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Joint Committee on Finance

Paper #348

FoodShare Eligibility -- Asset Limit (Health Services -- FoodShare)

[LFB 2017-19 Budget Summary: Page 227, #4]

CURRENT LAW

FoodShare is Wisconsin's name for the federal supplemental nutrition assistance program (SNAP). The program provides federally-funded benefits to individuals and families with household income under 200% of the federal poverty level (FPL) to purchase food from participating retailers. In 2017, this income limit is \$23,760 for an individual, \$32,040 for a couple, and \$40,320 for a family of three.

County staff performs program eligibility and case management functions for FoodShare, Medicaid, and several other public assistance programs. The only exception is for Milwaukee County residents for whom state staff conducts these "income maintenance" (IM) activities through Milwaukee Enrollment Services (MILES).

Currently, assets are not included as part of the FoodShare eligibility determination since all FoodShare applicants and household members are authorized to receive a temporary assistance to needy families (TANF) funded non-cash service. However, new applicants must report the amount of liquid assets available at the point of the initial application for FoodShare benefits, to determine eligibility for priority service and expedited issuance.

The criteria described above do not apply to households with a gross income over 200% of the FPL that include an elderly, blind, or disabled (EBD) member. These households do not have a gross income limit but must have net income that does not exceed 100% of the FPL and countable assets that do not exceed the federally established asset limit of \$3,250.

GOVERNOR

Provide \$118,200 (\$59,100 GPR and \$59,100 FED) and 1.50 positions (0.75 GPR position and 0.75 FED position) in 2017-18 and \$3,589,800 (\$1,794,900 GPR and \$1,794,900 FED) and 10.20 positions (5.10 GPR positions and 5.10 FED positions) in 2018-19 to implement provisions that would prohibit individuals who are not elderly, blind, or disabled from participating in the FoodShare program in any month in which the household of which the individual is a member has liquid assets that exceed \$25,000. This requirement would take effect on July 1, 2018.

DISCUSSION POINTS

SNAP Eligibility

1. Under federal law the asset limit for non-EBD households is \$2,250. In general, federal law does not permit states to enact eligibility criteria for SNAP benefits that are more restrictive than those established by the U.S. Department of Agriculture (USDA), Food and Nutrition Services (FNS).

2. States have the option to eliminate their asset limits under broad-based categorical eligibility (BBCE). Specifically, under BBCE, households may become categorically eligible for SNAP because they qualify for a non-cash TANF or state maintenance of effort (MOE) funded benefit. In keeping with federal law, BBCE cannot be used to limit eligibility.

3. In 2016, 39 states, District of Columbia, Guam, and the Virgin Islands, allowed for categorical SNAP eligibility under BBCE. Of the states with BBCE, four have asset limits of \$5,000 (with varying treatments of vehicles) and one state (Nebraska) has an asset limit of \$25,000 on liquid assets.

4. In Wisconsin, most households are considered categorically eligible for FoodShare if their gross income is at or below 200% of the FPL since information describing Job Center of Wisconsin services, a partially TANF funded service that all household members are authorized to receive, is provided to the household on the FoodShare approval and change notices.

5. BBCE cannot be applied to determine eligibility or re-eligibility for households with an EBD member; a member who was disqualified for an intentional program violation or due to a drug felony sanction; or when the primary person applying was disqualified for failure to comply with the work registration requirement.

6. The bill would maintain BBCE, while prohibiting individuals who are not elderly, blind, or disabled from participating in the FoodShare program in any month in which the household of which the individual is a member has liquid assets that exceed \$25,000.

7. Liquid assets would include cash or financial resources that can be converted to cash without incurring penalties. Liquid assets would not include the equity value of vehicles or of a home serving as the individual's primary residence. Further, DHS would have the authority to

designate, by rule, other financial resources that would be excluded from the definition of liquid assets.

Implementation of Asset Limit

8. DHS indicates that FoodShare recipients would be required to disclose their liquid assets during their initial and annual interview, as well as when completing their six-month report form (SMRF).

9. During FoodShare interviews and six-month case reviews, the IM worker would check the household information against data in the Asset Verification System (AVS) for possible matches. AVS is a service for which DHS contracts, currently used to verify assets for elderly, blind, and disabled individuals who apply for Medicaid (EBD Medicaid). For EBD Medicaid asset verifications, AVS receives quarterly reports from selected financial institutions that contain the balance of all accounts owned or jointly held by an EBD Medicaid eligible member. The IM worker then compares the AVS data to information provided by the applicant or recipient. DHS indicates that a similar process would be used to verify assets for FoodShare applicants and recipients. If there is a substantial difference between what is reported in AVS and what is self-reported by the individual, the case could be flagged for follow-up.

10. As further verification, current audits would be expanded to include verification of the recipient's self-attestation regarding assets. Approximately 1,700 FoodShare cases are sampled for auditing by the DHS Quality Control Unit in the Bureau of Enrollment Policy and Systems (BEPS) each year, as required by FNS. For cases that are audited, the audit currently includes all enrollment information and would be expanded to include verification of assets.

11. If the IM agency or Quality Control Unit has reason to suspect fraud in a given case, the case is turned over to the DHS Office of the Investigator General (OIG) for investigation. In 2016, OIG conducted 17,075 investigations. Of these, 13,195 investigations had a FoodShare component. Common claims investigated by OIG, as they relate to current FoodShare requirements include: Wisconsin residency requirements, unreported or under-reported income, discrepancies in household composition, selling of FoodShare benefits, receiving SNAP benefits in more than one state at the same time, and possible identity theft. OIG would also investigate concerns about fraud or misinformation related to household assets, if the new asset limits were implemented.

12. This provision would take effect on July 1, 2018. DHS has indicated that the agency will need to submit a waiver request to FNS to implement the asset limit, as proposed in the bill. Therefore, implementation could be delayed depending on how quickly FNS approves the waiver. Under the bill, if FNS denies the waiver request, DHS may not implement the requirement.

13. In order to comply with this provision of the bill, IM staff would need to review the assets of households prior to July 1, 2018, and notify those that no longer meet the eligibility standard that their program participation will be terminated on that date. This would require significant IM staff time, which is not accounted for, or funded in the bill. To address this issue, the bill could be amended to replace the provision's effective date with an initial applicability provision, specifying that the asset limit would first apply to initial applications and redeterminations for

FoodShare benefits that occur after July 1, 2018, or the date FNS approves the state's waiver request, whichever is later.

Cost Estimate

14. Based on the anticipated implementation date of July 1, 2018, the bill would fund costs DHS would incur in 2017-18 associated with the development of the asset limit policy and participation in the systems development necessary to implement the policy, as well as working to develop the waiver request. The only cost in 2017- 18 is support for 1.50 additional positions (0.75 GPR position and 0.75 FED position) for the Division of Medicaid Services (the DHS Division that administers FoodShare).

15. In developing its estimate of the cost of enforcing the asset limit in 2018-19, the administration relied on FoodShare assistance group caseload trends between November, 2015, and October, 2016. Several more months of caseload data is now available for reexamination. The administration assumed an average monthly caseload of 358,576. Between January, 2016, and January, 2017, the average number of assistance groups receiving FoodShare benefits is approximately 353,915. Therefore, the administration's estimates of the FoodShare assistance group caseload may be slightly high, but still appear reasonable.

16. The lower average caseloads mean that fewer households would require review to ensure compliance with the new liquid asset limit. The administration estimates that 197,886 non-EBD assistance groups would require review at a cost of \$542,500 GPR (\$1,085,000 all funds) annually. Reestimating average assistance groups based on updated caseload information results in 4,322 fewer non-EBD assistance groups requiring review and reduces estimated costs by \$11,900 GPR (\$23,800 all funds) in FY18-19.

17. Further, the administration's initial estimate of workload costs would have added an additional \$297,600 GPR (\$595,200 all funds) annually for Milwaukee Enrollment Services (MILES). However, the administration submitted an erratum which indicated that this additional funding amount would have resulted in double funding for the workload costs for MILES and should be removed.

18. Finally, DHS indicates that due to completed contract negotiations with Deloitte, who is the developer for the Client Assistance for Reemployment and Economic Support (CARES) computer system, all 2018-19 CARES contract amounts have increased by 1.61% since the administration completed its estimate of implementation costs.

19. The following table shows the costs of implementing the Governor's proposal based on the adjusted caseload, incorporation of the administration's erratum, and the updated CARES contract. State and county costs of implementing this requirement are funded on a 50% state (county)/50% FED cost-sharing basis.

Reestimate of Funding Necessary to Implement the Governor's Proposal

	2017-18		2018-19		Biennium	
	<u>GPR</u>	<u>FED</u>	<u>GPR</u>	<u>FED</u>	<u>GPR</u>	<u>FED</u>
State Staff Development	\$0	\$0	\$29,600	\$29,700	\$29,600	\$59,300
CARES Modifications	0	0	609,600	609,600	609,600	1,219,200
Additional AVS Contract	0	0	250,000	500,000	250,000	500,000
IM Training	0	0	6,400	6,300	6,400	12,700
Support for 1.50 DHS Positions	59,100	59,100	68,800	68,800	127,900	255,800
Consortia/Tribal Workload	0	0	340,100	340,100	340,100	680,200
MilES Workload	<u>0</u>	<u>0</u>	<u>190,500</u>	<u>190,500</u>	<u>190,500</u>	<u>381,000</u>
Total	\$59,100	\$59,100	\$1,495,000	\$1,495,000	\$1,554,100	\$1,554,100
Amount in Bill	\$59,100	\$59,100	\$1,794,900	\$1,794,900	\$1,854,000	\$1,854,000
Difference (Change to Bill)	\$0	\$0	-\$299,900	-\$299,900	-\$299,900	-\$299,900

20. Due to the inadvertent double funding of IM costs in the bill and slightly reduced caseload estimates, the bill authorizes 3.10 positions (1.55 GPR positions and 1.55 FED positions) more than would be required, based on the administration's workload assumptions. Consequently, in addition to reducing funding in the bill, the number of authorized positions in the bill for Miles could be reduced by 3.10 positions in 2018-19. This change is incorporated in Alternative 1.

21. The AVS costs shown above are based on a number of factors. Specifically, the current asset verification contract with Health Management Systems (HMS) provides for a \$38,000 fee per month to search up to 150 financial institutions per quarter for Medicaid. Each additional financial institution beyond the first 150 costs an additional \$140. In addition to similar contract costs, DHS anticipates additional costs associated with integrating AVS with FoodShare and a rate increase as the AVS contract is currently being reauthorized.

22. Funding for 2018-19 is anticipated to be higher than in subsequent years due to one-time costs associated with implementation of the requirement. The most significant of these one-time costs is \$609,600 GPR (\$1,219,200 all funds) budgeted to create new screens in CARES, which is used by IM staff for eligibility and case management functions. The new CARES screens would incorporate asset testing into FoodShare interviews and six-month reviews. DHS indicates that the costs associated with this update are based on the cost of similar projects.

Policy Arguments

23. The primary argument in support of this provision is that households with a significant amount of liquid assets should not rely on FoodShare as a means of purchasing food. Further, it is argued that public assistance programs should be targeted to families who are most in need of benefits. However, by establishing the asset limit at \$25,000, rather than a lower limit, the proposal would not create a disincentive to work or save for the great majority of current FoodShare households.

24. The primary arguments that could be made against the proposal are largely based on

the significant one-time and ongoing state and federal costs of implementing the proposal, compared with the potential savings that would result by reducing enrollment and benefits costs.

25. First, since FoodShare benefits are supported entirely with federal funds the estimated annual implementation costs (approximately \$1.15 million GPR and \$1.15 million FED) would not result in any reduction in state costs if some current households no longer qualify for FoodShare benefits due to the asset limit. Rather, a number of other states realized savings upon the elimination of their asset limits for public benefits programs such as TANF and Medicaid, even in instances where additional individuals became eligible for partially state funded benefits.

26. Second, it is likely that few FoodShare households that do not include an EBD member would be found to have countable assets that exceed \$25,000. DHS does not currently maintain reliable information on the assets of FoodShare households. However, a 2016, USDA study found that, in 2011, only 1% of all SNAP households nationally had \$10,000 or more in countable assets excluding vehicles.

27. If the national trend of 1% was applied to Wisconsin's non-EBD FoodShare caseload approximately 1,900 households would have liquid assets above \$10,000. However, the USDA study also demonstrated that, on average, SNAP households without EBD members had fewer assets than SNAP households with EBD members, so this estimate may be too high since only non-EBD households would be affected by the bill. Further, since the bill would implement a \$25,000 asset limit, it can be assumed that far fewer than 1,900 households would be impacted.

ALTERNATIVES

1. Approve the Governor's recommendations, with the reestimates summarized in the table in Discussion Point 19. Reduce funding in the bill by \$599,800 (-\$299,900 GPR and -\$299,900 FED) in 2018-19, and delete 3.10 positions (-1.55 GPR position and -1.55 FED position) in 2018-19.

In addition, modify the bill to specify that the asset requirements would first apply to initial applications and redeterminations for FoodShare benefits that occur after July 1, 2018, or the date FNS approves the state's waiver request, whichever is later.

ALT 1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
GPR	\$1,554,100	3.55	- \$299,900	- 1.55
FED	<u>1,544,100</u>	<u>3.55</u>	<u>- 299,900</u>	<u>- 1.55</u>
Total	\$3,108,200	7.10	- \$599,800	- 3.10

2. Delete provision.

ALT 2	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
GPR	\$0	0.00	- \$1,854,000	- 5.10
FED	<u>0</u>	<u>0.00</u>	<u>- 1,854,000</u>	<u>- 5.10</u>
Total	\$0	0.00	- \$3,708,000	- 10.20

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