

How Many Proposed Categories Are There?

There are 7 proposed categories that would provide bonuses for up to 30 States.

What Are the Proposed Categories?

The 7 categories include the lowest and most improved combined payment error rates, the lowest and most improved negative error rates, the highest and most improved participant access rates, and the best application processing timeliness rate. Following is a detailed discussion of each proposed measure and the proposed data that would be used for each measure.

As mentioned above, FNS and representatives of partnering agencies and organizations considered many categories. One of these categories was for innovation. Generally, FNS believes that a determination of "most innovative" would require a subjective determination, unlike the other measures discussed and eventually proposed in this rulemaking that are based on objective and quantifiable data. Therefore, FNS decided at the time of this proposed rulemaking to reserve such a category for the annual non-monetary awards that FNS gives out at the American Association of Food Stamp Directors Conference. FNS is interested in the idea of rewarding innovation, and would like to solicit comments on whether or not to include as a high performance bonus a category for innovation. Specifically, what criteria could be used to rank innovative projects?

Payment Accuracy

FNS proposes to divide \$24 million (50 percent of the total amount) among the 7 States with the lowest and the 3 States with the most improved combined payment error rate (the error rate). FNS believes allocating 50 percent of the total amount towards payment accuracy sends a strong signal that payment accuracy is still one of the Agency's highest priorities. In addition, it is an established index that measures outcomes that are influenced by many aspects of FSP management, such as policies, training and customer service. In general terms, the error rate consists of the rate of over issuances and under issuances to participating households. More specifically, the regulations at 7 CFR part 275 define the error rate, prescribe how this data is collected and manipulated, and describe how the error rate is determined. These data are the most readily available data of all the proposed performance measures. They are selected from random sampling of

approximately 54,000 cases that are reviewed by the States and validated by FNS. Determination of error rates is a long established practice, one that the State agencies and others are familiar with. Therefore, for the sake of brevity, this proposed rule will not detail the QC data collection process.

How Will the Most Improved Error Rate Be Determined—by Percent Decrease (Relative) or by Percentage Point Decrease (Absolute)?

FNS proposes that the most improved error rate be determined by measuring the percentage points decreased (absolute improvement). For example, if State A has an error rate of 10 percent in FY 2003 and an error rate of 6 percent in 2004, its improvement is 4 percentage points, or a 40 percent improvement. If State B has an error rate of 6 percent in 2003 and an error rate of 3 percent in FY 2004, its improvement is 3 percentage points, or a 50 percent improvement. FNS proposes to rank State A higher than State B because its absolute improvement (4 percentage points) is greater.

FNS believes absolute improvement has more of an impact on the national FSP than relative improvement. For example, if States A and B both issued \$100 million in benefits, State A would have reduced its payment error by \$4 million while State B would have reduced its payment error by only \$3 million.

Negative Error Rate

FNS proposes to divide \$6 million among the 4 States with the lowest and the 2 States with the most improved negative error rate. The negative error rate measures the correctness of the State agency's action to deny an application, or suspend or terminate the benefits of a participating household. It also measures whether a State correctly determined a household's eligibility in terms of the State's compliance with Federal procedural requirements. For example, a case may be reported as an invalid denial because the State denied the application prior to the 30th day, even though the household is not eligible. The negative error rate is the best measure FNS has of how many people walk in the door and do not get the services and benefits as provided by statute. As with the error rate, the determination of the negative error rate is spelled out in 7 CFR part 275. Again, it is long standing practice and, therefore, this proposed rule will not detail how FNS determines the negative error rate.

How Will the Most Improved Negative Error Rate Be Determined—by Percent Decrease (Relative) or by Percentage Point Decrease (Absolute)?

FNS proposes to determine the most improved negative error rate by measuring the percentage points improved. For example, if two States have the same caseload: State A starts with a 6 percent negative error rate and State B starts with a 3 percent negative error rate. State A reduces its error rate to 4.5 percent, a reduction of 1.5 percentage points (absolute) and a 25 percent (relative) reduction. State B reduces its error rate to 2 percent, a reduction of 1 percentage point (absolute) and a 33 percent (relative) reduction.

Our proposal is to acknowledge State A because it has had a larger effect on its State caseload than State B (1.5 percentage points versus 1 percentage point).

If both States start with the same caseload, it is clear that State A has affected more cases in its improvement. When the caseloads are different, State A still has had a bigger impact in proportion to its caseload than has State B.

FNS would like to solicit comments on whether States must attain a certain threshold to be rewarded for improvement. For example, if a State improves its negative error rate from 20 percent to 15 percent should it be rewarded, even though its negative error rate is still very high?

Participant Access Rate

FNS proposes to divide \$12 million among the 4 States with the highest and the 4 States with the most improved participant access rate. This measure is central to the purpose of the FSP in that it reflects the degree to which those in need of nutritional assistance are accessing the benefits to which they are eligible. FNS and others discussed measuring States' performance based on the participation rate that FNS publishes every year. The participation rate measures the rate at which eligible individuals are participating in the FSP. In determining this measure, FNS makes adjustments for things that would make a household or individual otherwise ineligible for the FSP such as resources, alien status, household composition and whether or not an individual has reached the time limits for able-bodied adults without dependents. It also makes adjustments for things that would make a household otherwise eligible for the FSP such as annual income versus monthly income. For example, a household could have an annual income