ADSEF Regional Offices

Regional offices serve as liaisons between ADSEF central and local offices. The offices provide Measure of Efforts and Results System (MERS) reviews and local office reports to the central office and deliver trainings to the local offices on behalf of the central office. There are a total of 10 regional offices. Six of the 10 regional

offices were interviewed for the stakeholder analysis. These offices were randomly selected to represent key geographical and socioeconomic differences across the Island. Each of the six selected regional offices was interviewed once, for a total of six interviews.

The interview topics included the following:

- Job Title and Duties
- Role of the Office
- Food Security in the Region
- Fraud and Abuse
- Participants and Working
- Impact of Potential Changes to SNAP

2. ADSEF Local Offices

Local offices interface with the public, providing direct assistance to clients currently receiving or applying for NAP benefits. The local offices track the number of NAP participants in their localities and report those numbers to their regional offices. There are a total of 101 local offices. Eight local ADSEF offices were selected and interviewed for the stakeholder analysis. *(Note: At one local office, two interviews were conducted, for a total of nine interviews).*

The interview topics included the following:

- Job Title and Duties
- Role of the Office
- Food Security in the Local Area
- Fraud and Abuse
- Participants and Working
- Experiences of NAP Participants
- Items Purchased With NAP and Coverage of Benefit
- Impact of Potential Changes to SNAP

3. ADSEF Office of Control and Retail Inspection (OCRI)

To learn about retailer fraud throughout Puerto Rico, interviews were conducted with four representatives from OCRI's central office, including 1) three OCRI inspectors (two for retailers and one for shelters and other residential care settings) and 2) a representative from OCRI's Anti-Fraud Hotline. The inspectors visit certified retailers to ensure the benefits are dispensed lawfully. The Anti-Fraud Hotline is used to help ensure correct use of NAP benefits and the rules. One interview with each of the three inspectors and one interview with the Anti-Fraud Hotline representative was conducted, for a total of four interviews.

The interview topics for inspectors included the following:

- Job Title and Duties
- Investigation Practices
- Fraud and Abuse
- Impact of Potential Changes to SNAP

Topics discussed with the Anti-Fraud Hotline representative included:

- Job Title and Duties
- Call Center Practices
- Fraud and Abuse
- Impact of Potential Changes to SNAP

4. Community Organizations

Using an electronic databank of nonprofit agencies/community organizations in Puerto Rico, a wide variety of community organizations were identified that, in some form or other, support NAP participants. The community organizations assisted in identifying clients who were willing to be interviewed about their experiences with NAP. Seven organizations located throughout the Island were interviewed (with one exception, where two separate staff interviews were conducted). In total, eight interviews were conducted from this stakeholder group, representing seven community organizations.

The interviews were designed to elicit information about food insecurity among NAP participants as well as what role such organizations play in helping provide a nutrition safety net on the Island by coordinating with or supporting NAP.

The interview topics included the following:

- Job Title and Duties
- Organization/Agency Roles and Objectives
- Food Security in Puerto Rico
- Who Participates In and Is Eligible for NAP
- Items Purchased With NAP and Coverage of Benefit
- Perspectives on NAP
- Fraud and Abuse
- Impact of Potential Changes to SNAP

5. Certified NAP Retailers

Certified retailers who accept NAP benefits are a crucial component of NAP redemption. There are currently many requirements retailers must meet to become certified. ADSEF supplied a listing of approximately 3,000 retailers on the Island, from which a random selection of 30 retailers was selected. *Note: More establishments were selected than was needed, due to some of them having inactive licenses at the time of interview.*

Retailers included NAP-certified markets, mobile produce stands and bakeries. After contact to determine current certification, five retailers were selected to interview. Retailers were asked detailed questions about their establishments as well as about retailer and participant fraud, NAP participants' buying practices, and proposed changes to SNAP.

The interview topics included the following:

- Retailer Information
- NAP Certification Process
- Access of NAP Participants to Retailers
- Items Purchased With NAP and Coverage of Benefit
- When Benefits Are Spent
- Who Participates and Is Eligible for NAP
- Fraud and Abuse
- Impact of Potential Changes to SNAP

6. NAP Participants

Interviews were conducted with current NAP participants to find out about their food-shopping habits, other sources of nutrition or monetary assistance and how they would be affected by a transition to SNAP—which would include replacing the current 25 percent cash/75 percent non-cash distribution of the benefit with a 100 percent EBT card benefit. NAP participants were contacted through the community organizations that support them. Each community organization identified one to two NAP participants with whom to speak. In total, seven NAP participants, four females and three males, were interviewed.

A significant portion of the questions asked were intended to assess participants' experiences of NAP and perceived impact of changes to NAP. Interview topics included the following:

- Participant Information
- NAP Application Process and Use of Card
- Access of NAP Participants to Retailers
- Items Purchased With NAP and Coverage of Benefit
- Food Security
- When Benefits Are Spent
- Who Participates and Is Eligible
- Fraud and Abuse
- Possible Impact of Changes on NAP Participants

2. RECRUITING STAKEHOLDERS AND SCHEDULING INTERVIEWS

A random sample of one ADSEF local office was selected from each of the 10 regions. Additionally, a random sample of one retailer was selected from each region. A purposive selection of community organizations was selected from the list of community organizations that provide services to NAP participants.

Following selection, a key contact or representative of each agency was identified for the interview. ADSEF HQ staff notified their Regional and Local Office Managers of the dates and times for the interview. For retailers and community organizations, advance letters were mailed to designated representatives from each agency, describing the study and requesting the representatives' participation. One week after the letters were mailed, a Spanish-speaking interviewer called each contact person by phone to schedule an in-person interview. All communications were conducted in Spanish. A detailed itinerary was prepared for each site visit; all interviews were scheduled at least 1 week prior to each site visit. Follow-up email reminders were also sent several days before each interview to confirm the interview time, date and place.

3. DATA COLLECTION PROTOCOLS

In accordance with this study's research questions, a separate interview protocol was designed for each of the stakeholder groups. Each protocol was then translated into Spanish using an interviewer fluent in the dialect of Puerto Rico. The protocols were designed to facilitate flexible interviews in which respondents could elaborate on issues important to the program's operation. Most of the interview questions were requests for qualitative-process-level data (e.g., how do participants apply for the program?), however, quantitative data was also needed; as such, these data were sought as well (for example, number of staff currently in place).

Several topics were common across all or most interviews. These topics included:

- Fraud and Abuse
- Impact of Potential Changes to SNAP
- Items Purchased With NAP and Coverage of Benefit
- Job Title and Duties

To keep interview times under 90 minutes, there were several sets of questions that were asked only to specific stakeholder groups. These topics (and the relevant stakeholder groups) included:

- Who Participates and Is Eligible for NAP (community organizations, retailers, NAP participants)
- Food Security (ADSEF Regional and Local Office Managers, community organizations, NAP participants)
- Role/Structure of the Office/Organization (ADSEF Regional and Local Office Managers, community organizations)
- Access of NAP Participants to Retailers (retailers, NAP participants)
- When Benefits Are Spent (retailers, NAP participants)
- Participants and Working (ADSEF Regional and Local Office Managers)

- Experiences of NAP Participants (ADSEF Local Office Managers)
- NAP Application Process and Use of EBT Card (NAP participants)
- Perspectives on NAP (community organizations)
- NAP Retailer Certification Process (retailers)
- Retailer Information (retailers)
- Participant Information (NAP participants)
- Investigation Practices (ADSEF retail inspectors)
- Hotline Practices (Anti-Fraud Hotline representative)

These protocols were reviewed by FNS prior to testing and implementation. Comments were incorporated and protocols were reviewed again for consistency of questions prior to finalizing. Additionally, team members tested the protocols via practice (including interviews conducted in Spanish).

C. DATA COLLECTION

The interviews were conducted during four separate site visits to Puerto Rico, beginning in March 2009 and ending in June 2009. Interview lengths ranged from approximately 25 to 90 minutes. Interviews were conducted in either Spanish or English, depending on the participant's preferences. The vast majority of the interviews, however, were conducted in Spanish.

During each interview, detailed notes and recordings using a digital voice recorder were made. Following each interview, a translator transcribed each interview into English for purposes of qualitative analysis.

D. DATA ANALYSIS

To ensure accurate synthesis and analysis of the stakeholder interviews, NVivo 8 research analysis software was used to organize the interview transcripts, notes, observations and audio files from recorded conversations. All data were uploaded from each interview and coded according to major themes. Many of these themes were directly related to the research questions, but some were identified based on additional information relayed during the interview process.

Once all data were coded and all themes were identified, the analysis began. The results of this analysis are reported primarily in Chapter V of this report. As a result of these interviews, a thorough understanding was gained regarding how NAP is implemented and the factors that affect the quality of its implementation. Changes to the program that may have an impact on the work of ADSEF offices, organizations serving the community, retailers and participants themselves who receive the benefit were also identified.

E. ABOUT THE RESPONDENTS

ADSEF Regional and Local Office Managers: Interviews were conducted with a total of six Regional Office Directors and a sample of nine Local Office Managers. ADSEF staff at the regional and local levels had been in their positions from as little as a few months to as long as 35 years.

Community Organizations: The seven community organizations were comprised of a wide variety of organizations, including a regional food bank, local food bank, poverty-action association, homeless-services organization, a group home for girls, domestic-violence service organization, and an elderly organization. All organizations served low-income residents of Puerto Rico and all provided their clients with either meals or unprepared foods. Four of the organizations were shelters, two were food banks, and one program provided adult and child daycare services. The four shelters provided some or all of clients' meals. Some of the shelters pooled clients' NAP benefits to do so. One was a large food bank that donated food to numerous organizations throughout the Island for local distribution to needy people. The remaining organizations provided prepared frozen meals and operated a small local food bank for clients. While one director had only been with her organization for a few weeks, others had held their respective positions for years. Several interviewees expressed concerns about their organizations' ability to continue to meet their clients' nutritional needs in light of current economic conditions. Many of these organizations rely largely on private donations, which tend to shrink along with the economy. One

respondent mentioned that several companies have recently gone out of business and, thus, can no longer give to her organization. At the same time, these organizations are seeing increased caseloads, underscoring the growing need for a nutritional safety net.

Retailers. The five retailers represented a diverse group of businesses operating in urban areas, small municipalities and extremely remote locations. Establishments included NAP-certified small grocery stores and markets, mobile produce stands and bakeries. Each possessed a valid license to accept the NAP family card and identified themselves as the owners or co-owners of the business. At the time of the interview, businesses had been operating as little as 5 months and as long as 43 years. Between these extremes, retailers reported owning or co-owning their businesses for 6 years, 15 years, and 20 years. Most have been accepting NAP for the full lifetime of the business or, in the case of the longest-running businesses, for the lifetime of the program.

NAP Participants: The seven NAP participants consisted of the four female respondents and three male respondents. Female respondents were between 20 and 45 years old; while male respondents' ages ranged from the early 20s to the late 60s. All four female respondents mentioned having at least one child; the male respondents did not mention having children. Four of the seven participants reported having a chronic illness, three of whom reported that their illness diminished or eliminated their ability to work. Participants reported receiving benefits for as little as 1 year to as long as 44 years.

APPENDIX E

MICROSIMULATION METHODOLOGY AND ADDITIONAL TABLES

APPENDIX E

MICROSIMULATION METHODOLOGY AND ADDITIONAL TABLES

This appendix describes the technical approach to conducting the microsimulation analysis that provides additional information on the impact on low-income residents of Puerto Rico of changing the eligibility and benefit determination rules from those for its Nutrition Assistance Program (NAP) to those in the Supplemental Nutrition Assistance Program (SNAP). A microsimulation model simulates how proposed changes to a government program may affect the program and its participants. The model has two components: 1) a microdatabase and 2) a computer program. The microdatabase is constructed from administrative records or survey data with monthly household-level information on issues affecting program eligibility and benefits, such as income, assets, expenses, and demographic characteristics of household members. The model's computer program codes the rules of a government program and then simulates what a caseworker does—that is, it determines whether each household in the database is eligible for the government program in a particular month and the benefit for which it would qualify. This appendix describes the processes that were used for constructing the microdatabase and developing the computer program to simulate SNAP benefits for low-income households in Puerto Rico. Detailed tables on the results of the microsimulation are provided in the last section.

A. MICRODATABASE

The 2007 ACS PUMS (known in Puerto Rico as the Puerto Rico Community Survey) supplemented with March 2009 data from SAIC (Puerto Rico's eligibility and benefit determination system) was used as the underlying database for the microsimulation model.¹²⁸ The 2007 ACS contains data on 1,350,390 Puerto Rico households (and the individuals within those households). The SAIC file used contains data on 555,645 units that received NAP benefits in March 2009, 554,054 of which have information on the file related to the NAP unit head.¹²⁹ In constructing the microdatabase, data from these 554,054 units, representing 99.7 percent of all NAP units and 99.7 percent of NAP benefits, was used.

The ACS does not contain all information necessary for a computer program to simulate SNAP eligibility and benefits. For example, it does not contain information necessary to form SNAP units (that is, who purchase and prepares food together and how individuals who are unrelated to the householder might be related to each other), on dependent care expenses, on medical expenses, or on assets other than the number of vehicles available to the household. In addition, the indicators of disability and data on NAP benefits in the ACS are insufficient for modeling purposes, and income measures are annual rather than monthly. This section discusses 1) how the SNAP unit was formed, 2) how missing data was imputed, and 3) how data on disabilities and income was adjusted to create a complete microdatabase with monthly data for the microsimulation model.

1. SNAP UNITS

The ACS does not provide information on who purchases and prepares food together or how individuals who are unrelated to the householder might be related to each other. Therefore, it was necessary to form SNAP units from household members. Because there is no requirement in NAP for household members to purchase and prepare food together to form a service unit, SAIC data were of limited use in providing guidance on how to determine which household members purchase and prepare food together. For purposes of modeling SNAP participation and benefits, the family and subfamilies were used as the basis for the units. As required by SNAP rules, if a child under age 22 forms his/her own subfamily, the subfamily still must file with the parents. Thus, a subfamily was not allowed to form its own unit if its members were all younger than age 22. Otherwise, the subfamily became its own unit. All individuals unrelated to the household reference person were also combined into one family.

¹²⁸ Throughout this document, the Puerto Rico Community Survey is referred to as the ACS.

¹²⁹ According to administrative reports from Puerto Rico, there were 555,655 NAP units for the March 26, 2009 benefit issuance. It was verified that the difference of 10 units is related to inactive cases with retroactive benefits that would be difficult to identify in the SAIC file given the available data.

2. DEPENDENT CARE EXPENSES

The ACS does not contain any information on the expenses household members incur for the care of dependents. SAIC, however, contains information on expenses incurred for the care of dependents while the primary adults in the household are searching for, accepting, or continuing employment, or receiving training or education leading to employment. Expenses were imputed to SNAP units in the ACS based on the SAIC data. The imputation consists of 1) a logistic regression that estimates the likelihood that a household has positive expenses conditional on a set of explanatory variables and 2) an ordinary least squares (OLS) regression that estimates the amount of expenses conditional on a set of explanatory variables among those households with positive expenses. The set of explanatory variables used in the logistic and OLS regression models include: income, household size, gender and marital status of the respondent, race and ethnicity of the respondent, age of the respondent, educational attainment of the respondent, employment status of the respondent and others in the household, the presence of disabled household members, and interaction terms. The equations are estimated on a sample consisting of all households with a reference person at least 18 years old.

Table E.1 contains the results of the imputation, including the actual and predicted proportion of observations with positive expenditures, the average natural logarithm of expenditures for those with positive values, and the average amount of expenditures for those with positive expenditures. It also indicates the fit of the model to the SAIC data and presents the correlation between actual and predicted values using SAIC data. Overall, there is a close correspondence between the actual and predicted proportion with expenses and the average expenditure amounts.

TABLE E.1

DEPENDENT CARE EXPENSE IMPUTATIONS		
	Actual	Model
Proportion with expenses	0.014	0.014
Average log (expense)	5.13	5.14
Average amount (include 0s)	\$2.82	\$2.91
<i>Predictive Power (R-squared*)</i>		
Proportion with expenses		0.332
Log (expense)		0.096
<i>Correlation with Actual</i>		
Proportion with expenses		0.124
Average log (expense)		0.055
Average amount (include 0s)		0.118

** = pseudo R-squared calculated for proportions, see Maddala (1983) for details
Source: 2009 SAIC data*

3. MEDICAL EXPENSES

Neither the ACS nor SAIC contain information on the medical expenditures of household members (though SAIC does indicate which households received a deduction for medical expenditures among elderly or disabled household members). Medical expenses were imputed to SNAP units in the ACS based on an equation previously developed using data from the Interview component of the 2001 Consumer Expenditure Survey (CE-Interview). By using a set of sample weights in the estimation procedure, the CE-Interview survey data produces nationally representative estimates of characteristics of consumer units in the United States, excluding U.S. territories like Puerto Rico. Because the imputation equation is eventually evaluated using data on Puerto Rico households in the ACS, the CE-Interview sample was made more representative of Puerto Rico by recalibrating the CE-Interview sample weights to fit population controls estimated using ACS data. A common raking algorithm that has been used in recent work was employed to adjust similar samples from secondary data sources (see Czajka et al., 2008). The imputation consists of 1) a logistic regression that estimates the likelihood that a household has positive expenses

conditional on a set of explanatory variables and 2) an OLS regression that estimates the amount of expenses conditional on a set of explanatory variables among those households with positive expenses. The equations are estimated on a sample consisting of all consumer units containing an elderly or disabled member. The explanatory variables included in the models are the same as those used to estimate dependent care expenditures.

Table E.2 contains the results of the imputation, including the actual and predicted proportion of observations with positive expenditures, the average natural logarithm of expenditures for those with positive values, and the average amount of expenditures for those with positive expenditures. It also indicates the fit of the model to the CE-Interview data and presents the correlation between actual and predicted values. Overall, there is a close correspondence between the actual and predicted proportion with expenses and the average expenditure amounts. After imputing medical expenditures, the data were inflated using the Puerto Rico average consumer price indices from 2001 to 2003 and the medical consumer price indices for 2003 to 2006 (the medical consumer price indices were only available back to 2003).

TABLE E.2

MEDICAL EXPENSE IMPUTATIONS		
	Actual	Model
Proportion with expenses	.695367	.6609661
Average log (expense)	5.319494	5.301526
Average amount (include 0s)	\$ 307.16	\$ 264.48
<i>Predictive Power (R-squared*)</i>		
Proportion with expenses		0.216
Log (expense)		0.299
<i>Correlation with Actual</i>		
Proportion with expenses		0.218
Average log (expense)		0.365
Average amount (include 0s)		0.199

* = pseudo R-squared calculated for proportions, see Maddala (1983) for details
Source: 2001 CE-Interview data

4. ASSETS

a. Non-Vehicular Assets

The ACS does not contain any information on the financial assets of household members, but SAIC does. Financial assets were imputed to SNAP units in the ACS based on the SAIC data using the same methodology for the dependent care expenditure imputation described above. Table E.3 contains the results of the imputation, including the actual and predicted proportion of observations with positive financial assets, the average natural logarithm of assets for those with positive values, and the average amount of assets for those with positive assets. It also indicates the fit of the model to the SAIC data and presents the correlation between actual and predicted values using SAIC data. Overall, there is a close correspondence between the actual and predicted proportion with assets and the average asset amounts.

TABLE E.3

FINANCIAL ASSETS IMPUTATIONS

	Actual	Model
Proportion with assets	0.155	0.154
Average log (assets)	4.81	4.79
Average amount (include 0s)	\$84.42	\$131.14
<i>Predictive Power (R-squared*)</i>		
Proportion with assets		0.175
Log (assets)		0.091
<i>Correlation with Actual</i>		
Proportion with assets		0.156
Average log (assets)		0.076
Average amount (include 0s)		0.047

* = pseudo R-squared calculated for proportions, see Maddala (1983) for details
 Source: 2009 SAIC data

b. Vehicular Assets

The ACS provides information on the number of vehicles available to the household (though not specifically to individuals or families), but does not provide any information on their value. SAIC does contain variables that store the value of each vehicle available to each NAP unit. These data were used to impute the necessary data for simulating asset eligibility in SNAP.

The information on vehicle values in SAIC was not sufficient enough to develop a regression equation as was done for other missing information, but was sufficient enough to identify a distribution around a mean. NAP policy disregards the value of one vehicle per unit and counts the blue book value (or equivalent) of each additional vehicle in excess of \$4,650. Because the value of the unit's first vehicle is not relevant for NAP eligibility determination, caseworkers record the value of this vehicle inconsistently in the SAIC data. Some record a positive value (which was presumed, based on conversations with the Office of Information Systems staff in Puerto Rico, to be the actual value of the vehicle), some record a value of zero, and some record nothing. It was not possible to create a satisfactory left hand side variable for a regression equation with so many missing first vehicle values. Rather, information was used that was available from units for which the caseworker recorded a value other than a zero to identify the mean and standard deviation of the first vehicle value in SAIC. Then, a "first vehicle" value was assigned to each ACS household with at least one vehicle by choosing a random number from a normal distribution centered on the identified mean, with the given standard deviation. The mean and standard deviation of the SAIC variable that records the value of the unit's second vehicle was used to assign a "second vehicle" value to each ACS household with at least two vehicles. For each ACS household with more than two vehicles, the mean and standard deviation of the SAIC variable that records the value of additional vehicles was used to assign the value of the remaining vehicles. SAIC does not contain information on equity values of vehicles or whether there are liens on the vehicles; for the purpose of this analysis, it was assumed there were not.

5. INCOME

Respondents to the ACS are directed to report their income from the 12 months prior to their interview. Thus, respondents interviewed in January 2007 provided income for calendar year 2006; those interviewed in December 2007 provided income for December 2006 through November 2007, resulting in income amounts that largely represent 2 calendar years. The ACS then includes an average income adjustment factor that is intended to adjust incomes to compensate for the different reporting periods. Because the average income adjustment was applied, household incomes may be over- or under-adjusted, but the result is that, on average, incomes reflect December of the calendar year prior to the year of the data.

With eligibility for SNAP based on monthly income, each of the annual income amounts must be allocated across the 12 months of the calendar year. Most income sources are likely to be evenly distributed across the year; thus, they were divided by 12 to arrive at a monthly amount. Earnings, however, tend to vary across months, particularly in the low-income sector. Thus, earnings were allocated by randomly assigning individuals to be working across months based on their reported number of weeks worked.

6. DISABILITY

Accurately identifying individuals in SNAP units who have disabilities is critical in determining to which resource limit a unit is subject under SNAP, whether or not the unit is subject to the gross income test, whether the unit might be eligible for a medical expense deduction, and whether the unit is entitled to deduct the full value of shelter costs that exceed 50 percent of its adjusted income. An individual is considered to be disabled for SNAP purposes if he or she 1) receives Federal disability or blindness payments under the Social Security Act, including Supplemental Security Income (SSI) or Social Security disability or blindness payments (SSDI); 2) receives State disability or blindness payments based on SSI rules; 3) receives a disability retirement benefit from a governmental agency because of a disability considered permanent under the Social Security Act; 4) receives an annuity under the Railroad Retirement Act and is eligible for Medicare or is considered to be disabled based on the SSI rules; 5) is a veteran who is totally disabled, permanently housebound, or in need of regular aid and attendance; or 6) is a surviving spouse or child of a veteran who is receiving veteran's benefits and is considered to be permanently disabled. Approximately 23 percent of SNAP units contain a disabled nonelderly member, according to the FY 2008 SNAP Quality Control datafile. The vast majority (75 percent) of households with nonelderly disabled members receive SSI (Wolkwitz and Trippe, 2009).

The ACS includes both a general disability indicator (yes/no) for persons age 5 and older, and six other variables indicating different types of disabilities for persons age 5 and over: vision or hearing difficulty, difficulty remembering, physical difficulty, difficulty dressing, difficulty going out (age 16 and older only), and difficulty working (age 16 and older only). Because the definition of disability under SNAP is generally based on receipt of Federal disability benefits, it is much more restrictive than the general disability indicator in the ACS, which is based solely on the difficulties listed above. The SAIC data include an indicator of a verified disability. The definition of disability in this dataset is "totally and permanently disabled" as determined by one of 8-10 agencies that has legal authority to determine disability (these agencies are specified in NAP regulation). The definition of disability in SAIC is much closer to the definition used in SNAP than the definition of disability in the ACS. Indeed, about 9 percent of individuals receiving NAP were disabled in April 2008 according to the 2008 – 2009 NAP State Plan, while the ACS general disability indicator suggests about 35 percent of individuals in NAP households are disabled.

To better approximate the percentage of individuals with disabilities using the SNAP definition of disability, a new indicator of disability was created using ACS data. Specifically, individuals counted as disabled were only those who 1) have Social Security income; 2) are between the ages of 18-61; 3) have difficulty working; and 4) have difficulty dressing, difficulty going out, or vision or hearing difficulty. Through this approach there was an attempt to create a population that is receiving Disability Insurance (DI) and thus would be considered disabled for purposes of SNAP eligibility and benefit determination (note that SSI does not exist in Puerto Rico). It resulted in about 6 percent of individuals in households with income less than or equal to 130 percent of poverty being identified as having a disability (about 8 percent of households with income less than or equal to 130 percent of poverty contain such individuals). Nationally according to the Survey of Income and Program Participation (SIPP), about 11 percent of SNAP households with income less than or equal to 130 percent of the poverty guideline contain a DI recipient.

B. MICROSIMULATION PROGRAM

The microsimulation program consists of a series of algorithms and computer code that mimic the rules for determining SNAP eligibility, benefits, and participation for each household unit in the microdatabase. The code instructs the model to calculate the gross income of each household unit in the ACS, compute SNAP deductions to which each is entitled based upon its expenses, and subtract the deductions from gross income to calculate net income. It then compares each household unit's gross and net income to SNAP income eligibility limits by

household size as well as its total assets to asset SNAP limits to determine whether or not the household is eligible for SNAP (exempting certain units from the asset, gross and/or net income test because of categorical eligibility or the presence of elderly or disabled persons). For each eligible household, the code instructs the model to determine the benefits for which the household is eligible by subtracting 30 percent of its net income (the SNAP benefit reduction rate) from the maximum benefit amount by household size (accounting for minimum and maximum allowable benefit amounts). It then uses various algorithms to determine which among the eligible households will actually participate in the program.

The resultant indicator of eligibility, SNAP benefit amount, and indicators of participation are stored in new variables in the microdatabase. Thus, the results of the simulation may be compared to original (or baseline) household receipt of NAP benefits and benefit amounts. Summing all benefits under SNAP and comparing them to the sum of all benefits under NAP provides an estimate of the total benefit costs of the program change. Comparing SNAP benefits to NAP benefits for particular subgroups of interest provides insights about which types of households might fare better and which might fare worse as a result of the program change. This section discusses the specific SNAP rules simulated for this analysis and the process used to specify which eligible households would participate in the program.

1. SNAP RULES

This model reflects Federal SNAP rules for fiscal year 2009, including the provisions of the 2008 Farm Bill. Temporary changes to the program legislated through the American Reinvestment and Recovery Act (ARRA) were not included because the NAP data (in the SAIC) preceded ARRA implementation.¹³⁰ However, the income data in the ACS are adjusted to roughly reflect December 2006, and fiscal year 2007 gross income and net income guidelines were used for determining SNAP eligibility. All other policy parameters to the year of the data (in this case, to December 2006) were deflated. For the purposes of the report, the results were inflated back to the policy year (2009). Income and financial assets were adjusted using consumer price index values for all items and for new and used motor vehicles that are compiled by Puerto Rico's Department of Labor and Human Resources. The adjustment reflects the change in the respective indices from December 2006 to February 2009.

There are several State options in SNAP that permit States some choices in SNAP administration. For instance, States have the option of using simplified definitions of countable income and resources, simplified vehicle rules, expanded categorical eligibility, standard homeless housing costs, a standard or simplified utility allowance (SUA), simplified deductions, and a child support expense income exclusion.

Together with Puerto Rico officials, FNS headquarters and MARO staff identified which options Puerto Rico would likely implement for modeling purposes only—that is, there is no indication that if Puerto Rico were to move to SNAP it would in fact implement these options. They include the option to use standard homeless housing costs and the option to use an SUA. Because no homeless households in Puerto Rico are included in the microsimulation database, a standard homeless housing cost is not included in the model; however, SNAP units were assigned the maximum of either their actual utility expenses or an individual SUA for each of the following: 1) electricity 2) water, and 3) gas and other fuel combined. The SUA was calculated using data from the 2007 ACS on Puerto Rico households with income less than or equal to 130 percent of poverty. Each SUA was determined by sorting households with the expense from highest to lowest based on the expense amount and then identifying the expense amount below which 70 percent of the units with the expense fall. To determine the SUA for gas and other fuel combined, expense amounts were summed among households with either or both expense types and then sorted those households based on the total value. Units with a particular expense type were assigned the higher of the SUA or their actual expense amount for purposes of determining the unit's excess shelter deduction. The ACS contains an indicator for households that incur telephone expenses, but does not contain data on the amount of those expenses; thus, telephone expenses were not accounted for in the calculation of utility expenses.

In addition, Puerto Rico officials, FNS headquarters, and Mid-Atlantic Regional Office (MARO) staff assumed for the purpose of this analysis that Puerto Rico would seek a waiver of the time limits on eligibility for able-bodied adults without dependents between ages 18 and 49 (ABAWDs), because all but seven Puerto Rico

¹³⁰ Based on USDA calculations for the U.S. population, the ARRA may result in an 18 percent increase in costs for benefits.

municipalities are classified as labor surplus areas, and both Guam and the Virgin Islands have waivers covering the entire territory on the basis of insufficient jobs.¹³¹ Thus, this model does not impose time limits on eligibility for ABAWDs. And, while more and more States are implementing, and FNS is encouraging use of, universal expanded categorical eligibility, such a provision was not included in this model.

2. SNAP PARTICIPATION SPECIFICATIONS

In the United States, estimates show that 62 percent of eligible units participate in SNAP, but the participation rate varies substantially according to characteristics of the units (Leftin and Wolkwitz, 2009). This research indicates that the participation rate in Puerto Rico would be higher, but no specific information was available to use to identify an overall participation rate. Because no information on NAP participation rates exists, a set of participation algorithms was developed to examine caseload and benefit effects under alternative assumptions.

Data on all eligible households provide estimates of benefit costs and distributional impacts if 100 percent of eligible households were to participate in the program. Eligibility for each unit is a straight-forward calculation: does the unit pass the necessary tests and qualify for a benefit? Identifying which units would actually participate in the program is much more difficult. Not all eligible units would choose to participate. The unit member or members may have other means of support that are not captured through income and resource calculations, they may not know about their eligibility for the program, or they may decide that the benefit of participating is not worth the transaction costs associated with applying. Thus, a participation algorithm was also developed that assumes that not all eligible people would participate. Given the focus of Puerto Rico's current program in reaching out to households with no income and to the elderly and disabled in the absence of SSI, it was assumed that all eligible units with no income or with only unearned income, such as Social Security, would participate. For households with income from earnings, the participation rate of 56 percent was used, as identified by Leftin and Wolkwitz (2009), for individuals in households with earnings in the U.S. For the households with earnings, 56 percent of eligible households were randomly assigned to participate. The result is a SNAP participation rate of 89 percent.

C. MICROSIMULATION RESULTS

1. PRESENTATION OF RESULTS

The microsimulation results presented in the body of the report compare characteristics of NAP participants with SNAP participants. Tabulations for NAP are from the SAIC database (specifically, data from the March 2009 file) and tabulations for SNAP are from the microsimulation model described above. Generally, in similar types of analyses it is desirable to present comparisons using the same database to ensure that differences in outcomes are due only to differences in program rules and not simply to underlying differences in the datasets. In this case, however, the nature of the data suggested that using a single database for both baseline and reform tabulations is not prudent.

The underlying database for a microsimulation analysis must contain a large enough sample (representing a broader population than solely the participants in the baseline program) so that the microsimulation can capture the effects of changes that may extend program benefits to current nonparticipants. Because SAIC contains data on NAP participants only, it was not possible to use it to model SNAP. Conversely, substantial differences between the SAIC data and the Puerto Rico ACS data suggested that the ACS would not be a good representation of NAP. In particular, the income distribution of NAP participants in SAIC is concentrated much lower than in the ACS. The ACS does not have as many households or families under 50 percent of the poverty guideline as SAIC shows participating in NAP (Table E.4). To create enough NAP participants in ACS to match administrative program

¹³¹ A civil jurisdiction is classified as a labor surplus area when its average unemployment rate was at least 20 percent above the average unemployment rate for all States, the District of Columbia and Puerto Rico during the previous 2 calendar years. During periods of high national unemployment, the 1.20 percent ratio is disregarded and an area is classified as a labor surplus area if its unemployment rate during the previous 2 calendar years was 10 percent or more. This 10 percent ceiling comes into effect whenever the 2-year average unemployment rate for all States was 8.3 percent or above. Similarly, a floor of 6.0 percent is used during periods of low national unemployment in order for an area to qualify as a labor surplus area. The 6 percent floor comes into effect whenever the average unemployment rate for all States during the 2-year reference period was 5.0 percent or less.

totals, it would be necessary to assign NAP participation status to higher income households, which would misrepresent one of the major characteristics of Puerto Rico’s program—that only the very poorest households are currently eligible to participate. Thus, a decision was made to present results using the best source of data available for each program—SAIC to describe NAP participants and the ACS microsimulation model to describe SNAP participants.

TABLE E.4

DISTRIBUTION OF LOW-INCOME UNITS IN SAIC AND ACS

Has Income at or Under	SAIC		ACS	
	Count	Cumulative Count	Count	Cumulative Count
10% of poverty	269,093	269,093	207,913	207,913
20% of poverty	56,120	325,213	40,609	248,522
30% of poverty	34,321	359,534	37,094	285,616
40% of poverty	34,400	393,934	41,813	327,429
50% of poverty	33,961	427,895	48,975	376,404
60% of poverty	29,755	457,650	44,001	420,405
70% of poverty	27,747	485,397	54,635	475,040
80% of poverty	23,336	508,733	53,359	528,399
90% of poverty	16,521	525,254	45,669	574,068
100% of poverty	10,463	535,717	51,413	625,481
110% of poverty	5,123	540,840	46,390	671,871
120% of poverty	2,263	543,103	44,398	716,269
130% of poverty	1,532	544,635	39,966	756,235
Income over 130% of poverty	1,378	546,013	594,155	1,350,390

Several alternatives were considered for forcing the ACS data to look more like the SAIC data (for instance, by reweighting the ACS), but having found no evidence, aside from the SAIC data, that ACS was misrepresenting income in Puerto Rico households, it was determined that these alternatives were not appropriate. Most notably, after comparing the ACS with 2000 Decennial Census data, it was found that the ACS had poorer households than the 2000 Decennial Census (Table E.5). Since SAIC collects income data for a specific purpose—determining eligibility for two assistance programs—while the ACS and 2000 Decennial Census have a broader purpose, it was assumed that the ACS is capturing income that is in the NAP participating households but not needed for the purposes of determining eligibility. The income that is captured under ACS is all likely to be considered for eligibility purposes under SNAP. This supports the determination that SAIC is the best dataset to capture characteristics of NAP participants and that ACS is the best dataset to capture characteristics of SNAP participants.

TABLE E.5

PERCENTAGE DISTRIBUTION OF LOW-INCOME UNITS IN THE 2000 DECENNIAL CENSUS AND 2007 ACS

Has Income at or Under	2000 Decennial Census		2007 ACS	
	Count	Cumulative Count	Count	Cumulative Count
10% of poverty	6.9	6.9	15.4	15.4
20% of poverty	4.2	11.1	3.0	18.4
30% of poverty	4.3	15.4	2.7	21.2
40% of poverty	3.8	19.1	3.1	24.2
50% of poverty	4.6	23.7	3.6	27.9
60% of poverty	4.6	28.3	3.3	31.1
70% of poverty	4.0	32.3	4.0	35.2

Has Income at or Under	2000 Decennial Census		2007 ACS	
	Count	Cumulative Count	Count	Cumulative Count
80% of poverty	4.5	36.7	4.0	39.1
90% of poverty	4.4	41.1	3.4	42.5
100% of poverty	3.6	44.7	3.8	46.3
110% of poverty	4.1	48.7	3.4	49.8
120% of poverty	3.5	52.2	3.3	53.0
130% of poverty	3.1	55.3	3.0	56.0
Income over 130% of poverty	44.8	100.0	44.0	100.0

To attempt to even out the income differences between the SAIC and the ACS, subgroup analysis results were presented for a lower-income subset of units. For example, many more units with earnings are eligible under SNAP than participate under NAP, but the average benefit among units with earnings is lower under SNAP than under NAP (by 15.2 percent). An important policy question is whether the benefit drops for NAP participants or is just sufficiently low for the newly eligible units with earnings to bring down the average. To address this question, results are provided separately for the units with earnings under 85 percent of poverty. This is a subgroup that is similar in size to the NAP units with earnings and likely reflects the NAP participants that would remain eligible under SNAP. For this restricted subgroup, it was found that the average benefit increases 15.5 percent. So, it is likely that NAP participants with earnings would see an increase in benefits under SNAP while the newly eligible SNAP units would see an average benefit that is much lower due to their larger income than the average for these types of units under NAP.

2. RESULTS FOR ELIGIBLE UNITS

In the body of the report, results for SNAP units are presented that are identified by the model as eligible and participating. In this section results are provided for the units eligible for SNAP. The counts and benefits reflect what would happen if all of the eligible units chose to participate. The number of participants would increase from 554,000 in NAP to 721,000 in SNAP, an increase of 30.1 percent. The total monthly cost of the program would increase 21.7 percent to \$161.8 million, and the average benefit would increase from \$240 to \$261. The average benefit per unit for all SNAP eligibles is only \$2 less than the \$263 average benefit for SNAP participants. Results for subgroups of interest are presented in Table E.6.

TABLE E.6

SNAP ELIGIBLES AND CHANGE FROM NAP

	SNAP			Change	
	Eligible Units	Percent of Total	Average Benefit	Units	Average Benefit
All Units	721,000	100.0	261	30.1	+8.6
Units With Earnings	223,000	30.9	247	164.6	-17.2
Units With Elderly	284,000	39.4	195	53.1	+5.2
Units With Elderly Only	183,000	25.4	146	15.8	-11.0
Units With Nonelderly Disabled (broad definition)	50,000	6.9	223	-77.8	+20.9
Units With Nonelderly Disabled (narrow definition)	45,000	6.9	223	-13.1	+6.5
Units With Children	276,000	38.3	393	33.4	+8.5
Units With Children Ages 5 to 17	231,000	32.1	404	43.0	+7.0
Units With Single Mothers	113,000	15.7	388	2.5	+20.6
Units With Gross Income Under 85% of Poverty	540,000	74.9	304	2.7	+24.4
Units With Earnings and Gross Income	116,000	16.2	341	40.8	+13.9

	SNAP			Change	
	Eligible Units	Percent of Total	Average Benefit	Units	Average Benefit
Under 85% of Poverty Units With Elderly and Gross Income					
Under 85% of Poverty	189,000	26.2	227	15.3	+22.1
Units With Children and Gross Income					
Under 85% of Poverty	228,000	31.6	436	10.5	+20.0

Source(s): NAP: SAIC data for March 2009

SNAP: ACS-based microsimulation model

Note: Does not reflect policies implemented as part of ARRA. Numbers of participating units are rounded to the nearest thousand. However, the percent change in the number of participating units was calculated from unrounded numbers.

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APPENDIX F

ADMINISTRATIVE COST MODEL – METHODS, ASSUMPTIONS, AND COST TABLES

APPENDIX F

ADMINISTRATIVE COST MODEL – METHODS, ASSUMPTIONS, AND COST TABLES

Chapter VI provides an estimate of the change in costs if Puerto Rico were to convert from its Nutrition Assistance Program (NAP) to the Supplemental Nutrition Assistance Program (SNAP), a separate food assistance program that operates in all 50 U.S. States, the District of Columbia, Guam, and the Virgin Islands. The costs summarized in the chapter come from two sources. The change in benefit amounts comes from the microsimulation model, which is detailed in Appendix E. The change in administrative costs comes from the administrative cost estimation methodology that was developed for this study.¹³²

In this appendix, a detailed explanation is provided of the methodology used to estimate the change in administrative costs. Section A discusses the methodology for estimating the administrative cost changes. Section B provides an overview of the model developed to calculate the cost changes. It explains the model's structure and how the various tables link together to produce the results summarized in Chapter VI. The assumptions that were used to develop these estimates are provided in Section C. Section D provides the detailed tables that make up the model and were used to calculate the change in costs presented in Table 6.1.

A. COST ESTIMATION METHODOLOGY

The initial approach to estimating the change in administrative costs was to analyze the current costs for administering the NAP in comparison to administrative costs reported by States to administer SNAP. Under this approach, a profile would have been developed of SNAP administrative costs for States that might be similar to Puerto Rico and then from that, a new set of total administrative costs for Puerto Rico to administer SNAP would have been extrapolated.

This approach, however, proved to be infeasible for two reasons. First, Puerto Rico does not report its total administrative costs for NAP in the same detailed breakouts in which the States report their SNAP administrative costs.¹³³ Therefore, it was not possible to 1) directly map NAP costs to SNAP costs or 2) use State cost breakouts to estimate future costs for Puerto Rico. Also, after some initial analysis, it became clear that Puerto Rico's administration of NAP and cost factors were somewhat different.¹³⁴ It would thus be much more effective to conduct a detailed analysis of what cost factors would change in Puerto Rico with a transition to SNAP than it would be to apply other States' experiences to estimate Puerto Rico's costs.

This new approach was developed in close consultation with the Food and Nutrition Service (FNS) and Puerto Rico's Administration for Socioeconomic Development of the Family (ADSEF), the agency responsible for administering NAP. First, a detailed breakout was developed of the administrative tasks that would change from NAP to SNAP. Next, cost drivers were identified for each of these tasks.¹³⁵ ADSEF and FNS staff were then interviewed to identify and estimate any changes to those costs and any new cost factors that would arise with a transition to SNAP. Last, because a large number of factors affect the cost changes, a detailed cost model was developed to identify and track each factor, beginning with a careful examination of the SF 269 (administrative cost) reports over time and detailed interviews with several Federal FNS staff and Puerto Rico's ADSEF staff. This made it possible to develop a baseline set of assumptions about current cost factors as well as detailed documentation of

¹³² These estimates do not account for any changes that may have occurred as a result of the American Recovery and Reinvestment Act of 2009 (ARRA).

¹³³ Puerto Rico aggregates its administrative costs into two administrative categories – administration and nutrition education. SNAP, on the other hand, disaggregates these costs into 20 different categories, at least five of which are no longer used. These categories include certification, employment and training, outreach, and EBT issuance.

¹³⁴ See Chapter IV for a detailed comparison of NAP to SNAP.

¹³⁵ Cost drivers are those activities or items that cause variations in costs. For example, certification costs are a function of the caseload. An increase in caseload would cause an increase in certification costs.

how each factor was expected to change with a transition to SNAP. Through this methodology, it was possible to develop fairly precise cost factors and explain why costs would be expected to rise or fall under SNAP.

The analysis was separated into three parts. First, cost factors were identified that were driven by changes in caseload, such as staffing (and associated benefits) and overhead costs such as rent, travel, Electronic Benefit Transfer (EBT) issuance, and postage. Second, cost factors were identified that were not driven by changes in caseload, such as changes in management information systems and IT staffing, other central office staffing changes (such as financial management), and changes in retailer management. Finally, costs were separated into 1) “one-time startup costs” that would be incurred during a transition to SNAP and 2) ongoing costs that would continue in each of the subsequent years.

FY 2008 was used as the baseline year and estimated cost changes as if Puerto Rico had transitioned to SNAP during that year. Because nobody knows what year the transition to SNAP would occur (if Puerto Rico ever transitions), no inflation factors were applied to the estimates. These estimates, however, can be adjusted to account for inflation if a target year for the transition is established.

It is important to note that during the model development and data collection, both NAP and SNAP policy, regulations, and costs were changing. Because of the economic crisis, Puerto Rico’s government has gone through multiple rounds of layoffs. ADSEF has also proposed increases to the current income and eligibility levels for NAP. Meanwhile, FNS released for public comment a new financial report (the FNS-778) to replace the SF-269 used by SNAP States. Since these changes and others came late in the analysis, FNS decided that the administrative cost analysis should focus on the status quo as of the end of fiscal year 2008.

The most difficult challenge to estimating administrative costs was making assumptions about how NAP administrative processes might change with a transition to SNAP. The analysis also required a lesser set of assumptions about changes in FNS processes and their associated costs. To provide the most reliable cost estimates, the most knowledgeable ADSEF and FNS experts were consulted about these assumptions. Extensive discussions were held with these experts about the context in which they were making these assumptions, so that they understood all of the factors that might affect the processes used to administer SNAP in Puerto Rico. Though these are well-informed assumptions, it is possible that the actual transition to SNAP may produce significant changes from these assumptions. For the purpose of this report, each cost factor and assumption has been documented in great detail; however, it should be straightforward to revise these estimates as actual decisions are made about how to most effectively implement SNAP. The NAP and SNAP staff who generously assisted with creating these estimates were the most qualified experts to make these assumptions and were able to provide reasonable estimates given the information available at the time.

Below is a discussion of the cost estimation model, including a detailed description of each of the administrative cost factors and assumptions used to produce these cost change estimates.

B. OVERVIEW OF THE COST ESTIMATION MODEL

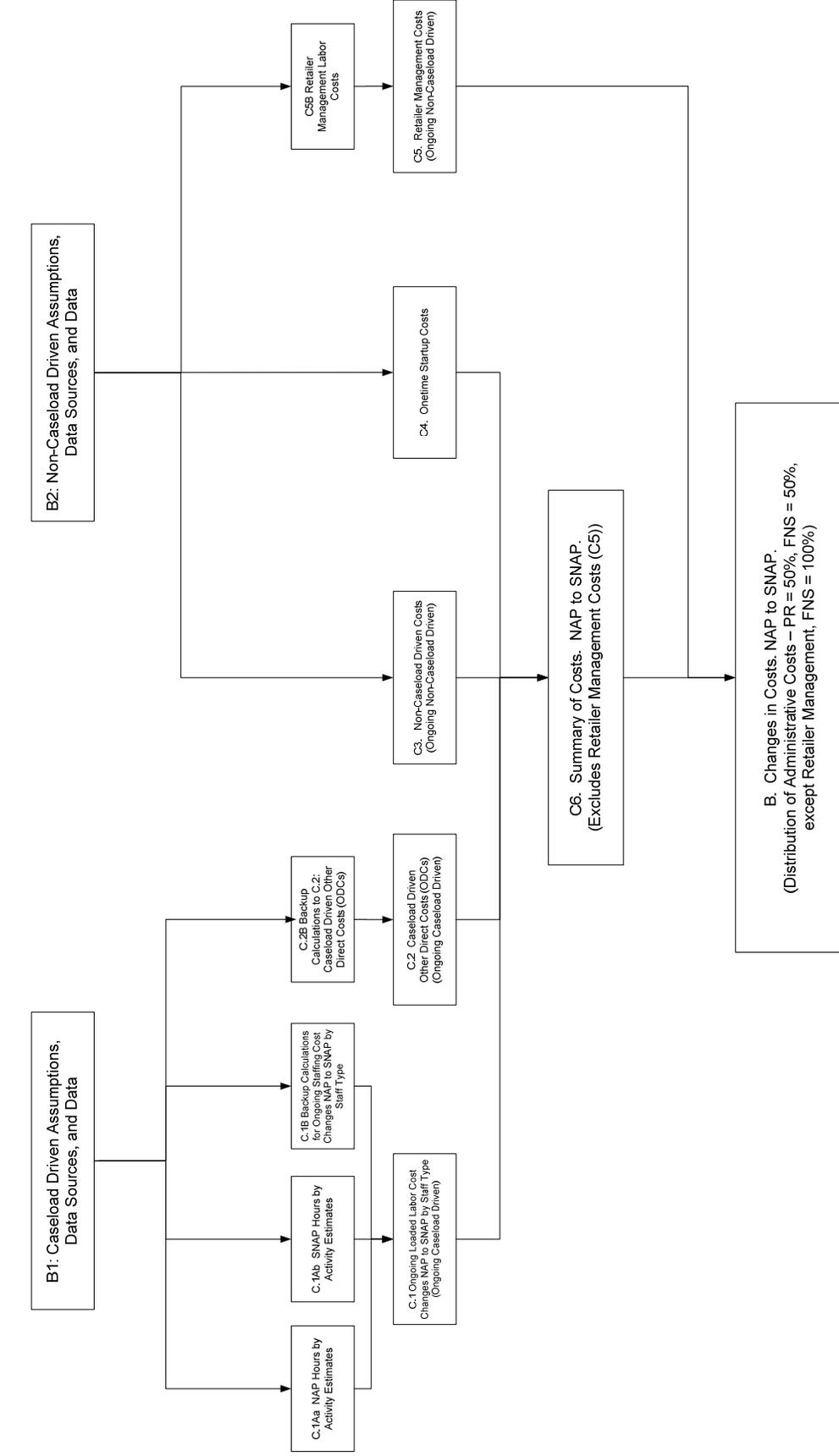
The flow chart below is a visual representation of the data flow of the administrative cost model. The model divides the analysis into changes in caseload-driven costs and changes in non-caseload-driven costs. The left side of the flow chart displays the caseload-driven process of the model, listing associated assumptions, data sources, and data. There are two sets of caseload-driven cost sheets. The first set focuses on the changes in staff costs. Tables F.1Aa and F.1Ab determine how many additional full-time equivalents (FTEs) are needed to perform each of the key administrative activities by staff category (e.g., receptionist). For those staff categories that have multiple levels (such as receptionists, which can be level 1, 2, 3, or 4), Table F.1B distributes the FTEs across the levels. Table F.1 calculates the loaded staff costs for each activity by staff category.

The second set of caseload-driven tables provides the other caseload-driven direct costs. Table F.2B provides the detailed NAP other direct costs. Table F.2 converts these costs to a per-household cost, calculating the increase in households from NAP to SNAP, and the cost difference.

The right side of the flow chart provides the data flow for the non-caseload-driven costs including the assumptions, data sources, and data. This information is used to calculate three categories of non-caseload-driven cost changes. The first category, shown in Table F.3, is ongoing non-caseload-driven cost changes, which include the costs to hire additional MIS staff, central office and regional staff, and software licenses. The second category, calculated in Table F.4, focuses on one-time startup costs and includes the purchase of IT equipment, IT professional services, and training. The third category is retailer management costs. Table F.5B details Puerto Rico's current labor costs for retailer management, including retailer fraud. Table F.5 aggregates these labor costs to provide the total cost savings to Puerto Rico and cost increase to the U.S. to manage retailers.

All of these costs, except for retailer management, are then summarized in Table F.6. The summarized costs as well as the retailer costs are aggregated in Table 6.1, which can be found in Chapter VI.

Overview of PR FNS Change in Costs Model



C. ASSUMPTIONS

Tables F.7 and F.8, which are at the end of this appendix, documents the assumptions behind this analysis. Table F.7 provides the assumptions for the caseload-driven cost factors, and Table F.8 provides the assumptions for the non-caseload-driven cost factors. Each of these tables contains six columns:

1. Column A identifies the assumption by number.
2. Column B provides the assumption.
3. Column C identifies the source of the assumption. There are four sources for information: 1) FNS staff, 2) Puerto Rico staff, 3) documents provided by FNS and/or Puerto Rico, and 4) the microsimulation.
4. Column D identifies the table that uses the assumption or data.
5. Column E identifies the column(s) of the table that uses the assumption or data.
6. Column F provides the row(s) of the table that uses the assumption or data.

D. DETAILED COST TABLES

The nine tables below are used to illustrate estimates of the change in administrative costs. Tables F.1Aa, F.1Ab, F.1B, and F.1 estimate the change in caseload-driven staff costs.

First, Table F.1Aa estimates the number of hours it takes for staff to perform administrative activities that are associated with the current NAP program. This table has seven columns:

1. Column A identifies the administrative activity.
2. Column B identifies the staff categories involved in each administrative activity.
3. Column C describes the tasks.
4. Column D estimates the amount of time it takes to perform each task per case.
5. Column E identifies the number of NAP cases per year for each task.
6. Column F calculates the percentage of NAP households that staff work with for each task. This estimate is obtained by dividing the number of cases per year for each task in Column E by 554,000, which is the number of NAP cases from the microsimulation.
7. Column G estimates the number of hours that staff spent performing this task under NAP.

TABLE F.1Aa

NAP HOURS BY ACTIVITY ESTIMATES

A. Administrative Activity	B. Staff Category	C. Task Description	D. NAP Hours/Case	E. NAP Cases per Year	F. Percent of Cases Included in Activity (Column E/554,000)	G. NAP Hours per Year
1) Certification	Receptionist/ Office Clerk I-IV	Determines if applicant is regular or emergency applicant	0.25	145,569	26%	36,392
		Takes applicant's key information	0.50	145,569	26%	72,785
		TOTAL	0.75	145,569	26%	109,177
2) Recertification	Technician I-III	Schedule certification interview, where documents are reviewed and information entered in Puerto Rico's eligibility and benefit determination system (SAIC) - initial interview + 3 additional interviews	2.00	145,569	26%	291,138
	Supervisor I	Review technician entries and documentation; make final certification	0.29	145,569	26%	42,458
3) Claims/ Overpayment	Official Payee	Emergency cases - Completing Electronic Benefit Transfer (EBT)	0.29	49,751	9%	14,511
	Technician I-III	Review evidence, income, household members, other documentation	0.50	551,171	99%	275,586
4a) Retroactive Benefits	Supervisor I	Review and finalize recertification	0.33	551,171	99%	183,724
	Technician I-III	Re-verify account to derive accurate benefit amount	1.50	59,333	11%	89,000
4b) Change to Status	Supervisor I	Verify accuracy of technician analysis	0.42	59,333	11%	24,722
	Technician I-III	Recertify	0.50	7,479	1.4%	3,740
5) Close Case	Supervisor I	Review recertification	0.17	623	0.11%	104
	Technician I-III	Recertify	0.50	667,239	120%	333,620
6) Household Visits - Fraud Control	Supervisor I	Review recertification	0.21	55,603	10%	11,584
	Technician I-III	Close case	0.50	68395	12%	34,198
	Supervisor I	Close case	0.25	68395	12%	17,099
	Technician I-III	Household visit	1.00	127,080	22.94%	127,080

A. Administrative Activity	B. Staff Category	C. Task Description	D. NAP Hours/Case	E. NAP Cases per Year	F. Percent of Cases Included in Activity (Column E/554,000)	G. NAP Hours per Year
7a) Quality Control - Puerto Rico	MERS (Measure of Efforts and Results System) Supervisor (Supervisor II) QC Technician	Fills out "control" of sample and assigns sample to QC technicians <ul style="list-style-type: none"> • Review QC case sample and requests evidence and documents • Plans client visit • Conducts client interview and reviews documentation 	0.36 9.33	1,890 1,890	35% 35%	683 17,640
7b) Quality Control - Federal (Monitoring)	MERS Coordinator (Social and Family Specialist) Federal QC	Reviews 4 cases per technician (per 15 sampled cases) Active cases Active drops Negative cases Negative drops	0.50 1.50 0.50 0.50 0.25	504 425 150 160 135	45% 100% 100% 100% 100%	878 0 0 0 0
8) Report Management Evaluation	Program Specialist	Visit all offices to review key issues - civil rights, corrective action plans, timelines, caseload, etc	57.00	103	100%	5,850
9) Community Relations	Fiscal Auxiliary 2 Executive Director I	Evaluate fiscal and administrative plans Intermediary between participants and ADSEF/local offices	19.00 0.003	103 554,054	100% 100%	1,950 1,658
10) SAVE (Citizenship and Immigration Services' Systematic Alien Verification for Entitlements)	Administrative Officer III	Alien verification	0.001	554,054	100%	488

Table F.1Ab estimates SNAP hourly staffing requirements for the same activities that are estimated in Table F.1Aa. It then calculates the change in work by subtracting the NAP estimate from the SNAP estimate. This table has eight columns. Columns A and B provide the administrative activity and the staff categories. The remaining six columns, however, differ as follows:

1. Column H details SNAP hours per case. For many activities, this value is identical to the corresponding NAP value. For those activities that seek to determine eligibility or benefit amount, however, the hours per case is 80 percent of the NAP value because the requirements are significantly less under SNAP.¹³⁶
2. Column I estimates the number of cases. In most situations, this estimate equals the microsimulation's estimate for SNAP households. It differs for report management evaluation—administrative activity 8—because this activity involves review and evaluation of offices. The number of offices, however, is a function of the number of cases per office under the NAP program.
3. Column J estimates of the number of cases per year. This estimate equals column F in the prior table, which provides a percentage of the total number of households involved in the activity, multiplied by column I, the total number of households.
4. Column K estimates the number of hours per year that staff would spend under SNAP.
5. Column L calculates the change in hours between NAP and SNAP by subtracting the number of NAP hours from the number of SNAP hours.
6. Last, column M calculates the number of FTEs per staff category for each activity. To calculate this value, the change in hours was divided by 1,950, which is the number of annual hours Puerto Rico uses for one FTE.

For most of the activities, the cost factor consists solely of the number of cases. Since the number of households would increase under SNAP, the number of hours per year, then, increases for almost all activities. There are, however, two exceptions. First, the number of hours for eligibility and benefit activities actually declines. This decline occurs because the 20 percent reduction in time to perform these activities reduces the costs more than the increase in households served. Second, report management evaluation requires less time to perform. Under SNAP, States monitor offices as a function of the size of the office. Large offices are reviewed annually. Medium-sized offices are reviewed every other year. Smaller offices are reviewed every three years. Under NAP, however, Puerto Rico reviews every office, regardless of size, annually. As a result, even though Puerto Rico would need to create an additional 16 offices under SNAP, staff would need to review fewer offices each year than they did under NAP.¹³⁷

¹³⁶ The 20 percent discount was determined by Bill Kluxen and Carmen Falcone from FNS MARO.

¹³⁷ Puerto Rico could choose to review offices more frequently. When estimating the change in costs, however, the level of effort was estimated based upon the SNAP requirements.

TABLE F.1Ab

SNAP HOURS BY ACTIVITY ESTIMATES

A. Administrative Activity	B. Staff Category	H. SNAP Hours per Case	I. SNAP Average Number of Cases	J. SNAP Cases per Year (Column F ¹³⁸ x Column I)	K. SNAP Hours per Year (Column H x Column J)	L. Additional Annual Hours Under SNAP (Column K - Column G)	M. SNAP FTEs (Column L/1950) ¹³⁹
1) Certification	Receptionist/ Office Clerk I-IV	0.60	639,001	167,904	100,742	(8,434)	52
	Technician I-III	1.60	639,001	167,904	268,646	(22,492)	138
	Supervisor I	0.23	639,001	167,904	39,178	(3,280)	21
	Official Payee	0.23	639,001	57,384	13,390	(1,121)	7
2) Recertification	Technician I-III	0.50	639,001	635,738	317,869	42,283	163
	Supervisor I	0.33	639,001	635,738	211,913	28,189	109
3) Claims/ Overpayment	Technician I-III	1.50	639,001	68,437	102,655	13,655	53
	Supervisor I	0.42	639,001	68,437	28,515	3,793	15
4a) Retroactive Benefits	Technician I-III	0.50	639,001	8,627	4,313	574	2
	Supervisor I	0.17	639,001	719	120	16	0
4b) Change to Status	Technician I-III	0.50	639,001	769,614	384,807	51,188	197
	Supervisor I	0.21	639,001	64,135	13,361	1,777	7
5) Close Case	Technician I-III	0.50	639,001	78,889	39,444	5,247	20
	Supervisor I	0.25	639,001	78,889	236,667	219,568	121
6) Household Visits - Fraud Control	Technician I-III	1.00	639,001	146,578	146,578	19,498	75
7a) Quality Control- Puerto Rico	MERS Supervisor (Supervisor II)	0.36	639,001	2,180	787	105	0.05
	QC Technician	9.33	639,001	2,180	20,347	2,707	1.39
	MERS Coordinator (Social and Family Specialist)	1.74	639,001	510	887	10	0.005

¹³⁸ Column F: Percent of Cases Included in Activity is taken from the previous table entitled "Table F.1Aa NAP Hours by Activity Estimates."

¹³⁹ Some calculations might not add up due to rounding.

A. Administrative Activity	B. Staff Category	H. SNAP Hours per Case	I. SNAP Average Number of Cases	J. SNAP Cases per Year (Column F ¹³⁸ x Column I)	K. SNAP Hours per Year (Column H x Column J)	L. Additional Annual Hours Under SNAP (Column K - Column G)	M. SNAP FTEs (Column L/1950) ¹³⁹
7b) Quality Control-Federal (Monitoring)	Federal QC	1.5	NA	425			
		0.5	NA	150			
		0.5	NA	160			
		0.25	NA	135			
		0	0	0	0	826	0.4
8) Report Management Evaluation	Program Specialist	57	119	73	4,124	(1,726)	(0.89)
	Fiscal Auxiliary 2	19	119	73	1,375	(575)	(0.30)
9) Community Relations	Executive Director I	1,912	639,001	NA	1,912	254	0.13
10) SAVE	Administrative Officer III	0.0009	639,001	NA	562	75	0.04

Because some staff categories have multiple levels, any additional staff were distributed across those levels based on the percentage of staff in each level. Table F.1B illustrates the results of this work. For example, as Table F.1B shows, three levels of assistant technicians certify households. Based upon the current number of technicians in each of the three levels, it was determined that 36 percent are assistant technician I, 31 percent are assistant technician II, and 33 percent are assistant technician III. The group of 138 additional assistant technicians needed for certification was then divided proportionally across the three levels.

TABLE F.1B

BACKUP CALCULATIONS FOR STAFFING COST CHANGES BY SALARY CATEGORY

A. Administrative Activity/Function	B. Staff Category	C. NAP Number of Staff in Category	D. Percent of Cases Handled by Category Level	E. Number of Additional Workers for Labor Category	F. Additional FTEs (Column D x Column E)	
1. Certification	a. Receptionist I	365	49%	52	25	
	b. Receptionist II	264	35%		18	
	c. Receptionist III	102	14%		7	
	d. Receptionist IV	21	3%		1	
	e. Assistant Technician I	506	36%	138	49	
	f. Assistant Technician II	434	31%		42	
	g. Assistant Technician III	472	33%		46	
	h. Supervisor I	195	100%		20	
	i. Official Payee	48	100%		7	
			506		36%	47
2. Recertification	a. Assistant Technician I	434	31%	130	40	
	b. Assistant Technician II	472	33%		44	
	c. Assistant Technician III	195	100%		87	
	d. Supervisor I	506	36%		15	
	a. Assistant Technician I	434	31%		42	13
	b. Assistant Technician II	472	33%			14
c. Assistant Technician III	195	100%	12			
3. Claims - Overpayment	d. Supervisor I	195	100%			

A. Administrative Activity/Function	B. Staff Category	C. NAP Number of Staff in Category	D. Percent of Cases Handled by Category Level	E. Number of Additional Workers for Labor Category	F. Additional FTEs (Column D x Column E)
4. Retroactive Benefits and Status Changes	a. Assistant Technician I	506	36%	160	57
	b. Assistant Technician II	434	31%		49
	c. Assistant Technician III	472	33%		53
	d. Supervisor I	195	100%		6
5. Close Cases	a. Assistant Technician I	506	36%	16	6
	b. Assistant Technician II	434	31%		5
	c. Assistant Technician III	472	33%		5
	d. Supervisor I	195	100%		97
6. Household Visits - Fraud Control	a. Assistant Technician I	506	36%	75	27
	b. Assistant Technician II	434	31%		23
	c. Assistant Technician III	472	33%		25

Table F.1 calculates the increased salary costs for each of these activities. It does this by taking the average annual salary for each labor category and multiplying it by the number of additional FTEs from the prior tables. The result is the increase in salary under SNAP. The salary was then loaded with the cost of benefits (\$130 per person) and taxes (20.77 percent) to arrive at a fully loaded cost for staff. Since the majority of tasks require an increase in staff, it is estimated that this staff would cost over \$24 million more under SNAP.

TABLE F.1

STAFF INCREASE BY LABOR CATEGORY NAP TO SNAP

A. Administrative Activity/Function	B. Staff Category	C. Annual Salary	D. Number of Additional FTEs NAP to SNAP (Column F from Table C1.B)	E. Increase in Salary (Column C x Column D)	F. Tax Multiplier ¹⁴⁰	G. Increase in Benefit ¹⁴¹ (Column E x Column F) + (130 x Column D)	H. Increase in Staff Costs (Column E + Column G)
1. Certification	a. Receptionist I	\$18,212.76	25	\$456,696.94	0.2077	\$98,115.79	\$554,812.73
	b. Receptionist II	\$23,268.36	18	\$422,016.25	0.2077	\$90,010.57	\$512,026.82
	c. Receptionist III	\$23,424.60	7	\$164,146.58	0.2077	\$35,004.21	\$199,150.79
	d. Receptionist IV	\$25,003.44	1	\$36,072.69	0.2077	\$7,679.85	\$43,752.54
2. Recertification	b. Assistant Technician I	\$14,709.96	49	\$726,228.61	0.2077	\$157,255.76	\$883,484.38
	c. Assistant Technician II	\$21,991.68	42	\$931,235.41	0.2077	\$198,922.43	\$1,130,157.85
	d. Assistant Technician III	\$27,102.36	46	\$1,248,131.82	0.2077	\$265,223.81	\$1,513,355.62
	e. Supervisor I	\$31,925.88	20	\$641,424.76	0.2077	\$135,835.76	\$777,260.52
3. Claims - Overpayments	f. Official Payee	\$17,057.40	7	\$117,124.73	0.2077	\$25,219.45	\$142,344.18
	a. Assistant Technician I	\$14,709.96	47	\$687,433.71	0.2077	\$148,855.21	\$836,288.92
	b. Assistant Technician II	\$21,991.68	40	\$881,489.11	0.2077	\$188,296.06	\$1,069,785.17
	c. Assistant Technician III	\$27,102.36	44	\$1,181,457.01	0.2077	\$251,055.63	\$1,432,512.64
3. Claims - Overpayments	d. Supervisor I	\$31,925.88	87	\$2,775,588.82	0.2077	\$587,791.81	\$3,363,380.63
	a. Assistant Technician I	\$14,709.96	15	\$222,004.63	0.2077	\$48,072.34	\$270,076.97
	b. Assistant Technician II	\$21,991.68	13	\$284,674.23	0.2077	\$60,809.64	\$345,483.87
	c. Assistant Technician III	\$27,102.36	14	\$381,547.95	0.2077	\$81,077.65	\$462,625.61
	d. Supervisor I	\$31,925.88	12	\$373,486.66	0.2077	\$79,093.99	\$452,580.65

¹⁴⁰ The tax multiplier of 20.77% represents the taxes paid by Puerto Rico, such as Social Security taxes, for each staff person.

¹⁴¹ Column G, Increase in Benefits, includes the 20.77% income tax loading and an estimated \$130 per person for benefits.

A. Administrative Activity/Function	B. Staff Category	C. Annual Salary	D. Number of Additional FTEs NAP to SNAP (Column F from Table C1.B)	E. Increase in Salary (Column C x Column D)	F. Tax Multiplier ¹⁴⁰	G. Increase in Benefit ¹⁴¹ (Column E x Column F) + (130 x Column D)	H. Increase in Staff Costs (Column E + Column G)
4. Retroactive Benefits and Status Changes	a. Assistant Technician I	\$14,709.96	57	\$841,524.49	0.2077	\$182,221.65	\$1,023,746.15
	b. Assistant Technician II	\$21,991.68	49	\$1,079,078.13	0.2077	\$230,503.31	\$1,309,581.44
	c. Assistant Technician III	\$27,102.36	53	\$1,446,284.93	0.2077	\$307,330.67	\$1,753,615.60
5. Close Case	d. Supervisor I	\$31,925.88	6	\$176,573.68	0.2077	\$37,393.35	\$213,967.03
	a. Assistant Technician I	\$14,709.96	6	\$85,303.89	0.2077	\$18,471.49	\$103,775.38
	b. Assistant Technician II	\$21,991.68	5	\$109,384.29	0.2077	\$23,365.72	\$132,750.01
6. Household Visits - Fraud Control	c. Assistant Technician III	\$27,102.36	5	\$146,607.41	0.2077	\$31,153.58	\$177,760.99
	d. Supervisor I	\$31,925.88	97	\$3,099,813.99	0.2077	\$656,453.60	\$3,756,267.59
	a. Assistant Technician I	\$14,709.96	27	\$396,243.07	0.2077	\$85,801.50	\$482,044.57
7a) Quality Control - Puerto Rico	b. Assistant Technician II	\$21,991.68	23	\$508,098.38	0.2077	\$108,535.57	\$616,633.95
	c. Assistant Technician III	\$27,102.36	25	\$681,002.61	0.2077	\$144,710.76	\$825,713.38
	MERS Supervisor (Supervisor 2)	\$35,274.60	0.05	\$1,894.28	0.2077	\$523.44	\$2,417.72
7b) Quality Control - Federal	Quality Control Technician	\$29,664.00	1.39	\$41,172.57	0.2077	\$8,681.54	\$49,854.11
	MERS Coordinator (Social and Family Specialist)	\$38,694.84	0.005	\$191.81	0.2077	\$169.84	\$361.65
	Federal Labor	\$109,000.00	0.42	\$109,000.00	0.00	\$0.00	\$46,185.26

A. Administrative Activity/Function	B. Staff Category	C. Annual Salary	D. Number of Additional FTEs NAP to SNAP (Column F from Table C1.B)	E. Increase in Salary (Column C × Column D)	F. Tax Multiplier ¹⁴⁰	G. Increase in Benefit ¹⁴¹ (Column E × Column F) + (130 × Column D)	H. Increase in Staff Costs (Column E + Column G)
8. Reporting Management Evaluation/Regional Supervisor Review	a. Program Specialist	\$39,368.04	-0.89	-\$34,855.51	0.2077	-\$7,109.49	-\$41,965.00
	b. Fiscal Auxiliary 2	\$24,420.00	-0.30	-\$7,206.96	0.2077	-\$1,366.89	-\$8,573.84
9. SAVE	Administrative Officer III	\$29,973.36	0.04	\$1,148.87	0.2077	\$368.62	\$1,517.49
10. TOTAL SALARY INCREASE							\$24,560,732.18

Caseload also impacts a set of other direct costs (ODCs), which include rent, utilities, travel, training, postage, printing, office supplies, and EBT issuance. Tables F.2B and F.2 calculate an estimate of the change in this cost. Table F.2B provides estimates of the current NAP costs for these ODCs and sums them into the total column. Table F.2 takes these values and divides them by the total number of NAP households to create an estimate of the dollar amount per household, which is in column E. Column F takes the difference between the number of SNAP households and NAP households in Column D (84,947) and multiplies it by the cost per household in column E to estimate the change in costs for caseload-driven ODCs. These values are then totaled in row 7.

	Purchasing EBT Cards (\$0.37/card) **	EBT Distribution Fee (\$1.01/ case/ month) **	Onsite Card Issuance (\$450 one-time fee for delivery of 10,000 cards) ***	Replacement Card Issuance Fee (dependent on monthly card volume ranging from \$0.39-0.66/ card) ***
8. EBT Issuance	\$204,980.00	\$7,200,000.00	\$24,930.00	\$5,034.57
Total	\$7,434,944.57			

*Source: Programa Asistencia Nutricional Para Personas De Ingresos Limitados (4.21.2009) File 6583 - NAP Administrative Costs 2008 from Puerto Rico

**Source: Interview with Aura Rosa - EBT and Retailer Management (4.22.2009) File 6583 - PR Interview - EBT Retailers Management - Aura Rosa – 4.22.2009.

***Source: Evertec BAFO Contract (1.27.2007) File 6583 - EBT Pricing Schedules

Source: SNAP Conversion Project Estimates (51.2009) File 6583 - IT Estimates for NAP to SNAP Conversion from Paul Segarra

TABLE F.2

ONGOING CASELOAD-DRIVEN OTHER DIRECT COSTS (ODCS)

A. ODC Category	B. NAP # of Households	C. SNAP # of Households	D. Change in # of Households	E. \$ per Household	F. Change in Total Dollars
1. Rent & Utilities				\$17.35	\$1,474,245.79
2. Travel (PR)				\$0.03	\$2,224.49
3. Ongoing Training (PR)	554,054	639,001	84,947	\$0.17	\$14,276.47
4. Postage				\$0.42	\$35,826.47
5. Printing				\$0.00	\$196.85
6. Office Supplies				\$0.80	\$67,942.48
7. TOTAL					\$1,594,712.54

As would be expected, caseload-driven ODCs are likely to increase under SNAP due to the increase in participating households.

The next table, F.3, calculates ongoing non-caseload-driven costs. These costs include the additional costs for information system staff and central office staff as well as the cost for software licenses. Based on information received from Puerto Rico information system staff, the government of Puerto Rico would need to hire 33 additional staff members. The average of the current salaries was used to estimate the salaries for each additional staff person (see column C) and loaded these rates with benefits and taxes to determine the cost by staff category (column D). A consultant to Puerto Rico provided an estimate of the costs for software licenses. Annual ongoing costs for non-caseload-driven costs would be almost \$1.35 million.

TABLE F.3

ONGOING NON-CASELOAD-DRIVEN COSTS

A. Cost Category	B. Units	C. Loaded Cost per Unit	D. Costs
1. MIS Staff	12	N/A	\$409,306
a. Technical Support	10	\$30,694	\$306,942
b. System Supervisor II	2	\$51,182	\$102,365
2. Software Licenses	1	\$80,000	\$80,000
3. Central Office Staff	21	N/A	\$858,764
a. Finance Staff	11	N/A	\$389,261
1. Accountant I	2.76	\$31,984	\$88,122
2. Accountant II	2.76	\$33,889	\$93,371
3. Accountant III	2.76	\$35,094	\$96,692
4. Accountant IV	2.76	\$40,315	\$111,076
b. Non-Finance Staff	10	\$46,950	\$469,503
4. TOTAL			\$1,348,070

Table F.4 provides an estimate of the one-time startup costs. These costs cover four categories: 1) IT hardware, 2) IT professional services, 3) initial training, and 4) updating Puerto Rico’s accounting system. The IT hardware and service estimates, including the estimated cost to update Puerto Rico’s current accounting system to conform to SNAP requirements, were provided by an ADSEF IT expert. ADSEF staff estimated that Puerto Rico would need four additional staff members to train NAP staff on SNAP rules and regulations.

TABLE F.4

ONE-TIME STARTUP COSTS

A. Cost Category	B. Costs
1. IT Hardware	\$3,891,486.00
a. Application Servers	\$710,133.00
b. Database Servers	\$731,453.00
c. Disk Space	\$589,000.00
d. Workstations	\$1,675,000.00
e. Telcom Equipment & Installation (e.g. Hubs, Firewall, Routers)	\$75,000.00
f. Printers	\$30,900.00
g. Hardware Installation & Configuration	\$80,000.00
2. IT Professional Services	\$1,061,000.00
a. Electronic Benefit Transfer (EBT) Software Modification	\$190,000.00
b. SAIC (Sistema de Automatizado Información de Casos) Modifications & Updates	\$691,000.00
c. SAIC Project Management	\$120,000.00
d. Update Random Moment Sampling	\$60,000.00
3. Initial Training	\$157,472.16
4. Update Accounting System (SACPRE, or Sistema Automatizado de Control Presupuestario)	\$20,000.00
5. TOTAL	\$5,129,958.16

Tables F.5 and F.5B provide estimates for the change in costs for retailer management. Currently, Puerto Rico is responsible for retailer management. Table F.5B calculates the current labor costs incurred by Puerto Rico. Table F.5 aggregates these numbers in column C. Since the U.S. Federal Government runs the SNAP retailer management process, the money that Puerto Rico spends for retailer management would be a net savings for Puerto Rico if it were to implement SNAP.

TABLE F.5B

RETAILER MANAGEMENT LABOR COSTS

A. Staff Category	B. Salary	C. % Time Spent on Retailer Management	D. Total Wages	E. Tax Multiplier	F. Total Benefit ((D x E)+130)	G. Staff Costs (D + F)
Ongoing Labor						
Office Assistant	\$15,569	100%	\$15,568.80	0.2077	\$3,363.64	\$18,932.44
Administrative Official II	\$24,485	100%	\$24,484.56	0.2077	\$5,215.44	\$29,700.00
Office Systems Assistant II	\$23,591	70%	\$16,513.98	0.2077	\$3,559.95	\$20,073.93
Executive Director I	\$35,299	100%	\$35,299.20	0.2077	\$7,461.64	\$42,760.84
Administrative Official III	\$29,973	100%	\$29,973.36	0.2077	\$6,355.47	\$36,328.83
TOTAL ONGOING LABOR SALARY						\$147,796.05
Fraud Labor						
Office Worker II	\$23,268	100%	\$23,268.36	0.2077	\$4,962.84	\$28,231.20
Administrative Official II	\$24,485	100%	\$24,484.56	0.2077	\$5,215.44	\$29,700.00
Administrative Official II	\$24,485	100%	\$24,484.56	0.2077	\$5,215.44	\$29,700.00
Administrative Official II	\$24,485	100%	\$24,484.56	0.2077	\$5,215.44	\$29,700.00
TOTAL FRAUD LABOR						\$117,331.21

TABLE F.5

NAP RETAILER MANAGEMENT COSTS

A. Retailer Management Function ¹⁴²	B. Retailer Management Cost Category	C. Total NAP Costs (100% PR)	D. Puerto Rico Share of Cost	E. Federal Share of Cost
1. Startup (Initial Certification)	a. Total	\$0.00	\$0.00	\$0.00
2. Recertification (Ongoing)	a. Total	\$152,996	\$76,498	\$76,498
	(1) Labor	\$147,796	\$73,898	\$73,898
	(2) Travel	-\$5,200	\$2,600	\$2,600
3. Ongoing Operations	a. Total			
	(1) Retailer Fraud Labor	\$117,331	\$58,666	\$58,666
	(2) Retailer Fraud Travel			
4. TOTAL		\$423,324	\$211,662	\$211,662

FNS estimated that retailer management would cost the U.S. Government \$1 million in the first year of SNAP without providing its breakout. FNS based these estimates on its current retailer management experience and extrapolated that to Puerto Rico. The breakout details were withheld from the study because FNS's standard position is to guard any and all information that reveals investigative techniques.

The last table, F.6, aggregates the one-time startup costs and caseload-driven and non-caseload-driven costs. It also provides Puerto Rico's and the Federal Government's share of these costs. Note that retailer management is not included in this table because FNS asked for the change in costs for retailer management to be presented separately.

¹⁴² Because the retailer management requirements for States under SNAP are quite significant, it was very difficult to obtain data for an estimate. See chapter 6 for a very rough estimate for these additional costs.

TABLE F.6

SUMMARY OF COSTS

A. Cost Category	B. Total Cost	C. Cost Share Factor	D. Puerto Rico Share of Cost	E. Federal Share of Cost
1. One-Time Startup Costs	\$5,129,958	50%	\$2,564,979.08	\$2,564,979.08
2. Ongoing Costs	\$27,503,515	50%	\$13,751,757.49	\$13,751,757.49
a. Non-Caseload-Driven	\$1,348,070	50%	\$674,035.13	\$674,035.13
b. Caseload-Driven	\$26,155,445	50%	\$13,031,537.10	\$13,031,537.10
(1) Staff Costs	\$24,560,732	N/A		
(2) ODCs	\$1,594,713	N/A		
3. Federal-Only Costs	\$46,185	N/A	N/A	\$46,185.26
a. Labor	\$46,185	N/A	N/A	\$46,185.26
4. Total	\$32,679,658		\$16,316,736.57	\$16,362,921.83

TABLE F.7
CASELOAD-DRIVEN ASSUMPTIONS, DATA SOURCES, AND DATA FOR THE ADMINISTRATIVE COST MODEL

A.	B. Assumption	C. Source of the Assumption	D. Relevant Table(s)	E. Relevant Table Column(s)	F. Relevant Table Row(s)
1	Variable (caseload-dependent costs) refer to costs that vary based upon the size of the SNAP caseload. These costs include direct costs, specifically staffing costs, and other direct costs, including rent, utilities, travel, IT equipment maintenance, postage, printing, and EBT issuance. For staff salary, the midpoint is used from the salary range by staff type.	Bill Kluxen and Theresa Wilson	Table F.1: Change in Costs	All Columns	2b(3)
2		Bill Kluxen, MARO meeting, 5/14/09	Table F.1: Ongoing Loaded Labor Cost Changes NAP to SNAP by Staff Type	C	All Rows
3	When distributing additional workers need when converting NAP to SNAP, the current proportions were used for the levels within each staff category.	Bill Kluxen	Table F.1: Ongoing Loaded Labor Cost Changes NAP to SNAP by Staff Type	D	All Rows
4	Technician 3 is a supervisor for certification.	Elaine Perrata interview, 4/22/2009	Table F.1: Ongoing Loaded Labor Cost Changes NAP to SNAP by Staff Type	B	1
5	Costs of recertification and retailer fraud monitoring would be a Federal responsibility (100% Federal).	Bill Kluxen and Eric Ratchford, MARO follow-up call, 5/29/09	Table F.1: Ongoing Loaded Labor Cost Changes NAP to SNAP by Staff Type	J	2, 6
6	Federal monitoring of PR's QC would be a new Federal task.	Bill Kluxen, email, 4/6/09	Table F.1: Ongoing Loaded Labor Cost Changes NAP to SNAP by Staff Type	A	7b
7	The salary amount of \$109,000 for Federal labor used for Quality Control has already been loaded.	Bill Kluxen	Table F.1: Ongoing Loaded Labor Cost Changes NAP to SNAP by Staff Type	C	7b
8	The costs for performing SAVE verifications are limited to labor costs only, as SAVE verifications can be performed with a nominal flat monthly fee (\$342/month).	Bill Kluxen	Table F.1: Ongoing Loaded Labor Cost Changes NAP to SNAP by Staff Type	J	9
9	There are no changes in costs for converting NAP to SNAP for PANECO (Administrative Activity/Function: Outreach and Nutrition Education) so Outreach and Nutrition Education are not included under Administrative Activity.	Bill Kluxen and Theresa Wilson, MARO meeting, 5/14/09; Administrative Activity Table - NAP to SNAP (MasterTable.xls)	Table F.1: Ongoing Loaded Labor Cost Changes NAP to SNAP by Staff Type	A	N/A
10	Tasks and Time Spent per Case taken from Olga Bernardy interview from second Puerto Rico site visit 7/15/2009.	Olga Bernardy, Puerto Rico site visit, 7/15/09	Table F.1Aa: NAP Hours by Activity Estimates	C, D	All Rows

A.	B. Assumption	C. Source of the Assumption	D. Relevant Table(s)	E. Relevant Table Column(s)	F. Relevant Table Row(s)
11	For time spent per case, if a range was provided, the midpoint was used.	Olga Bernardy, Puerto Rico site visit, 7/15/09	Table F.1Aa: NAP Hours by Activity Estimates	C, D	All Rows
12	Certification, recertification, and related processes would take 20% less time to complete under SNAP than NAP.	SAVE Program Transaction Charges http://www.uscis.gov/save	Table F.1Aa: NAP Hours by Activity Estimates	D	All Rows
13	Puerto Rico cannot afford to set up a system for telephone interviews. As a result, certification would continue to be performed in person.	Olga Bernardy interview, 4/21/09	Table F.1Ab: SNAP Hours by Activity Estimates	J	All Rows
14	Puerto Rico cannot afford to set up a system for telephone interviews. As a result, certification would continue to be performed in person.	Olga Bernardy interview, 4/21/09	Table F.1Aa: NAP Hours by Activity Estimates	C	1
15	Client must go to the local office 5 - 6 times for the initial certification. The initial visit takes 40-45 minutes. The other visits take less time.	Olga Bernardy interview, 4/21/09	Table F.1Aa: NAP Hours by Activity Estimates	D	a
16	The number of cases per caseworker for certification should be the same for SNAP as NAP (range 400-600). Use 400.	Olga Bernardy, interview, 4/21/09; Bill Kluxen and Theresa Wilson, MARO meeting, 5/14/09	Table F.1Aa: NAP Hours by Activity Estimates	F	1
17	For PR, staff time spent on certification and recertification is caseload-driven and the time per case would be the same under SNAP as it is under NAP.	Theresa Wilson, MARO meeting, 5/14/09	Table F.1Aa: NAP Hours by Activity Estimates	D	1, 2
18	Under SNAP, retailer recertification occurs every 5 years, as opposed to annual recertification under NAP in PR.	Bill Kluxen and Eric Ratchford, MARO follow-up call, 5/29/09	Table F.1Aa: NAP Hours by Activity Estimates	E	1, 2
19	Under SNAP, retailer recertification occurs up to 45 days after the recertification application has been deemed complete, as opposed to 30 days after under NAP in PR.	Bill Kluxen and Eric Ratchford, MARO follow-up call, 5/29/09	Table F.1Aa: NAP Hours by Activity Estimates	E	2
20	NAP Fraud Division Staff currently consists of 4 technicians and 1 director.	Elaine Perrata interview, Puerto Rico site visit, 4/09	Table F.1Aa: NAP Hours by Activity Estimates	B	6
21	NAP Quality Control Staff currently consists of 21 technicians.	Marte et al. interview, Puerto Rico site visit, 4/09	Table F.1Aa: NAP Hours by Activity Estimates	A	7a
22	For conversion to SNAP, compliance would require between 1/2 - 1 staff year, not including investigations.	Eric Ratchford, MARO follow-up call, 5/29/09	Table F.1Ab: SNAP Hours by Activity Estimates	K	6
23	For PR, the average amount of time it takes to review a case for quality control would be the same under SNAP as it was under NAP.	Theresa Wilson, MARO meeting, 5/14/09	Table F.1Aa: NAP Hours by Activity Estimates	E	7a
24			Table F.1Ab: SNAP Hours by Activity Estimates	H	7a

A.	B. Assumption	C. Source of the Assumption	D. Relevant Table(s)	E. Relevant Table Column(s)	F. Relevant Table Row(s)
23	Federal sample size and time per case provided in email.	Bill Kluxen, email, 4/6/09	Table F.1Aa: NAP Hours by Activity Estimates	D, E	1, 2
24	The cost driver for Report Management Evaluation is number of offices, not number of cases.	Bill Kluxen and Theresa Wilson, MARO meeting, 5/14/09	Table F.1Aa: NAP Hours by Activity Estimates	F	8
25	There are 103 local offices under NAP.	Elaine Perrata interview, Puerto Rico site visit, 4/09	Table F.1Aa: NAP Hours by Activity Estimates	F	8
26	We assumed that the current household to offices ratio under NAP would be the same under SNAP. Given 103 local offices and 511,000 households receiving NAP assistance, the ratio of households to office 4,961 households per office.	Bill Kluxen, MARO meeting, 5/14/09	Table F.1Aa: NAP Hours by Activity Estimates	F	8
27	FTE is 37.5 hours per week or 1,950 hours per year.	Data provided by Efrain Feliciano and Carlos Gomez Cruz, Puerto Rico site visit, 7/14/09 and 7/16/09	Table C1B: Backup Calculations for Ongoing Staffing Cost Changes NAP to SNAP by Staff Type	F	All Rows
28	Although PR would not provide a rule for the number of supervisors per office or technician, the official indicated that each supervisor oversees 5-6 technicians.	Olga Bernardy, interview, Puerto Rico site visit, 4/21/2009	Table F.1B: Backup Calculations for Ongoing Staffing Cost Changes NAP to SNAP by Staff Type	C	7a
29	QC is performed by the regions. FNS has decided there would be no change to the number of supervisors needed at the region even though the number of technicians would change based on caseload changes.	Bill Kluxen, MARO meeting, 5/14/09	Table F.1B: Backup Calculations for Ongoing Staffing Cost Changes NAP to SNAP by Staff Type	B	7a, 7b
30	The total number of NAP households (554,054).	Calculations from SAIC data	Table F.2: Ongoing Caseload-Driven Other Direct Costs (ODCs)	B	All Rows
31	The total number of SNAP households is derived from the microsimulation model (estimate of 721,000 eligible households, estimate of 639,001 participating eligible households, given the assumption that all eligible units with no income or with unearned income only, such as income from Social Security, would choose to participate and that 56 percent of units with earned income would participate).	Microsimulation model	Table F.2: Ongoing Caseload-Driven Other Direct Costs (ODCs)	C	All Rows
32	No costs involved for Federal travel to complete QC audits.	Bill Kluxen and Eric Ratchford, MARO follow-up call, 5/29/09	Table F.2: Ongoing Caseload-Driven Other Direct Costs (ODCs)	F	2

A.	B. Assumption	C. Source of the Assumption	D. Relevant Table(s)	E. Relevant Table Column(s)	F. Relevant Table Row(s)
33	PR has an existing contract for EBT POS machines, and its costs for EBT from NAP to SNAP should be similar.	Bill Kluxen, MARO meeting, 5/14/09	Table F.2: Ongoing Caseload-Driven Other Direct Costs (ODCs)	F	7
34	The costs and categories for caseload-driven ODCs come from Programa Asistencia Nutricional Para Personas De Ingresos Limitados (April 21, 2009).	Programa Asistencia Nutricional Para Personas De Ingresos Limitados (April 21, 2009)	Table C2B: Caseload-Driven ODCs Backup	All Columns	All Rows
35	Assumptions for Puerto Rico POS and EBT Issuance under SNAP	Bill Kluxen and State EBT Matrix, 2/19/2010	N/A	N/A	N/A

TABLE F.8

NON-CASELOAD-DRIVEN ASSUMPTIONS, DATA SOURCES, AND DATA FOR THE ADMINISTRATIVE COST MODEL

A.	B. Description of Assumption	C. Source of the Assumption	D. Relevant Table(s)	E. Relevant Table Column(s)	F. Relevant Table Row(s)
1	Retailer management involves the certification, recertification, and monitoring of retailers that want to or have been approved to accept payment via EBT cards.	Bill Kluxen and Theresa Wilson	Table 6.1: Change in Costs	All Columns	2a
2	One-time startup costs refer to expenses that occur at the beginning of the transition and are not repeated. They can include the purchase of IT hardware and professional services needed to develop and update the IT systems to account for SNAP requirements, and the costs of initial training.	Bill Kluxen and Theresa Wilson	Table 6.1: Changes in Costs	All Columns	2b(1)
3	Ongoing operational costs refer to costs that occur repeatedly but are not a function of the SNAP caseload. These costs include IT staffing, software licenses, contractors, and IT service agreements, as well as many central office costs.	Bill Kluxen and Theresa Wilson	Table 6.1: Change in Costs	All Columns	2b(2)
4	The costs of benefits were derived from the MPR microsimulation. Benefits are a 100% Federal cost.	MPR microsimulation	Table 6.1: Change in Costs	A, B	2
5	Federal costs for Retailer Management would be \$1,000,000.	Robert Dalrymple and BRD staff	Table 6.1: Change in Costs	B	2a
6	1 technical support per region, 1 specialist per region, 1 additional Accountant per each additional 200 employees, and 2 System Supervisor IIs would be needed for the conversion of NAP to SNAP.	Data provided by Carlos Gomez Cruz and Efrain Feliciano, Puerto Rico site visit, 7/14/09 and 7/16/09	Table C3: Ongoing Non-Caseload-Driven Costs	B	1a, 1b, 3a, 3b
7	Costs to convert online applications from English to Spanish are not included as this work is already in progress.	Bill Kluxen, MARO follow-up call, 5/29/09	Table C4: One-Time Costs	N/A	N/A
8	Hardware One-Time Costs would include twice the current equipment for application servers and database servers.	Paul Segarra's Conversion Estimates (SNAP Cost Estimates.xls), sent via email 5/1/09	Table C4: One-Time Costs	A	1
9	Hardware One-Time Costs would include licensing fees for application servers and database servers.	Paul Segarra's Conversion Estimates (SNAP Cost Estimates.xls), sent via email 5/1/09	Table C4: One-Time Costs	A	1
10	The cost of Disk Space	Paul Segarra interview, Puerto Rico site visit, 7/16/09 (updated this cost from an original estimate)	Table C4: One-Time Costs	B	1c
11	The cost to update Random Moment Sampling was provided by in an interview with Paul Segarra.	Paul Segarra interview, 8/4/09	Table C4: One-Time Costs	B	2d
12	Initial Training is a one-time cost, and would be required for both PR and Federal staff.	Bill Kluxen, MARO meeting, 5/14/09	Table C4: One-Time Costs	A	3
13	The cost distribution for the one-time cost of Initial Training for PR would be 50%.	Bill Kluxen, MARO meeting, 5/14/09	Table C4: One-Time Costs	A	3a

A.	B. Description of Assumption	C. Source of the Assumption	D. Relevant Table(s)	E. Relevant Table Column(s)	F. Relevant Table Row(s)
14	For one-time costs, assuming that four full-time trainers would be employed.	Olga Bernardy interview, Puerto Rico site visit, 7/15/09	Table C4: One-Time Costs	B	3a
15	The cost distribution for the one-time cost of Initial Training for Federal staff would be 100%.	Bill Kluxen, MARO meeting, 5/14/09	Table C4: One-Time Costs	A	3b
16	The cost to update the Accounting System	Paul Segarra interview, Puerto Rico site visit, 7/16/09 (updated this cost from an original estimate)	Table C4: One-Time Costs	B	4
17	PR has approximately 2,700 NAP-certified retailers.	Bill Kluxen and Eric Ratchford, MARO follow-up call, 5/29/09	Table F.5: Retailer Management Costs		
18	It is assumed that there is an equal distribution among retailers considered Small, Medium, and Large when calculating the costs of ongoing retailer recertification.	Bill Kluxen	Table F.5: Retailer Management Costs		
19	Retailer management would become a Federal responsibility, meaning PR would not have retailer management costs under SNAP.	Bill Kluxen, MARO meeting, 4/1/09	Table F.5: Ongoing Retailer Management Costs	D	All Rows
20	PR retailers would undergo initial certification for conversion to SNAP.	Bill Kluxen and Eric Ratchford, MARO follow-up call, 5/29/09	Table F.5: Retailer Management Costs	A	1
21	Costs of initial certification of PR retailers for conversion to SNAP would be Federal responsibility (100% Federal).	Bill Kluxen and Eric Ratchford, MARO follow-up call, 5/29/09	Table F.5: Retailer Management Costs	A	1
22	Contractors used for retailer certification generally cost approximately \$100 per retailer under SNAP.	Eric Ratchford, MARO follow-up call, 5/29/09	Table F.5: Retailer Management Costs	B	1
23	A Program Specialist would handle retailer management under SNAP. The average caseload for a Program Specialist is between 40-50 cases/month/specialist (or 400-500 cases/year/specialist).	Bill Kluxen and Eric Ratchford, MARO follow-up call, 5/29/09	Table F.5B: Retailer Management Labor Costs		
24	For conversion to SNAP, initial retailer certification would require 2 staff years from a program specialist.	Bill Kluxen and Eric Ratchford, MARO follow-up call, 5/29/09	Table F.5B: Retailer Management Labor Costs		
25	For conversion to SNAP, regular retailer certification would require between 1/2 - 1 staff years from a program specialist, after the initial certification was complete.	Bill Kluxen and Eric Ratchford, MARO follow-up call, 5/29/09	Table F.5B: Retailer Management Labor Costs		



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