

March 5, 2008

SUBJECT: FSP – Calculation of Value of ABAWD Exemptions in Cases Where States Overuse Their Allocations

TO: All Regional Directors
Food Stamp Program

This is a follow up to our November 8, 2007, memorandum to All Regional Food Stamp Program Directors concerning overuse of 15 percent Able Bodied Adults Without Dependents (ABAWD) exemptions by State agencies. In that memorandum, we stated: (1) Food and Nutrition Service (FNS) will consider ABAWD exemptions issued in excess of a State's annual allocation to be unauthorized allotments, and (2) beginning with Fiscal Year (FY) 2008, FNS will give States 1 year to offset overused exemptions against their subsequent year's allocation. If the excess is not offset within a year, FNS will bill the State for the unauthorized allotment associated with the overused exemptions. The purpose of this memorandum is to establish the billing methodology that will be used when billing a State agency, should the occasion arise.

In consultation with FNS' Office of Research, Nutrition and Analysis, we have established the following formula:

The billing amount will equal 93 percent of the maximum one person allotment for the fiscal year(s) involved multiplied by the number of overused ABAWD exemptions that have not been offset after their subsequent year's allocation.

For example, a State that has 5,000 overused exemptions remaining for FY 2005 after offsetting the overused amount against their subsequent allocation, would have their bill computed as follows: \$149 (maximum one person allotment for FY 2005) X 0.93 = \$138.57 X 5,000 (overused ABAWD 15 percent exemptions) = \$692,850.

The 93 percent figure was derived from comparing the average allotment for all ABAWD characteristic households (non-elderly, non-disabled, childless single person households) to the maximum one person allotment for the appropriate fiscal year (Table A-15 of the *Characteristics of Food Stamp Households*). Data for FYs 2004, 2005, and 2006 indicate that the ratio of the average allotment for the above households was 93 percent of the 1-person maximum benefit in each of the 3 years. We believe that this methodology provides a reliable estimate across States and over time.

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Please notify your State agencies of this methodology. If you have any questions, contact Patrick Lucrezio at 703-305-2498 or via email at Patrick.Lucrezio@fns.usda.gov.

/S/

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