



**Testimony**

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**Secretary, New Mexico Department of Human Services; and**

**Member, Secretaries' Innovation Group**

**July 24, 2014**

**To examine the role of the Supplemental Nutrition Assistance  
Program in relation to other Federal assistance programs**

**House Committee on Agriculture  
Operations, Oversight and Nutrition subcommittee**

**Greetings Mr. Chairman and Members of the Committee - -**

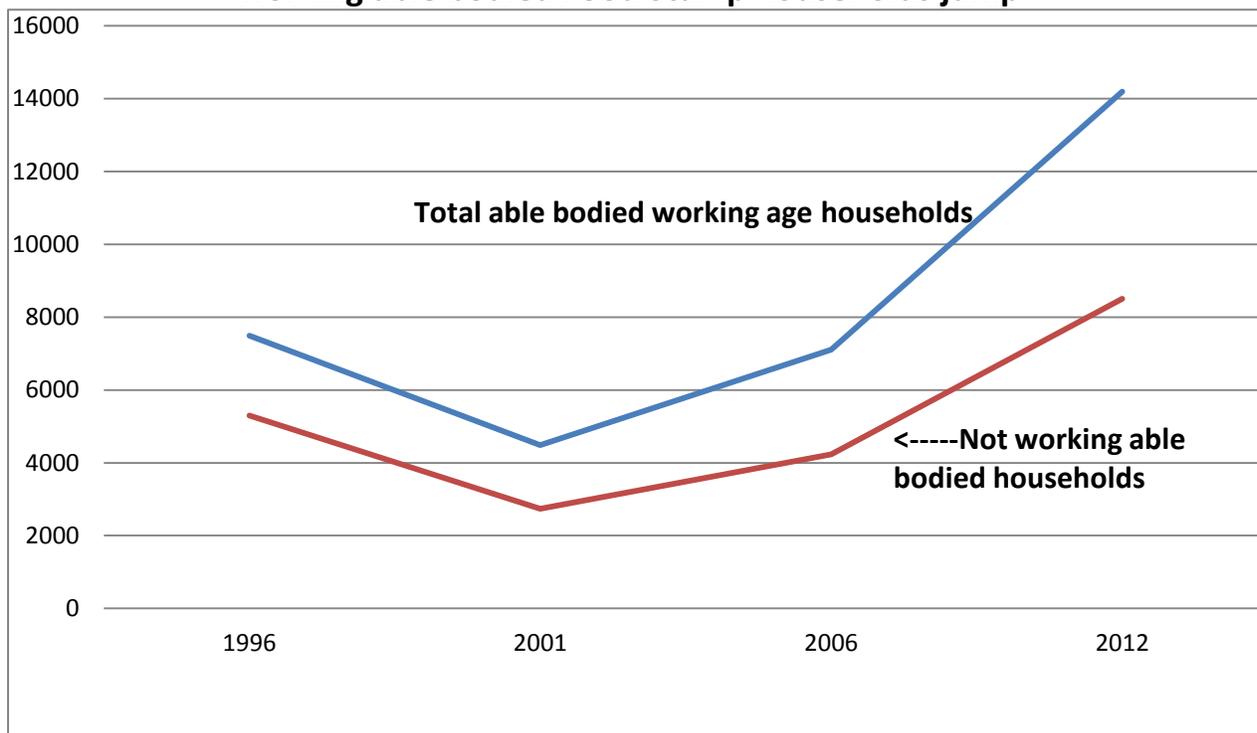
Thank you for this opportunity. As the Secretary of New Mexico's Department of Human Services, our department administers Food Stamps, TANF, Medicaid and other human service programs. In addition, I am a member of the *Secretaries' Innovation Group*, a network of 17 state human services secretaries reporting to their governors from states representing 34% of the US. Our members actively seek to promote policies that advance work, self-sufficiency and healthy families. Last year and this year we were pleased to work with members of this committee and Rep. Steve Southerland toward the development and passage in the Farm Bill of the ten state Food Stamp Work Demonstration to be implemented no later than February of this coming year.

The Food Stamp program, or SNAP, is a food supplement program whose intended purpose is to assure individuals with the very lowest incomes have enough to eat. But regrettably the program has strayed from this earlier worthwhile purpose. As a way of comparison, in the year 2001, one out of every fourteen US households received Food Stamps. *But in just a little more than a decade one in five American households has now become dependent on taxpayer funded food assistance.* Is it likely that the proportion of American households unable to afford the purchase of sufficient food has increased more than threefold during this period? <sup>1</sup> At the same time the number of beneficiaries who are able bodied and not working has ballooned.

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<sup>1</sup> Data from Congressional Research Service; Food and Nutrition Service; US Census Bureau.

**After declining during the five year period after TANF work-based reforms, non-working able bodied Food Stamp households jump**



Source: Food and Nutrition Service, US Dept. of Agriculture. Excludes elderly and disabled.

The financial costs of distributing free food to such a large proportion of American families is a substantial burden on the average American taxpayer. To place this in perspective, sixty five million households pay net federal income tax (the rest pay nothing or else receive a cash payment via the EITC).<sup>2</sup> The amount of federal income taxes needed to pay Food Stamp benefits for one year is an astonishing \$1300 on average per income taxpaying household.<sup>3</sup> The average Food Stamp monthly benefit is \$275 which means that each federal income taxpaying household is buying almost five months of groceries for other families each year.<sup>4</sup> With Food Stamp usage now at one in five families and cutting a swath well into the middle class, is it fair to ask if we were anticipating that this many Americans would be buying each other their groceries through the federal government?

The recent recession has played a role in the Food Stamp enrollment surge, but it does not account for its size. As the chart below shows, Food Stamp caseloads have gone up and down during periods of expansion and contraction without close correlation to economic conditions. For example during the recent period of strong national economic growth between 2001 and 2007 Food Stamp caseloads nevertheless increased by more than 50%.<sup>5</sup> More significant factors accounting for the enrollment surge relate to federal policy changes, in particular the aggressive federal pressure on states to recruit additional beneficiaries, combined with the loosening of eligibility rules. One of these loosened standards is a provision called “broad based categorical eligibility”.

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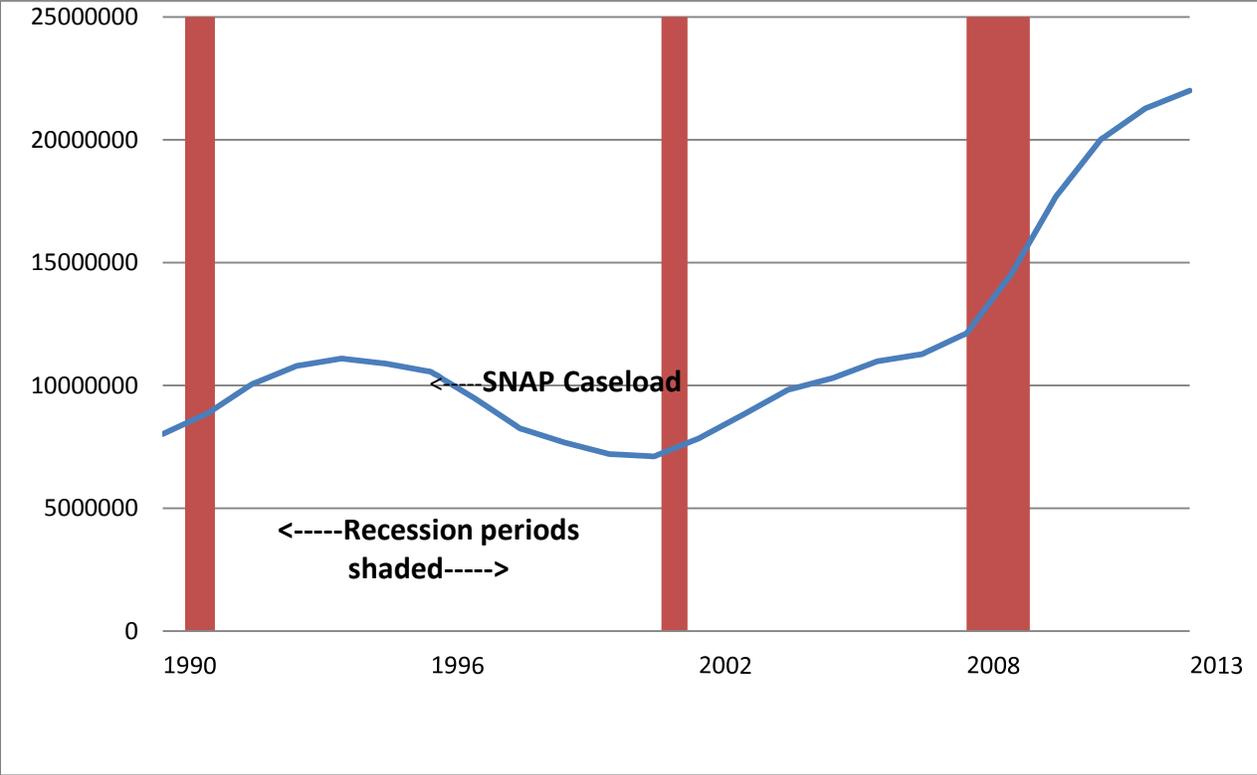
<sup>2</sup> The Tax Policy Center estimates that 56.7 percent of households paid federal income taxes in 2013 (<http://www.taxpolicycenter.org/taxtopics/federal-taxes-households.cfm>). There were an average of 115.2 million American households in the period between 2008-2012 (Census Bureau (<http://quickfacts.census.gov/qfd/states/00000.html>)). Accordingly, approximately 65 million households had net federal income tax liability in 2013.

<sup>3</sup> Those with high earnings contribute more than \$1300 per year; those with low earnings less. The middle fifth of American households pay \$12,800 in annual federal income taxes.

<sup>4</sup> Average monthly benefit per household 2013, FNS.

<sup>5</sup> Food and Nutrition Service program participation tables.

**Food Stamp caseload changes do not directly correlate to economic conditions**



Source: Food and Nutrition Service; US Dept. of Agriculture; and Bureau of Economic Analysis, US Dept. of Commerce

Broad based categorical eligibility allows households to bypass the normal income limit of 130% of poverty and resource limit of \$2000 to \$3250 imposed by SNAP if these households are eligible for TANF, SSI or state general assistance programs.<sup>6</sup> The original idea was that these other programs have their own income and resource tests, more stringent than Food Stamps, and therefore calculating a separate eligibility determination just for Food Stamps was redundant.

However this is no longer the case, because an entire state's population can now be eligible for TANF services. With the passage of 1996 welfare reform law, the nature of the new TANF program broadened beyond cash assistance, so that now less than 30% of TANF expenditures are made in the form of traditional cash distribution.<sup>7</sup> Other services, for example efforts to reduce out of wedlock pregnancies or to promote two parent families, are potentially available to a state's entire population, and subsidized child care represents an increasing share of benefit dollars.<sup>8</sup> Under current FNS guidance, even the distribution of a TANF brochure or an 800 information number qualifies an individual as a "TANF beneficiary" and triggers SNAP categorical eligibility.<sup>9</sup> In a paper issued under contract to USDA, researchers concluded that elimination of the asset test in a state inflates the Food Stamp caseload by an estimated 22%.<sup>10</sup>

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<sup>6</sup> For a detailed description of SNAP eligibility requirements see GAO-12-670

<sup>7</sup> CRS *The Supplemental Nutrition Assistance Program: Categorical Eligibility*. In FY 2011 29% of benefits were in the form of cash.

<sup>8</sup> *ibid*

<sup>9</sup> Under categorical eligibility federal asset and income tests are substituted by state limits if any.

<sup>10</sup> Karen Cunnyngham and James Ohls, *Simulated Effects of Changes to State and Federal Asset Eligibility Policies for the Food Stamp Program*, U.S. Department of Agriculture, Food and Nutrition Service, Contractor and Cooperator Report No. 49, October 2008, p. xvi, <http://naldc.nal.usda.gov/download/26691/PDF>. GAO estimates are lower; see GAO-12-670 *Improved Oversight of State Eligibility Expansions Needed*

In 2009 FNS sent a directive to its regional administrators (copy below) stating that *We encourage you to continue promoting categorical eligibility as a way to increase SNAP participation and reduce state workloads*". In that year and the next, twenty eight new states adopted categorical eligibility (including New Mexico under a prior administration), and as of now 43 states have adopted the provision.<sup>11</sup> We think that this FNS policy directive was misguided.

Prior to the aggressive attempts by FNS to expand the Food Stamp program using broad based categorical eligibility, those with sizeable savings or assets were expected to use these resources before asking for taxpayer funded food assistance. Similarly, those who were employed and earning a lower middle class income or above (130% of poverty or more) were expected to buy their own groceries out of their earnings. This is no longer necessarily the case.

During the consideration of the Farm Bill, the House voted to end the categorical eligibility provision, although it was retained in the final version. I think, as do the members of the Secretaries' Innovation Group, that categorical eligibility as currently constituted is not prudent, and that the House may wish to reconsider this part of the law and FNS practice in its promotion to states.

Thank you.

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<sup>11</sup> GAO-12-670; and CRS *The Supplemental Nutrition Assistance Program: Categorical Eligibility*

**LETTER FROM USDA ENCOURAGING STATES TO INCREASE FOOD STAMP  
CASELOADS OF HOUSEHOLDS WITH INCOME AND ASSETS OVER LIMIT USING  
CATEGORICAL ELIGIBILITY**



SEP 30 2009

United States  
Department of  
Agriculture

Food and  
Nutrition  
Service

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Alexandria, VA  
22302-1500

**SUBJECT:** Improving Access to SNAP through Broad-Based Categorical Eligibility

**TO:** Regional Administrators  
All Regions

We would like to highlight the potential of expanded categorical eligibility to enhance Supplemental Nutrition Assistance Program (SNAP) operations and accessibility. We recognize that your staff has been instrumental in supporting States' adoption of expanded categorical eligibility, and are pleased that over half of the States have adopted this policy to date. We encourage you to continue promoting expanded categorical eligibility as a way to increase SNAP participation and reduce State workloads.

In these times of rising caseloads and shrinking State budgets, expanded categorical eligibility can benefit States by simplifying policies, by reducing the amount of time States must devote to verifying resources, and by reducing errors. It can benefit families hurt by the economic crisis. For example, families with low incomes and modest assets will be eligible for benefits. It can extend food assistance to families with high expenses but gross incomes slightly higher than the normal gross income test. Applicants will not need to provide documentation verifying their resources. Finally, adopting expanded categorical eligibility can promote asset accumulation among low-income families.

As you know, a household is categorically eligible for SNAP if the household receives a cash benefit, such as public assistance, general assistance, or Supplemental Security Income, or a TANF/MOE funded non-cash benefit, such as a pamphlet or counseling services. In the past, we have referred to non-cash categorical eligibility as "expanded categorical eligibility," "soft categorical eligibility," and "hard categorical eligibility." From this time forward, we will use the term, "broad-based categorical eligibility" to refer to the policy that makes most, if not all, households categorically eligible for SNAP because they receive a non-cash TANF/MOE funded benefit or service, such as an informational pamphlet or 800-number. We will use the term, "narrow categorical eligibility" to describe the policy that makes a smaller number of households categorically eligible for SNAP because they receive a TANF/MOE funded benefit such as child care or counseling. We believe that these terms, broad-based categorical eligibility and narrow categorical eligibility, better describe the policy.

Both narrow and broad-based categorical eligibility are non-cash categorical eligibility. We will refer to cash categorical eligibility as "traditional categorical eligibility." We have attached a handout and flow chart to help you and your States with the complex regulations that define and regulate categorical eligibility. Please feel free to share these tools with your States.

AN EQUAL OPPORTUNITY EMPLOYER

# APPENDIX

## **REFORMING FOOD STAMPS (SNAP)**

*By The Secretary's Innovation Group*

*November 2012*

*Principal Authors:*

*Maura Corrigan, Lead Secretary, Michigan Department of Human Services*

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*Rehabilitation Services*

The Supplemental Nutrition Assistance Program (SNAP), or food stamp program, was unaffected by the welfare reforms of the 1990s. Because it lacks the work requirements of the Temporary Assistance for Needy Families (TANF) program, it does little to promote self-sufficiency. Nor can it properly be called a nutrition program, as there are no limitations or incentives in place to promote the purchase of healthy food.

The food stamp program is the second most expensive means-tested government assistance program after Medicaid. It is part of a system of sixty programs that provide cash, food, housing, and social services to low-income Americans, and is one of twelve programs that provide food assistance to the poor. As with all the other cash and in-kind benefits, food stamps should be analyzed in the context of the much larger means-tested system. Total means-tested federal and state spending has more than doubled over the past decade, increasing from \$431 billion in 2000 to \$927 billion in 2011. The food stamp portion of this spending has increased more than four times, from \$20 billion in 2000 to \$85 billion in 2011.

Fundamental reform of the food stamp program is needed to control costs, ensure that limited resources are used to benefit those truly in need, and to refocus the program on promoting employment and self-sufficiency for able-bodied, working-age recipients. The best way to accomplish these goals is by converting the program to a fixed allocation, changing eligibility and work requirements, and allowing states significant flexibility in implementing those requirements. This would enable states to use the strategies that have proven effective under the TANF program. In addition, states should have the authority and obligation to pursue robust anti-fraud and recoupment programs.

## ***Problems with the Food Stamp program as currently constituted***

### *Lack of reciprocity*

There is an imbalance in fairness between the taxpayer and many recipients of food stamps. The program has left behind its original purpose of feeding those who might literally go hungry, and now cuts a swath deep into the middle class, subsidizing food purchases among many who are clearly able to afford their nutritional needs. The current food stamp program asks almost nothing from most non-working, able-bodied recipients in order to obtain these benefits - - not to work, to look for work, or to prepare for work. Like the successful welfare reform of the 1990s, the program should be restructured so that it is primarily a temporary safety net designed to move most recipients to self-sufficiency.

### *Long term dependency*

Historically, about half of food stamp assistance has gone to families with children who have received benefits for more than eight years. The current program is failing to promote self-sufficiency. Given the sharp increase in caseloads since 2008, there is a danger that long-term dependency will be created among a new segment of formerly self-sufficient individuals and families. By 2010, one in five American households were receiving food stamps, and more than half of the 10.5 million households with at least one able-bodied, working-age adult had no employed member. Another million to two million households included adults who worked less than full time.

*Recipients are no longer asked to look to their own resources first before asking for public transfers*

Half of all current recipients are eligible for food stamps because of the expansion of a loophole that eliminates restrictions on the amount of assets an applicant may have and still qualify. In prior years, those with temporarily low incomes but large savings or assets were expected to use those resources before turning to food stamps. Thus, those reaching the end of unemployment benefits but with thousands in the bank, and farmers who had a bad year but had millions in land and equipment were not eligible for food stamps. This appropriate “asset test” has effectively been made moot by the expansion of a loophole called “broad based categorical eligibility.” Under this provision, applicants can be deemed “categorically eligible” as a result of having received any TANF-funded service. This could be as little as having received a brochure or an 800 number referral for social services. The US Department of Agriculture has encouraged the use of “categorical eligibility” to increase the asset limit or eliminate the asset test for eligibility. This is one reason that food stamp enrollment has surged.

*Federal rules lack checks against improper payments and fraud*

The program as federally administered has weakened efforts to ensure proper use of funds. Face to face eligibility applications and reviews are no longer mandatory, nor is there an emphasis on the fastest growing source of fraud - - by retailers diverting funds to the cash black economy. USDA rules preclude states from using their own investigators to track down this enormous illegal diversion of funds. One of the

byproducts of the introduction of a food stamp work program is that it will significantly reduce the amount of funds going to otherwise employed recipients who cannot be in two places at once.

***The Secretary's Innovation Group Recommends these fundamental reforms:***

1. Food stamps should be converted to a fixed allocation with work requirements, conceptually similar to TANF, but with differences to match its differing population and benefit structure. For cases with an able-bodied adult not working, an expectation of 30 hours of weekly work activity per family should be the norm. The elderly and disabled should be exempt from work requirements, as under current TANF law. Because of the recent explosive growth of the food stamp population, work requirements would be phased in as budgets permit, with TANF funds and employment infrastructure an eligible source for the operation of the state food stamp work program.

2. Work requirements under the proposed food stamp fixed allocation should be non-waivable, comparable to a proper reading of current TANF law. Any reductions in federal funding levels for states not operating a food stamp work program as required should be imposed within 24 months after the putative year of non-compliance.

3. A state's fixed allocation grant amount should be set at the level the state receives at the time the program is converted to a fixed allocation. Shared ongoing savings from reductions in food stamp dependency over time would be allocated as follows:

- For expenditures in subsequent years that exceed the base year, the federal government and state bear the cost of the increase equally.

- For expenditures in subsequent years that are lower than the base year, the federal government and state share the savings equally.
- For expenditures below FFY 2008 levels, the state retains 100% of the savings.

4. States will submit an annual plan that must be accepted by the USDA if it meets the following requirements:

- States must incorporate a work program as described in paragraph 1 above.
- States must incorporate robust up-front and ongoing eligibility tests, including an asset test.
- States must incorporate rigorous detection and funds recapture provisions for intentional program violations by individual recipients and commercial retailers.
- States must assure that food stamp funds are limited for the purchase of nutritious food.

***Adopting the Secretary’s Innovation Group recommendations will activate millions and reserve resources for those most in need.***

A move of the food stamp program away from its current function as a straight income transfer program into a temporary program for able bodied working-age recipients, while supporting only those most in need among the aged and disabled, will re-balance it. As with TANF, states will use their fixed annual allocations to maximize the impact of their resources dedicated to increasing work levels. It will not be possible to engage all current non-working food stamp recipients in work levels comparably broad to TANF at the outset, but experience shows that work requirements phased in judiciously, first for new applicants, then for the rest as budget savings are realized, will have immediate constructive impacts on employment and caseloads, and a longer term realignment of funds so as to support those most in need.