Testimony of Louise Hayes, Supervising Attorney
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Before the House Human Services Committee
Hearing on the SNAP Asset Test
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Good morning, Representatives. My name is Louise Hayes, and I am a supervising attorney in the public benefits unit of Community Legal Services in Philadelphia. Since 1997 I have represented thousands of low-income Philadelphians who are seeking benefits from the Department of Public Welfare. For a number of years, I was also a consultant to the Food Research and Action Center in Washington, D.C, where I edited the 11th edition of its 250-page Guide to the Food Stamp Program. My experience has given me an intimate knowledge of SNAP program rules, how the County Assistance Offices operate, and how these affect low-income Pennsylvanians.

I propose first to describe the basics of the SNAP program and its eligibility rules. Then I will tell you about the history of the SNAP asset test in Pennsylvania. I will talk about the implications of that test for my clients. I will raise some of the questions about DPW's proposal that are still unanswered. And I will conclude with recommendations.

SNAP Program Structure and Eligibility

The Supplemental Nutrition Assistance Program – formerly the Food Stamp Program – is our country's principal defense against hunger. It is a federal program, with benefits that are 100% federally-funded. About 1.8 million Pennsylvanians each month rely on SNAP benefits to afford a nutritionally adequate diet: that's almost one in seven Pennsylvanians. Nearly 75 percent of SNAP participants are in families with children. More than one-quarter of participants are in households with seniors or people with disabilities.

The amount of SNAP benefits a family receives depends on its income and certain of its expenses. Only families with income below 160% of the federal poverty level (about $1,500 a month for a single person, $3,000 a month for a family of four) can qualify. The income limit for seniors and people with disabilities is 200% of poverty. Still, many people with income below these limits still do not qualify, because there is a separate test to determine if, after deducting certain expenses, the household has enough income to pay for a nutritionally adequate diet. The average household SNAP benefit is $270 per month.

Although the federal government sets the SNAP program rules and pays for 100% of SNAP benefits, states also play an important role. States administer the program, pay roughly half the administrative expenses, and can select among various options offered by the federal government. In Pennsylvania, the Department of Public Welfare administers the program through County Assistance Offices statewide.

With the recession, since mid-2008, the number of Pennsylvanians receiving SNAP has increased over 40%. The SNAP benefits these additional families and seniors receive is a boon to our struggling economy: Pennsylvania farmers and retailers will receive roughly $800 million *more* in federal SNAP dollars this year than they did in 2008-09.

The process of qualifying for SNAP benefits is rigorous. Families must submit an application, be interviewed, and submit documentation (called "verification") of their income, their expenses, their identity, their residence, and other eligibility factors. About a third of all applications are rejected, mostly for lack of verification. If any of the documentation is questionable, the welfare office can ask for more proof or refer the application to fraud investigators. Once families start receiving SNAP benefits, they must submit new forms, with proof of their income and continued eligibility, every six months.

History of the SNAP asset test:

Until the last decade, the SNAP program had a nationwide asset test. Families with more than $2,000 in assets were ineligible. Seniors and people with disabilities were ineligible if they had more than $3,000 in assets. A family's home did not count, but most other assets did. There was an extremely complicated nationwide rule on which cars counted against the asset limit, and how their value should be counted. Because this rule was so complicated to administer, most states took federal options that were gradually introduced to allow them to disregard a first car, or all cars. Pennsylvania started disregarding a first car in the 1990s.

Starting in the last decade, and more clearly after 2006, the federal government made an option available to states to set their own asset rules in the SNAP program. Almost all states liberalized their SNAP asset rules when given the chance, with almost 40 of them eventually choosing not to count assets at all. In 2008, Pennsylvania joined other states in choosing to eliminate the SNAP asset test altogether. It did so for a number of reasons.

First, DPW wanted to expand the number of low-income Pennsylvanians who could receive SNAP benefits. SNAP benefits are a boon to the state's economy: every dollar of federally-funded SNAP benefits generates $1.79 in economic activity.[1] SNAP benefits bring jobs to supermarkets, grocery stores, delivery trucks, and farmers throughout the state.

Second, asset tests trap poor people in poverty. Requiring a low-income senior to exhaust her savings before getting help paying for food may use up a nest egg that she will need for medical care. In addition, asset tests discourage poor families from saving: if they try to put aside money to buy a house or go to school or start a business, they will lose monthly benefits that are needed to keep their family healthy now. I'm sure you'll hear more about these issues from other witnesses.

Finally, the asset test is a workload burden on already beleaguered County Assistance Office workers. Since 2002, the CAO staffing levels have declined 14%, while the SNAP caseload has doubled, and the Medical Assistance caseload has increased more than 40%. Customer service in the offices has declined dramatically, as phones go unanswered, and paperwork is increasingly lost. The decision in 2008 to eliminate the unnecessary work of

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[1] Kenneth Hanson, United States Department of Agriculture, Economic Research Service, "The Food Assistance National Input-Output Multiplier (FANIOM) Model and Stimulus Effects of SNAP," Economic Research Report Number 103, October 2010, available at http://www.ers.usda.gov/Publications/ERR103/ERR103.pdf. Mark Zandi, Chief Economist of Moody's Economy.com, came up with a similar figure ($1.73 in economic activity per SNAP dollar). See, e.g., http://www.economy.com/mark-zandi/documents/Economic_Stimulus_House_Plan_012109.pdf.

reviewing bank statements and valuing second cars was a smart workload management move. Also, because the federal government compares states' Quality Control error rates against each other, it made sense not to keep a source of caseworker errors that would hurt Pennsylvania in the Quality Control rankings (especially as other states had eliminated that source of errors). States with high Quality Control error rates are subject to federal penalties.

Problems with reimposing the asset test:

I want to go into a little more detail about the understaffing of the County Assistance Offices, and the workload burdens of the SNAP asset test. The customer service at the CAOs has become abysmal. We and our allies have tracked the number of calls to both the Philadelphia Customer Service Center and to local CAO offices, and we have found that phones are answered only about 20% of the time, and even then lead to long wait times. Paperwork that is submitted by mail or in person is frequently lost. For the last couple of years, the majority of my clients have been people who did all that was asked of them, but the welfare office has lost their documents, not called at the appointed time, or not been available for clients to explain their situations. Clients feel the only way to get their benefits is to go in person to the office, where they have to wait for hours, sometimes even just to drop off papers. At least if they go in person, they will have a receipt to prove that they have done what was requested of them. Caseworkers are simply overwhelmed and unable to do their work properly.

Reinstating the SNAP asset test will just worsen these customer service problems. While I am troubled that reimposition of the asset test will unnecessarily deny SNAP benefits to some low-income Pennsylvanians, and I am troubled that Pennsylvania would turn away millions in federal dollars, I am far more troubled on behalf of eligible families with *no* assets who will lose SNAP benefits as a result of this test. More red tape means more needy families and seniors without SNAP benefits. It's that simple.

Here are all the additional steps the SNAP asset test will require for each SNAP application. At every step, there is the possibility of caseworker error, causing eligible families to lose benefits they need.

- Every family and senior applying for SNAP must submit recent copies of all their bank statements.

- Each of these documents must be scanned so they can be stored in DPW's computer system.

- Each scanned document must be assigned to the correct case record. We suspect that many of our clients' documents that are lost at the welfare office are misplaced at this stage.

- A caseworker must review each application to determine what bank accounts were reported, and see if there is a scanned statement for each account. If there is no bank statement for an account, the caseworker must provide a checklist or a letter to the family

stating what documents are missing.

- Each annual eligibility interview must include a discussion of assets.

- If the family has more than one car, each car must be evaluated. One car is exempt, but the rules for determining whether a second car counts or not, and what its value is, are extremely complicated. The caseworker must determine the car's fair market value, its equity value, whether the family uses the car to generate income, whether the car is used to transport a disabled family member to doctor's appointments, and more. I have attached the test to my testimony. While applicants can be asked to help with these valuations, clients have the right to request that the caseworker make what is called a "collateral contact" instead – that is, check these values themselves.

- Similarly, caseworkers must determine the value of non-resident property. In Philadelphia, some of my clients have inherited houses that are in terrible shape, and on which mortgages or back taxes are owed. Almost none of my clients has non-resident property with more than $2,000 in equity, but many times CAO staff have had to delve into detailed documents to determine that the property's value is negligible. Occasionally, caseworkers must determine whether property is rented out for fair market value, and therefore excluded as an asset.

- Similar issues can arise with pensions or retirement plans. Federal law now excludes funds in tax-deferred retirement accounts from the SNAP asset test, but sometimes it takes a careful review of documents to determine whether the account should be excluded. Many low-income seniors have not had the opportunity to put money aside in tax-deferred accounts, but have saved for retirement less formally.

- A caseworker may reject a SNAP application because the family fails to submit proper proof of assets. The family may then appeal that rejection. Appeals require additional paperwork, and may require a caseworker to spend a couple of hours traveling to and testifying at a face-to-face hearing. Alternatively, the rejected household may reapply, adding to the workload.

- Finally, the asset test must be enforced by diligent search for errors and fraud. DPW receives computer matches from the IRS on interest income from bank accounts. Each of these matches must be investigated to see how much is in the bank account. Very rarely do these investigations reveal ineligibility, but they take time and effort.

- Each of these actions creates the possibility of error. As mentioned previously, the state's Quality Control error rate is compared to other states, with the worst states subject to federal penalties. As other states cannot commit asset test errors (having no test to implement), reinstating the asset test can only increase DPW's error rate and increase the likelihood of penalties.

All of these steps will no doubt substantially increase the CAO's workload. This could

drive up adminstrative costs, if the Commonwealth hires additional staff to do this work. More likely, no additional staff will be hired, and already-overwhelmed caseworkers will simply be asked to do more. They cannot do more and do it well. Reimposing the asset test is a recipe for already terrible customer service to get still worse, and needy families and seniors to lose benefits for which they are eligible.

The Department of Public Welfare has said that reinstating the SNAP asset test will not create additional work for CAO workers, because the Department already checks assets for other programs. This is partially true, because about 12% SNAP recipients receive cash assistance from DPW, which indeed has an asset test ($1,000 for families, $250 for single adults). And some SNAP recipients receive Medical Assistance (MA), which has various asset limits, but with a large exception: there is no asset test for MA for families with children under 21. Over half the recipients of MA are in such families.

DPW has declined to state what proportion of SNAP applicants are not now subject to an asset test, either because they are applying for SNAP and no other benefits, or because they are in families with children who also receive MA. My understanding is that more than half of all SNAP applicants are not currently subject to an asset test. That means that over 450,000 families and seniors would be subject to the new requirement, and hence caseworkers would have to do the above work 450,000 more times a year.

The proportion of SNAP applicants not already subject to an asset test is just one unresolved question about the SNAP asset test. There are other questions. For example:

- How many families and seniors will lose SNAP benefits as a result of reinstating the asset test?
- What will be the effect on the state's economy and its jobs of losing those SNAP benefits?
- What is the nature of the assets that will cause families and seniors to lose eligibility? For example, how commonly will a family become ineligible for SNAP because of a second car needed for an unemployed parent to look for work?
- By how much do these seniors and families exceed the limits?
- How many staff hours will now be devoted to enforcing the new asset limits?
- What is the cost of computer reprogramming and staff training on the asset test?
- What is the likely effect of the new test on the state's Quality Control error rate?
- And of course, the biggest questions of all: what gain is expected from reimposing the asset test, and is that gain worth the costs?

Recommendations:

1. **Do not impose an asset test without a study addressing unanswered questions.**

We urge you to prohibit DPW from reinstating the SNAP asset test until the General Assembly is fully informed. The Legislative Budget and Finance Committee might be an appropriate entity to provide answers to unresolved issues.

2. **If there is to be an asset test, make it a more reasonable one.** For example:

a- If the problem that the asset test is meant to address is lottery winners who continue to receive SNAP benefits, that problem could be addressed without burdening all SNAP recipients and DPW staff with an asset limit. We proposed that DPW adopt a rule that prohibits lottery winners from receiving SNAP benefits until their assets are below a certain amount, such as the $25,000 asset limit that Nebraska imposes. DPW already has a computer linkup with the Pennsylvania Lottery to identify lottery winners.

b- If there is to be an across-the-board asset limit, it should exclude all non-liquid assets, such as cars. These assets are very rarely of any substantial value, but they are very time-consuming to value correctly.

c- Maximize efficiency by verifying only questionable assets.

3. **Preserve the General Assistance program in the budget.**

Of even graver danger to low-income Pennsylvanians than the SNAP asset test is the Governor's proposal to eliminate the last-resort General Assistance program. This program provides very meager benefits to 68,000 penniless Pennsylvanians who cannot work. The only people eligible for GA benefits are people with *no income or savings* and who:

(1) have disabilities,
(2) are orphaned children,
(3) are in intensive drug or alcohol programs that preclude work,
(4) are caring for others who can't work, or
(5) are fleeing domestic violence.

Eliminating the sole source of income for these 68,000 people will inevitably cause many of them to go hungry. Although they will still be eligible for SNAP benefits, even the maximum SNAP allotment is inadequate for a nutritious diet, especially for individuals with diabetes or others who need special foods. A recent study by Drexel University researchers found that the average cost of the most basic food plan was 29% higher than the SNAP allotment.[2] If you want to prevent hunger in Pennsylvania, preserve the GA program.

Thank you for allowing me to testify today. I'd be happy to answer any questions you might have.

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[2] Center for Hunger-Free Communities, Children's Health Watch, and Drexel University School of Public Health, "The Real Cost of a Healthy Diet: 2011," available at http://www.centerforhungerfreecommunities.org/sites/default/files/pdfs/RCOHD_Report2011-FINAL.pdf.

Appendix: The Federal Food Stamp Vehicle Resource Test[4]

There are four steps to the food stamp vehicle test:

1. Determine if any of the household's cars are excludable. A vehicle is excludable if:

   - it is used primarily for income-producing purposes (such as taxi cabs),
   - it annually produces income consistent with its fair market value,
   - it is needed for long-distance employment-related travel, other than daily commuting,
   - it is used as the household's home,
   - it is needed to transport a physically handicapped household member (one car per disabled member exempt),
   - it is needed to carry fuel or water that is the household's primary source of fuel or water, or
   - the household has less than $1,500 equity in it.

2. For vehicles that are not excluded under Step 1, the vehicle's fair market value (based on the used car "blue book") must be evaluated. If the amount is greater than $4,650, the excess may be counted toward the household's $2,000 resource limit (see step 4). Under this step, each vehicle is evaluated separately against the $4,650 threshold. The values of multiple vehicles are not added together.

3. After determining the fair market value of cars that are not excludable under Step 1, an equity value may also have to be determined for some of these cars.

   a. Determine if the vehicle is subject to the equity test. Cars exempt from the equity test include:

      - one vehicle per adult in the household regardless of the use of the vehicle,
      - any additional vehicle a household member under age 18 drives to commute to employment or training or education.

   b. Determine the equity value of any vehicle not excluded under Step 3a. Equity is the fair market value of a car less any encumbrances (e.g., outstanding loan balances).

4. Now, count the appropriate amount toward the food stamp resource limit.

   a. For each vehicle evaluated under Steps 2 and 3, count the higher of the fair market value above $4,650 (Step 2) or the equity value (Step 3).

   b. Add up the values established for each car under 4a.

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[4] This rule reflect USDA's revised food stamp vehicle asset test published in the Federal Register on November 21, 2000, 65 Fed. Reg. 70202-3. These changes revise 7 C.F.R. § 273.8(e), (f) and (h).

c. Add the amount determined under 4b to the value of the household's other resources and compare the result with the general asset test of $2,000 (or $3,000 for a household with an elderly member). If the total is no more than $2,000, the household meets the resource eligibility requirements for food stamps.

Note: This description is based on the new food stamp vehicle policy issued by USDA in final regulations on November 21, 2000 (65 Fed. Reg. 70134-70212).