

FY 2004 through FY 2008. These impacts are already incorporated into the President's FY 2004 budget baseline.

Cost estimates were based on food stamp cost projections from the President's FY 2004 budget baseline of December 2002. While we recognize that the President's FY 2004 budget baseline is an imperfect baseline for this analysis because it already incorporates the impacts of this provision and subsequent legislation, it is preferable to the alternatives because it reflects the most recent economic and participation trends. The new values of the shelter cap for FY 2002 and beyond were calculated by inflating the FY 2001 values, using actual and projected values of the Consumer Price Index for All Urban Consumers from the Office of Management and Budget's economic assumptions for the President's FY 2004 budget. The benefit and participation impacts of raising the shelter deduction cap to the new values were modeled using data from the 2001 food stamp quality control sample regarding household characteristics, income and expenses. Using the 2001 quality control mini-model program, we were able to measure expected changes in household benefits resulting from the changes in the shelter cap. The program suggested that raising the cap would increase program benefits by less than one percent nationally. The estimated percentage increase was multiplied by the baseline cost projections to estimate the expected cost increase for each fiscal year. Because this provision became effective on March 1, 2001 for households who are newly certified or re-certified, the provision was considered fully implemented in FY 2004. Cost estimates were rounded to the nearest million dollars.

Participation Impacts: We estimate that raising the shelter deduction cap will raise benefits among those households currently participating and subject to the shelter deduction cap. We do not expect any significant impacts on participation due to nature of the rule change and the small benefit increase per recipient. FY 2001 quality control data indicate that 7.6 percent of food stamp participants will receive higher benefits due to this provision. (These are persons in households that claim the maximum shelter deduction but receive less than the maximum food stamp benefit. Households that already receive the maximum food stamp allotment cannot have their benefits raised as a result of this provision.) Applying this percentage to the participation projections for the President's FY 2004 budget baseline, we estimate that

1.65 million persons will each receive an average of \$6.02 more per month in food stamp benefits in FY 2004.

Section 847: State Option To Use TANF Vehicle Rules

Discussion: Since 1964, food stamp legislation has limited the value of resources households may own while remaining eligible for food stamps. The FSA specifically addresses the valuation of vehicles as resources that count toward the resource limit of \$2,000 per household, or \$3,000 for households with one or more members who are disabled, or aged 60 years or over. In 1977, the FSA designated the fair market value (FMV) of vehicles in excess of \$4,500 as a countable resource. Subsequent laws have raised the FMV limit to \$4,650, excluded the value of vehicles used for various purposes from household resources, and designated vehicles whose sale would net no more than \$1,500, after payment of liens, as inaccessible resources. Current food stamp vehicle rules apply the excess FMV test to one licensed vehicle per adult household member and any other licensed vehicle a teenager drives to work, school, job training, or job hunting. Additional non-exempt licensed vehicles are valued at the higher of excess FMV or equity value (fair market value minus any outstanding loan balance). Unlicensed vehicles are counted at their equity value.

Section 847 of the Agriculture Appropriations Act of 2001 amends section 5(g)(2) of the Food Stamp Act of 1977 to allow States to substitute their TANF vehicle rules for the food stamp vehicle rules when doing so would result in a lower attribution of food stamp resources to households. In lieu of the food stamp vehicle rules at 7 CFR 273.8(f), the Department proposes that States may substitute the vehicle rules from any program that receives TANF or TANF maintenance of effort funds and meets the definition of "assistance" according to TANF regulations at 45 CFR 260.31. Implementation of section 847 will streamline the process of determining eligibility, make many more households eligible for food stamps, reduce errors, and facilitate processing of TANF and food stamp joint applications. The effect of section 847 will vary from State to State, according to the TANF vehicle rules developed by each State.

Effect on Low-Income Families: This provision will allow States to adopt more generous vehicle rules from their TANF-funded programs for use in determining food stamp eligibility. By adopting more generous

TANF vehicle rules, some income-eligible food stamp households who were previously ineligible because of the value of their vehicle(s), are made eligible to participate. Persons will be affected by the provision to the extent that States adopt this provision and to the extent that States have less restrictive vehicle rules in their relevant TANF-funded programs.

Cost Impact: We estimate that the cost of implementing section 847 will be \$216 million in FY 2004 and \$1.115 billion over the five years FY 2004 to FY 2008. These impacts are already incorporated into the President's FY 2004 budget baseline.

As of FY 2003, 27 States reported adopting their more generous TANF-cash vehicle rules for the purpose of determining food stamp eligibility. Ten other States reported adopting vehicle rules from their TANF-funded child care and foster care programs for the purpose of determining food stamp eligibility. For the impact analysis, it is assumed that States interested in adopting vehicle rules from any of their TANF-funded programs have done so and that no additional States will switch to TANF vehicle rules in the future.

In order to estimate the impact of this provision on food stamp participation and benefit costs, we used data from the 1997 Survey of Income and Program Participation (SIPP), which contains information about household characteristics, income and assets—including vehicle ownership data. Using this dataset, we created the 1997 MATH SIPP simulation program, which models food stamp eligibility, participation and benefits under regular FSP vehicle rules and allows us to compare them to participation and benefits under alternative vehicle rules. For each State that originally chose to adopt TANF vehicle rules for determining food stamp eligibility, we modeled their specific TANF vehicle rules and used the dataset to determine the cost and participation impacts on the Food Stamp Program. Information on State TANF vehicle rules was from a review of States in FY 2000 and is the most recent data available, as States are not required to regularly report such information to the U.S. Department of Health and Human Services. The cost and participation impacts were then adjusted to reflect the most recent choices States have made in FY 2003 regarding the adoption of TANF vehicle rules for determining food stamp eligibility. The adjustment reflected both the number of food stamp cases in each State and the relative generosity of their TANF vehicle rules.

FY 2003 STATE VEHICLE RULES FOR DETERMINING FSP ELIGIBILITY (AS OF 02/03)

FSP vehicle rules (9 States)	TANF-cash vehicle rules (27 States)	TANF child care or foster care vehicle rules (10 States)	Other: States with expanded categorical eligibility (7 States)
CA, GA, IA, MS, RI, TN, VI, VA, WA.	AL, AK, AZ, AR, CT, DC, FL, GU, HI, IL, KS, KY, LA, MD, MN, MT, NV, NH, NJ, NC, OH, OK, PA, SD, UT, VT, WY.	CO, ID, IN, MA, MO, NE, NM, NY, WV, WI.	DE, ME, MI, ND, OR, SC, TX

The adjusted impact was calculated as a 2.00 percent expected increase in benefits.

This impact was multiplied by expected benefits for each fiscal year, based on the

President's FY 2004 budget baseline of December 2002. While we recognize that the