

**PRIVATIZATION OF THE FOOD STAMP PROGRAM  
CHAIRMAN BACA'S PROPOSAL**

**Q & A**

*American Federation of State, County and Municipal Employees (AFSCME)  
June 2007*

**What is Chairman Baca's privatization proposal?**

The proposal clarifies and reinforces the current requirement in the Food Stamp program that public employees in merit-based personnel systems conduct the inherently governmental function of making eligibility determinations for Food Stamp benefits.

Specifically, the provision states that only state merit-staff employees can represent the agency in any communications with a prospective applicant or recipient household; participate in making determinations relating to a household's substantive or procedural compliance, including the adequacy of the application or verification of other information, and prohibit the waiver of the public administration/merit system requirement.

**What part of the Food Stamp program could be turned over the private contractors?**

Private contractors could still be used to conduct outreach activities, computer and other electronic design, nutrition education, secretarial services, and facilities management.

However, the inherently governmental function of the eligibility determination process, including taking applications, determining the facts of the individual's situation, conducting the interview, resolving disputes, and conducting the hearing process, would remain in public agencies with employees in merit-based personnel systems. They are inherently governmental activities because they require the exercise of discretion in applying governmental authority.

**Why is public administration of Food Stamps so important?**

Public merit-based personnel systems promote high quality and impartial service delivery by ensuring that hiring and promotions are based on skill requirements and experience. Public administration with merit staff is essential in the Food Stamp program, which manages billions of dollars in benefits to millions of vulnerable recipients. Public administration by merit staff avoids the abuses, excessive costs frequently associated with the contracting process, and the obligation of private companies to maximize profits for stockholders.

**Why is the provision necessary?**

- Over the last 10 years large companies and some states have sought ways around the clear Food Stamp requirement for the eligibility determination process to be conducted by public agencies using employees in merit-based personnel systems.
- Much like it has with many federal activities, the Bush Administration neglected its fiduciary and oversight responsibilities in allowing Texas to proceed with an ill-conceived plan to transfer most of the operational aspects of its eligibility determination system to a private contractor.

- The result in Texas was a disaster: Services deteriorated as backlogs and other inefficiencies increased. The contractor's monthly abandoned call rate was four times higher than what was called for in the contract; more than 127,000 children were dropped from health insurance between December 2005 and April 2006; and thousands of experienced state employees were laid off or quit and replaced by poorly trained, low-paid vendor employees.

- **Former Texas Comptroller, Carole Keeton Strayhorn**, after conducting an audit of the system, stated that the "*project has failed the state and the citizens it was designed to serve*" and called the privatization effort a "*perfect story of wasted tax dollars, reduced access to services and profiteering at taxpayers' expense.*"

- The same administration has allowed Indiana to begin a similar privatization effort despite the Texas disaster and the dubious legality of the project.
  - Stated Senator Tom Harkin (D-IA) in a March 16, 2007 letter to the Secretary of Agriculture: "Indiana lacks legal authority under the Food Stamp Act to implement this plan without a formal waiver of the Act's requirements...USDA erred in approving federal funding for the project prior to fully determining the legality of doing so without a waiver of statutory requirements."
- It is too risky to allow states to experiment with these large privatization projects: too risky for the millions of vulnerable people affected and too risky for the taxpayers.

### **Isn't the private sector more efficient?**

Not necessarily. Privatization is often driven by ideology or political considerations rather than concerns about improved administration. Texas was just one among many privatization social service failures over the last 10 years.

- Stated Texas **HHSC Inspector General Brian Flood, April 2007**: "*To date, more than half a billion taxpayer dollars have been spent on TIERS/IEES. ...[W]e concur with the 2006 federal Single State Audit finding that TIERS ...is not appropriately designed and/or operating effectively...to ensure clients are eligible and receive appropriate benefit amounts. [I]f TIERS were deployed statewide today, if could increase the state's questioned costs, as found in the recent audit,...ranging between \$2.6 and \$4.9 billion more taxpayer dollars.*" **In testimony to the Legislature, 4/19/2007**
- In contrast, between 2001 and 2004, Food Stamp participation in Texas increased by 64 percent, nearly double the national growth rate, while the public eligibility offices maintained an accuracy and timeliness rate that received national recognition.

### **Isn't the private sector more innovative?**

States don't need to privatize to modernize the Food Stamp program.

- According to a May 2007 GAO report, "Use of Alternative Methods to Apply For and Maintain Benefits Could Be Enhanced by Additional Evaluation and Information on Promising Practices," all states now use mail; 26 states have implemented or are developing on-line systems; and half the states are using or developing call centers.
- Of the 19 states using call centers, only Texas and Idaho had used private contractors although Texas has terminated its contract.

**Wouldn't the provision disrupt the Food Stamp delivery system in Indiana now that privatization has been allowed to move forward?**

No, for several reasons:

- Except for transferring over 1,000 state employees to ACS, the main subcontractor, very little has changed operationally so far.
- The first operational changes are scheduled to occur in several counties in the fall.
- Indiana has been given funding for the project only through this September. It has not been given a blank check for the entire 10-year contract period.

**What is wrong with contracting with a private company to set up and operate the intake part of the delivery system while retaining state employees to make the final eligibility decisions?**

As the Texas failure amply demonstrated, the intake and assessment of income and assets, and the interview process are the foundation upon which the final determination is made. A failure or mistakes on the front end can lead to wrongful denials or mistakes in the final stage. At that point it isn't clear whether the contractor or public agency would be legally liable.

Additionally, Food Stamp applications require families to disclose personal financial information. Confidentiality cannot be adequately protected when private contractors have access to this information. In Texas, 144 social service enrollment forms mistakenly were faxed to a warehouse in Seattle, Washington.

**Wouldn't the provision prevent nonprofits from conducting outreach and translation activities?**

No, the provision would not interfere with the good work community nonprofit agencies already are doing to help families apply for Food Stamps.

AFSCME Department of Legislation  
June 2007

*For more information, please contact Nanine Meiklejohn, AFSCME, at [nmeiklejohn@afscme.org](mailto:nmeiklejohn@afscme.org).*