Fields of Opportunities

STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
CHARLES J. KROGMEIER, DIRECTOR

December 29, 2009

The Honorable Chester J. Culver
Governor
State Capitol
LOCAL

Dear Governor Culver:

Enclosed please find copies of a report to the General Assembly relative to expanding categorical eligibility for the Food Assistance program.

This report was prepared pursuant to a directive contained in 2009 Iowa Acts, House File 811, section 6, subsection 6, requiring the Department of Human Services to review the feasibility of expanding categorical eligibility for the Food Assistance program to at least 160% of the federal poverty level and eliminating the current asset test for the program.

The report describes the potential benefits and challenges of expanding categorical eligibility, including the economic benefits and fiscal impact on Iowa families and the state. The report includes the costs and benefits for two options for broad-based categorical eligibility impacting the entire Food Assistance caseload.

If you have any questions about the contents of the report, please do not hesitate to contact me.

Sincerely

Julie A. Fleming
Legislative Liaison

Enclosure

cc: Michael Marshall, Secretary Iowa Senate
Mark Brandsgard, Chief Clerk of the House

1305 E WALNUT STREET - DES MOINES, IA 50319-0114

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December 29, 2009

Michael Marshall
Secretary of Senate
State Capitol
LOCAL

Mark Brandsgard
Chief Clerk of the House
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Dear Mr. Marshall and Mr. Brandsgard:

Enclosed please find copies of a report to the General Assembly relative to expanding categorical eligibility for the Food Assistance program.

This report was prepared pursuant to a directive contained in 2009 Iowa Acts, House File 811, section 6, subsection 6, requiring the Department of Human Services to review the feasibility of expanding categorical eligibility for the Food Assistance program to at least 160% of the federal poverty level and eliminating the current asset test for the program.

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cc: Governor Chester Culver
Legislative Service Agency
Kris Bell, Senate Majority Caucus
Peter Matthes, Senate Minority Caucus
Zeke Furlong, House Majority Caucus
Brad Trow, House Minority Caucus

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DEPARTMENT OF HUMAN SERVICES
CHARLES J. KROGMEIER, DIRECTOR

Report to the Iowa Legislature on the Feasibility of Food Assistance Program Expanded Categorical Eligibility
December 29, 2009

EXECUTIVE SUMMARY

Background

2009 Iowa Acts, House File 811, section 6, subsection 6, requires the Department of Human Services to *review the feasibility of expanding categorical Food Assistance program eligibility to at least 160% of the federal poverty level* (compared to the current 130% level) *and eliminating current asset tests for program eligibility* (currently $3,000 for households with an elderly or disabled member and $2,000 for all others). Both the income and resource limits for the Food Assistance program are set by federal regulation and cannot be changed directly by the state.

Categorical eligibility refers to the ability of states, granted under federal authority, to establish eligibility for Food Assistance based on a household being determined eligible for a cash benefit such as the Family Investment Program (FIP), general assistance, or Supplemental Security Income (SSI), or as an option, using a non-cash benefit that is fully or partially paid for using federal Temporary Assistance for Needy Families (TANF) or state maintenance of effort (MOE) funds. Households determined to be categorically eligible are not subject to the regular federal income and resource limits. Currently, Iowa's categorical eligibility for Food Assistance is limited to households where all members receive either SSI or FIP.

Review and Analysis

The Department reviewed a number of resources on the topic. This research included an analysis of the results of several surveys of states that have expended categorical eligibility and federal reports and guides.

Twenty-eight states have implemented broad-based categorical eligibility using eligibility for or receipt of non-cash benefits or services funded partly with TANF/MOE to allow all or nearly all Food Assistance household to become categorically eligible. A few states have taken a more narrow approach limiting their expansion policies to only households that include a child.

Expanding categorical eligibility offers potential benefits for low-income households, the state's economy and Department staff. These benefits include:

- Making more low income households eligible.
- Increasing local and state economic activity stimulated through expending benefits.
- Reduced error rates, depending how the program is implemented.

Options

The report includes the costs and benefits for two options for broad-based categorical eligibility impacting the entire caseload.

1. Option 1 would increase the gross income limit to 160% of the federal poverty level but keep an asset limit. (The state can design its new TANF/MOE program to have an asset limit higher than the federal Food Assistance limit or no limit at all. A limit on liquid resources only is possible).
2. Option 2 would both increase the gross income limit to 160% of the federal poverty level and eliminate the asset test.

	Option 1 **Income Limit 160%,** **No Change in Resource Limit**	**Option 2** **Income Limit 160%** **No Resource Limit**
	Benefits:	
Caseload increase results in more households eligible	3% - 6% 4,509 – 9,018 Households 9,830 – 19,659 Individuals	5% - 8% 7,515 – 12,024 Households 16,383 – 26,212 Individuals
More federal benefits to spend to stimulate the economy	$6.7 - $13.4 million annual benefit increase $12.4 - $24.7 million annual increase in economic activity[1]	$11.2 - $17.9 million annual benefit increase $20.6 - $33 million annual increase in economic activity[1]
Possible reduction in error rate	If new program eliminates the requirement to report income exceeding 130% during the certification	If new program eliminates the requirement to report income exceeding 130% during the certification and eliminates the need to report/verify all assets
Estimated Benefits	**$12.4 - $24.7 million**	**$20.6 - $33 million**
	Costs:	
Possible increase if additional staff	Iowa's current error rate is just under 7% & could result in a sanction of about $400,000	Iowa's current error rate is just under 7% & could result in a sanction of about $400,000
Estimated caseload growth without additional FTEs	from current 539 to 546 - 552	from current 539 to 550 - 556
Additional DHS staff to minimize caseload increase	11-23 FTE's $701,564 - $1,468,403 total cost ($389,630 - $814,044 state share)	18-29 FTEs $1,141,965 - $1,843,529 total cost ($632,202 - $1,021,832 state share)
IT Programming costs	$4740 - $5,790 1-time.	$4740 - $5,790 1-time.
Printing Brochure	$12,000 annually	$12,000 annually
Mailing Brochure	$64,413 - $66,127 annually	$65,556 - $67,269 annually
Estimated Costs	**$782,717 - $1,552,320**	**$1,224,261 - $1,928,588**

[1] The Food and Nutrition Service has estimated that every $5 in Food Assistance generates $9.20 in local and state economic activity.

Considerations

Considerations include:

- Expanded categorical eligibility will increase the Food Assistance caseload, which is already increasing due to past outreach efforts and the current recession. In addition, Income Maintenance workers also handle the Medicaid and Family Investment (FIP) programs, which are also increasing participation due to the recession and Medicaid policy changes.
- If staffing is not adequate to handle the increase in caseloads, delays in processing applications and increased error rates are likely to result.
- Expanded categorical eligibility can simplify the Food Assistance program and improve program accuracy by eliminating the requirement to report income exceeding 130% of the federal poverty level during the certification period (Option 1)
- Expanded categorical eligibility can simplify the Food Assistance program and improve program accuracy by eliminating the resource limit. (Option 2)
- Eliminating the resource limit may be cause for concern for some people.
- While it is difficult to quantify the tradeoffs of possible program simplification and increased caseload, it is important to remember that Iowa is currently looking a possible sanction of more than $400,000 now for a Food Assistance program error rate that exceeds the national average by more the 2%.
- Implementation of broad-based categorical eligibility would include obtaining any necessary state legislation for the TANF program and adopting Administrative rules for both the TANF and Food Assistance programs.

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Report to the Iowa Legislature on the Feasibility of Food Assistance Program Expanded Categorical Eligibility
December 29, 2009

BACKGROUND

Basis for Report

2009 Iowa Acts, House File 811, section 6, requires that the Department of Human Services:

1. Review the feasibility of expanding categorical Food Assistance program eligibility in Iowa to at least 160 percent of the applicable federal poverty level and simplifying administrative requirements by eliminating current asset tests for Food Assistance program eligibility.
2. Estimate the potential economic benefits and fiscal impact of making these changes on individual Iowa families and the state.
3. Report on or before December 15, 2009, concerning the review, providing findings and recommendations, to the persons designated by this division of this Act for submission of reports.

Definition of Categorical Eligibility

Categorical eligibility for Food Assistance refers to establishing eligibility for Food Assistance based on a household being determined eligible for a cash benefit such as the Family Investment Program (FIP), general assistance, or Supplemental Security Income (SSI), or a non-cash benefit or service that is fully or partially paid for using federal Temporary Assistance for Needy Families (TANF) or state maintenance of effort (MOE) funds.

States can take two different approaches to expanding categorical eligibility beyond households on FIP or SSI:

- *Broad-based Categorical Eligibility* – refers to the policy whereby most, if not all households receiving Food Assistance are categorically eligible because they're eligible for a TANF/MOE funded benefit such as a brochure providing resource/referral information on a wide range of services one or more of which would be available/useful to anyone receiving Food Assistance. Households do not have to actually receive the TANF/MOE funded benefit but must be determined eligible for the benefit. The new TANF/MOE program must set a gross income limit of up to 200% of the federal poverty level. The resource limit could be higher than the current program resource limit or have no resource limit at all.

- *Narrow-based Categorical Eligibility* – refers to the policy whereby a specific subset of Food Assistance households are categorically eligible because they're eligible for a TANF/MOE funded benefit or service that is targeted to this population; i.e., only those households meeting certain criteria such as having a child are eligible for this benefit or service.

REVIEW

1. In preparing this report the Department utilized a number of information sources.
   - Federal Laws, Regulations and Policy Instructions for both Food Assistance and TANF
   - United States Government Accountability Office (GAO) Report to the Committee on Agriculture, Nutrition, and Forestry, U.S. Senate (March 2007)
   - Food and Nutrition Service (FNS) – Food Stamp Program Expanded Categorical Eligibility (February 2007)
   - Center on Budget and Policy Priorities (CBPP) – State Option to Set the Asset and Gross Income Tests (Stacy Dean, December 2008)
   - American Public Human Services Association (APHSA)
   - Information from Individual States
   - Iowa Statistics

   Of particular value/use were the results of surveys by the GAO and CBPP of other states that have previously implemented expanded categorical eligibility.

2. The Department analyzed the potential for using current TANF and MOE programs to expand categorical eligibility.

3. The Department explored establishing new TANF or MOE programs/services to expand categorical eligibility.

Note: More information from this analysis is available upon request.

ANALYSIS

Other States

According to the Food and Nutrition Service, twenty-eight states have implemented broad-based categorical eligibility and three others have program changes pending. Broad-based categorical eligibility makes nearly all applicants within the new gross income limit eligible for the program. Eight states have implemented narrow categorical eligibility.

Potential Benefits of Expanding Categorical Eligibility

This change offers potential benefits for low-income households, the state's food industry and the state's overall economy, and promotes more efficient work processes for Department staff.

1. **More needy households:**
   - Become eligible for the Food Assistance program.
   - Find it easier to apply for and participate in the program.
   - Avoid hunger and malnutrition.
   - Become eligible for school feeding programs for children

2. **Economic benefits to the state:**
   - The Food and Nutrition Service has estimated that every $5 in Food Assistance generates $9.20 in local and state economic activity.
   - Increases food sales.
   - Promotes job growth in the state.
   - Eligible households have more income to spend on non-food items.
   - Additional activity stimulates other parts of the economy – increasing sales and tax revenue.

3. **Benefits to the Department:**
   - Simplifies the application and recertification process if resource limits are eliminated.
   - Elimination of resource limits would match the Child Care program and some Medicaid programs for children.
   - Can simplify the Food Assistance program and improve program accuracy by eliminating the requirement to report income exceeding 130% of the federal poverty level during the certification period
   - Reduction in eligibility and payment errors could reduce or avoid federal sanctions and resulting financial penalties.

Potential Challenges of Expanding Categorical Eligibility

Increase in Food Assistance caseloads – This is one of the greatest challenges to expanding categorical eligibility. If staffing is not adequate to handle the increase in caseload, the benefits to program simplification and reduction in sanctions could be negated, customer service would suffer, and timeliness and payment accuracy for other programs could also be negatively impacted.

- Food Assistance is just one of several programs that at the local level are delivered by Income Maintenance (IM) staff. Other major IM programs include Medicaid, Family Investment (FIP) and Child Care. IM staff determine initial and ongoing eligibility for these programs.
  - IM caseloads have increased from an average of 467 in June 2008, to 534 in November 2009, an increase of over 14%.

- The recent recession has greatly increased the number of households applying for and receiving IM benefits, especially Food Assistance.
  - During the first three (3) months of SFY 2010 (July-September), the number of households receiving Food Assistance has grown by an average of 2,249 per month.
  - In addition to Food Assistance and Medicaid cases, which have historically been on the rise in past years, the Department is also for the first time in four (4) years experiencing an increase, and a significant one at that, in the FIP caseload.

- Based on the current number of IM workers and projected caseloads, without any increase that may result from expanding categorical eligibility, the average caseload would increase to 594 by June 2011.

- While it is difficult to quantify the tradeoffs of possible program simplification and increased caseload, it is important to remember that Iowa is currently looking at a possible sanction of more than $400,000 now for a Food Assistance program error rate that exceeds the national average by more the 2%.

Public perception of eliminating the asset test – For some, the purpose of implementing broad-based categorical eligibility is to provide benefits to the newly unemployed with little income but who may still have assets available, liquid and/or non-liquid. Eliminating the resource test also allows categorically eligible recipients to accumulate savings, to the extent they are able, while receiving benefits. Eliminating the resource limit may be cause for concern for some people. Retaining a liquid resource test (a limit on readily available funds) could help address this concern.

OPTIONS

Based on all of the above, the Department has identified two viable options. Both options would use a broad-based approach to expand categorical eligibility to essentially all Food Assistance households through the use of an informational brochure advising how households can access or learn more about a wide range of services.

Option 1 – Increase the income limit to 160% of the federal poverty level but retain an asset test

While expanding categorical eligibility can both increase the income limit and eliminate the asset limit, there may be some concern that the total elimination of the asset test may result in some households with available resources being eligible for Food Assistance. Under this option, the asset limit would remain; the state could choose to modify the current limit as follows:

- alignment with other programs,
- set a resource limit at a level that is higher than federal program policy, or
- set a resource limit only for liquid assets.

A range of estimated impacts is provided in the following table based on results other states have experienced after increasing the income limit through expanded categorical eligibility. Other states have seen caseloads increase 3% - 6%.

Summary of Benefits/Costs			
Benefits		**Costs**	
Increase in Monthly Food Assistance **Households**	4,509 – 9,018	IT Programming Costs	$4,740 - $5,790 1-time.[1]
Increase in Monthly **Individuals** Receiving Food Assistance	9,830 – 19,659	Printing Brochure	$12,000 annually[1,2]
Increase in Food Assistance Benefits (100% Federal)	$6.7 M - $13.4 M annually	Mailing Brochure	$64,413 - $66,127 annually[1]
Increase in Local and State Economic Activity	$12.4 M - $24.7 M annually[3]	Additional DHS staff to maintain current caseload per worker of 539	11-23 FTE's $701,564 - $1,468,403 total cost $389,630 - $ 814,044 state share
If FTEs are not funded, caseloads will increase from the current 539 to 546 – 552.			
Total	**$12.4 M - $24.7 M annually**		**$782,717 - $1,552,230 annually; combined TANF and non-TANF, including state funds[1]**

Option 2 – Increase the income limit to 160% of the federal poverty level and eliminate the asset test

A range of estimated impacts is provided in the following table based on results other states have experienced after increasing the income limit and eliminating the asset test through expanded categorical eligibility. Other states have seen caseloads increase 5% - 8%.

Summary of Benefits/Costs			
Benefits		**Costs**	
Increase in Monthly Food Assistance **Households**	7,515 – 12,024	IT Programming Costs	$4740 - $5,790 1-time.[1]
Increase in Monthly **Individuals** Receiving Food Assistance	16,383 – 26,212	Printing Brochure	$12,000 annually[1,2]
Increase in Food Assistance Benefits (100% Federal)	$11.2 M - $17.9 M annually	Mailing Brochure	$65,556 - $67,269 annually[1]
Increase in Local and State Economic Activity	$20.6 M - $33 M annually[3]	Additional DHS staff to maintain current caseload per worker of 539	18-29 FTEs $1,141,965 - $1,843,529 total cost $632,202 - $1,021,832 state share
If FTEs are not funded, caseloads will increase from the current 539 to 550 – 556.			
Total	**$20.6 - $33 M annually**		**$1,224,261 - $1,927,538 annually; combined TANF and non-TANF, including state funds[1]**

[1] If the new program receives less that 50% of its funding from TANF or state MOE, costs would be allocated with non-TANF state general funds, federal matching Food Assistance funds, or private funding sources.
[2] Difference in range of number of brochures needed under both options is covered within a single print job needed to achieve economy of scale benefit.
[3]The Food and Nutrition Service has estimated that every $5 in Food Assistance generated $9.20 in local and state economic activity.

Establishing a New TANF/MOE Funded Program for Categorical Eligibility
Implementing a new TANF/MOE funded program provides the state with the opportunity to establish 'broad-based categorical eligibility" that would make all or nearly all Food Assistance households categorically eligible.

Based on the experience of other states that have implemented such programs and the recent instruction from FNS encouraging states to adopt "broad-based categorical eligibility", the most practical and cost effective manner of doing so would create a TANF/MOE funded program with a service consisting of providing an informational brochure or 1-800 number (or equivalent). The program could function as follows:

1. An income limit for the new TANF/MOE program would need to be established up to 200% of the federal poverty level. In effect, this becomes the new gross income limit for the state's Food Assistance program.

   If the household meets program requirements, their countable income and allowable expenses are taken into account in determining the amount of benefits to which they are entitled. Unless allowable expenses are unusually high, those with income over 160% of the federal poverty level are unlikely to receive benefits.

2. The new TANF/MOE program could have a higher resource limit than current Food Assistance program requirements or no limit at all. Categorical eligibility based on a program with no resource test essentially eliminates the resource test for Food Assistance as well.

3. The program would need to be broad-based enough to encompass the maximum number of Food Assistance households.
   - For example, an informational brochure or toll-free number to access information about a wide range of services, at least one of which could benefit any Food Assistance household, whether or not they have children.

4. Households applying for Food Assistance would have their gross income compared to the income limit established for the new TANF/MOE program and resources compared to the program's resource limit, if a limit is included, to determine if they are categorically eligible.

5. Categorically eligible households still need to meet other program requirements such as citizenship/alien status, residency, eligible student status and not being disqualified.

Legislation and Administrative Rules – In order to start a new program at least partly funded by TANF or MOE, legislation is needed to authorize the Department to establish the program and provide the necessary funding. In addition, Administrative rules for both the TANF program and Food Assistance would be needed.