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| LOCAL COMMISSIONERS MEMORANDUM |  
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DSS-4037EL (Rev. 9/89)

Transmittal No: 99 LCM-33

Date: November 04, 1999

Division: Budget, Finance and  
Data Management

TO: Local District Commissioners

SUBJECT: Funding Effect of Agricultural Research, Extension and  
Education Reform Act of 1998

- ATTACHMENTS: 1) Listing by Quarter for Federal Fiscal year 1997-1998  
of Beneficial percentages for Food Stamps and Medicaid  
Programs  
2) Beneficial percentages for April-June 1999 quarter  
and July-September quarter  
3) Listing of each district's share of Food Stamps  
Administration reduction

(All Attachments Available On-Line)

Background:

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 replaced the Aid to Families with Dependent Children (AFDC) (known as ADC in NY) entitlement program with the Temporary Assistance For Needy Families (TANF) block grant. The basis for New York State's block grant funding was AFDC State expenditures claimed for Federal fiscal year 1995 (October 1, 1994 through September 30, 1995). Prior to the passage of TANF, States determined eligibility and performed case maintenance activities for the AFDC program. Where an individual was eligible for AFDC, Medicaid (XIX) and Food Stamps (FS), the common or joint administrative costs attributable to the three programs were typically charged to AFDC. This costing practice is referred to as primary program and was used by New York State. The rationale for charging common costs to AFDC was rooted in Congressional action and was required by the federal Department of Health and Human Services.

The enactment of the Agricultural Research, Extension and Education Reform Act of 1998 has affected New York State in a number of different ways. By passage of the Agricultural Act, the Federal government has required that

the following actions take place. Health and Human Services (HHS) is required to ascertain the amounts charged to the former AFDC program in the States TANF base year (FFY 1995 for New York) for determining eligibility that could have been allocated to Food Stamps for common administrative costs. The amount attributable to FS is to be deducted from FS administrative cost claims for each federal fiscal year from FFY 1999-2002. The Agricultural legislation further stipulates that States may not use TANF funds to pay for this offset. Also, it does not provide for a decrease in maintenance of effort (MOE) requirements under TANF. The States, through the National Governor's Association and other associations have raised concerns with HHS regarding their interpretation of the legislation enacted, the use of TANF funds to offset these costs and the impacts on the TANF MOE.

HHS has also instructed the states to determine a portion of the common costs that could have been allocated to Medicaid. The Medicaid portion of this legislation was not passed by Congress, but the local districts should be aware of the dollar amounts if and when this proposal is enacted.

The legislation required that the Secretary of HHS issue a determination of each State's food stamp administrative dollar amount by December 20, 1998. Once the determination of the amount is made, the Secretary of Agriculture is to reduce each State's quarterly claims for Food Stamp administrative costs by one-fourth of the base year determination. The reduction for Federal Fiscal year 1998-1999 will be 35% of the determined amount for the April-June 1999 quarter with the remaining 65% to be taken during the July-September 1999 quarter.

This Office, using the guidelines provided by HHS, had determined the amount of TANF base year 1995 funds that could have been allocated to Food Stamps and Medicaid for common administrative costs. These figures are federal share only and were determined to be \$63,329,000 for Food Stamps and \$53,787,000 for Medicaid based on claimed amounts for the base year. By letter dated January 15, 1999 the Secretary of HHS determined that the amount of the reduction for Food Stamp administration would be \$63,329,000. New York State appealed the method used to calculate our Food Stamp dollar amount based on the legislation.

Part of the foundation of our appeal was that the TANF Block Grant is based on the dollar amount of the claims submitted by the States (including New York State) during the base year. The Agricultural Bill states that the dollar amount of the adjustment is based on the actual amounts paid to the States for the base year. New York State, during the base year, was using a new Income Maintenance Random Moment Survey (IM/RMS) to allocate costs. This IM/RMS was under review by HHS's Division of Cost Allocation for approval, and as part of the review, they determined certain costs should not be claimed for Federal reimbursement. As a result, of New York State's claims that were submitted, the Federal Government only paid 88.72% of the claimed amounts. This IM/RMS was ultimately approved at this funding level, and we are currently using the results to allocate costs. Because the Agricultural Bill states that the adjustment is based on amounts paid, we have reached a settlement with HHS with the results being that the Food Stamps reduction will now be \$55,000,000. Similarly, the Medical Assistance amount has been reduced to \$46,340,000 if and when the necessary legislation is passed. The final settlement amount included (besides the reduction from the claimed

expenditures to reimbursed expenditures) an unspecified reduction related to other points in the appeal New York State had filed.

The Federal reimbursement for Food Stamps administration for New York State will be reduced by the amount determined by DHHS for each of the four (4) Federal Fiscal years of 1999 through 2002 (October 1, 1998 through September 30, 2002). Except for Federal Fiscal year 1998-1999 (see above paragraph) the reduction will be 25% of the yearly amount to be taken each quarter.

The State budget for 1999-2000 did not include any State financial participation in this loss of Federal funding nor did it impact on the State share cap of administrative costs.

This office prorated a share of this reduction for each of the local districts (see attached listing) by using the gross ADC claims (including A-87 costs) (but less direct charges) reported on the Schedule D-1 "Claiming of Eligibility/Income Maintenance (E/IM) Expenditures" (DSS-2347A) for each quarter of Federal Fiscal year 1998 (October - December 1997), January - March 1998, April - June 1998 and July - September 1998). These amounts were multiplied by the associated beneficial percentage (see attached list). The resulting amount was then multiplied by 50% to determine the federal share. Each local district's calculated federal share was used to determine the ratio of that district's Federal share to the total of all districts' Federal shares. The resulting percentages were applied to the Food Stamp reduction amount of \$55,000,000 to determine each district's Food Stamp administrative costs reduction amount for Federal Fiscal Year 1999. The allocation to the local districts may be updated each year based on more recent expenditure data.

Another action to be taken is the result of the Action Transmittal numbered OGAM AT-98-2 released by HHS which requires all States to go to a benefiting program allocation methodology. This benefiting allocation must be effective no later than the beginning of the next State fiscal year after September 30, 1998. For New York State, this meant that we must use the benefiting program allocation methodology starting with the original claim submission for April 1999. As a result, this office has submitted a Cost Allocation Plan amendment to HHS, establishing a benefiting program allocation methodology to start with the original claim submission for April 1999. The percentages contained in Attachment 2 reflect this beneficial allocation methodology. New York State has joined other states in objecting to this requirement because of the adverse affect this cost allocation method has on the TANF MOE.

The Schedule D-1 did at that time show a substantial increase in the percentage (currently identified as incremental) used to transfer TANF administrative costs to Food Stamps and Medicaid. This resulted in increased dollar amounts being transferred to these programs.

The claim form revisions that were implemented with the original claim submission for July 1999 are formatted to reflect the beneficial process.

It must be repeated that States have concerns about the implementation and interpretation of this legislation by the Federal agencies.

Please share this information with your Directors of Administrative Services, Accounting Supervisors and Fiscal Officers.

If you have any questions, please contact:

Regions 1 through 4            Roland Levie at 1-800-343-8859  
   Extension 4-7549 (User ID FMS001)

Region 5   Marvin Gold   (212) 383-1733 (User ID OFM270)

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Office of Budget, Finance,  
and Data Management

Attachment 1

Beneficial Percentages For Food Stamp and Medicaid

OCTOBER - DECEMBER 1997

JANUARY - MARCH 1998

APRIL - JUNE 1998

NYC

Food Stamps	33.40%	32.03%	32.26%
Medicaid	27.29%	27.49%	27.05%

UPSTATE

Food Stamps	33.17%	32.87%	32.93%
Medicaid	29.06%	28.21%	28.74%

JULY - SEPTEMBER 1998

NYC

Food Stamps	30.54%
Medicaid	27.82%

UPSTATE

Food Stamps	33.32%
Medicaid	28.67%

Attachment 2

Beneficial Percentages For Food Stamp and Medicaid

APRIL - JUNE 1999

JULY - SEPTEMBER 1999

NYC

Food Stamps	30.00%	29.20%
Medicaid	26.14%	25.21%

UPSTATE

Food Stamps	31.89%	32.80%
Medicaid	27.36%	25.70%

## Attachment 3

## Food Stamp &amp; Title XIX Adjustment (Federal Share)

	FOOD STAMPS	TITLE XIX
01-ALBA	\$ 808,218	\$ 690,394
02-ALLE	\$ 117,251	\$ 99,994
03-BROO	\$ 381,093	\$ 324,886
04-CATT	\$ 178,943	\$ 152,543
05-CAYU	\$ 151,155	\$ 129,000
06-CHAU	\$ 365,392	\$ 311,736
07-CHEM	\$ 166,789	\$ 142,305
08-CHEN	\$ 21,756	\$ 18,576
09-CLIN	\$ 122,243	\$ 104,263
10-COLU	\$ 62,771	\$ 53,522
11-CORT	\$ 73,985	\$ 63,130
12-DELA	\$ 68,842	\$ 58,738
13-DUTC	\$ 339,379	\$ 289,473
14-ERIE	\$ 1,835,629	\$ 1,563,423
15-ESSE	\$ 52,656	\$ 44,892
16-FRAN	\$ 113,864	\$ 97,137
17-FULT	\$ 83,076	\$ 70,924
18-GENE	\$ 35,061	\$ 29,903
19-GREE	\$ 53,852	\$ 45,964
20-HAMI	\$ 4,232	\$ 3,613
21-HERK	\$ 69,686	\$ 59,444
22-JEFF	\$ 141,034	\$ 120,264
23-LEWI	\$ 29,773	\$ 25,364
24-LIVI	\$ 73,948	\$ 63,106
25-MADI	\$ 66,574	\$ 56,770
26-MONR	\$ 1,689,842	\$ 1,441,221
27-MONT	\$ 54,252	\$ 46,249
28-NASS	\$ 1,329,635	\$ 1,133,802
29-NIAG	\$ 608,224	\$ 518,416
30-ONEI	\$ 534,628	\$ 455,802
31-ONON	\$ 1,072,224	\$ 914,147
32-ONTA	\$ 117,383	\$ 99,935
33-ORAN	\$ 786,916	\$ 670,222
34-ORLE	\$ 58,572	\$ 49,924
35-OSWE	\$ 205,341	\$ 175,065
36-OTSE	\$ 63,285	\$ 53,982
37-PUTN	\$ 38,327	\$ 32,652
38-RENS	\$ 289,638	\$ 247,215
39-ROCK	\$ 653,106	\$ 556,702

## Food Stamp &amp; Title XIX Adjustment (Federal Share)

	FOOD STAMPS	TITLE XIX
40-STLA	\$ 256,501	\$ 218,749
41-SARA	\$ 88,724	\$ 75,719
42-SCHE	\$ 189,211	\$ 161,417
43-SCHO	\$ 44,982	\$ 38,369
44-SCHU	\$ 15,691	\$ 13,390
45-SENE	\$ 19,280	\$ 16,480
46-STEU	\$ 97,253	\$ 82,896
47-SUFF	\$ 2,996,581	\$ 2,555,955
48-SULL	\$ 45,922	\$ 38,969
49-TIOG	\$ 86,524	\$ 73,791
50-TOMP	\$ 195,555	\$ 166,745
51-ULST	\$ 274,939	\$ 234,378
52-WARR	\$ 80,262	\$ 68,414
53-WASH	\$ 93,920	\$ 80,128
54-WAYN	\$ 133,659	\$ 114,042
55-WEST	\$ 2,719,814	\$ 2,321,516
56-WYOM	\$ 58,607	\$ 49,967
57-YATE	\$ 16,130	\$ 13,751
UPSTATE	\$ 20,332,131	\$ 17,339,373
58-NYC	\$ 34,667,869	\$ 29,000,627
TOTAL	\$ 55,000,000	\$ 46,340,000