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July 5, 2013

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From: William T Fujioka
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WASHINGTON, D.C. UPDATE ON REAUTHORIZATION OF THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

Executive Summary

This memorandum provides an update on the status of legislation to reauthorize the Supplemental Nutrition Assistance Program (SNAP), formerly known as Food Stamps, which otherwise will expire on September 30, 2013.

The outlook for SNAP reauthorization now is uncertain because, on June 20, 2013, the House rejected, 195 to 224, H.R. 1947, a "farm bill" which would have been the vehicle for reauthorizing SNAP for five years. H.R. 1947 and S. 954, a Senate-passed farm bill, both would reauthorize SNAP for five years, but the House bill includes far deeper nutrition assistance spending cuts (\$20.5 billion) than the Senate bill's \$3.9 billion spending cuts. Unless both houses can agree on a farm bill, which reauthorizes SNAP, a short-term extension of farm bill programs, including SNAP, will be enacted.

Background

The Supplemental Nutrition Assistance Program (SNAP), called CalFresh in California, helps low-income persons to purchase food through the use of electronic benefit transfer cards, which replaced the previous Food Stamp Program. The Federal government finances the entire cost of SNAP food assistance benefits and shares the cost of administering the program equally with states. Largely due to the recent

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economic downturn, the monthly average number of SNAP recipients grew from 26.5 million in Federal Fiscal Year (FFY) 2007 to 46.6 million in FFY 2012. The Congressional Budget Office (CBO) estimates that, under current law, the number of SNAP recipients would drop to 34.3 million by FFY 2023 due to improved economic conditions, and that there would be a corresponding reduction in SNAP expenditures from roughly \$82.5 billion in FFY 2013 to \$72.8 billion in FFY 2023. In Los Angeles County, over 1.1 million low-income individuals received SNAP benefits, which totaled \$180 million, in April 2013.

The program is an open-ended entitlement for which Federal spending automatically increases to fund food assistance to all qualifying individuals and to match state administrative expenditures. However, unlike other open-ended entitlements, such as Medicaid and Supplemental Security Income, the authorization for SNAP is not permanent. Instead, SNAP periodically is reauthorized through a "farm bill," which authorizes Department of Agriculture (USDA) programs for five-year periods. The most recently enacted 2008 farm bill expired at the end of FFY 2012, but the 112th Congress extended USDA programs, including SNAP, through September 30, 2013 after it was unable to enact a farm bill last year.

SNAP Provisions in 2013 Senate and House Farm Bills

The Senate and House versions (S. 954 and H.R. 1947) of the 2013 farm bill both would reauthorize SNAP through the end of FFY 2018, but significantly differ in a number of respects. Most notably, H.R. 1947 includes far deeper nutrition assistance spending cuts (\$20.5 billion) over 10 years than the Senate bill (\$3.9 billion), as estimated by the CBO.

The single biggest difference is that the House, but not Senate, bill would reduce SNAP spending by an estimated \$11.5 billion over 10 years by eliminating broad-based categorical eligibility. Broad-based categorical eligibility is a state option to allow a SNAP applicant who receives cash assistance under Temporary Assistance for Needy Families (TANF), SSI, or general assistance or who has an income below 200% of the Federal poverty level (FPL) and receives a TANF-funded benefit to be deemed eligible for SNAP benefits. H.R. 1947 would limit categorical eligibility to TANF, SSI, and general assistance recipients who receive cash assistance - that is, individuals whose incomes and assets typically are low enough to qualify for SNAP benefits.

Eliminating categorical eligibility for TANF recipients who do not receive cash assistance, will increase administrative costs because their eligibility separately must be determined using SNAP eligibility rules. In addition, it would cause many low-income individuals to lose SNAP benefits because the SNAP asset limit of \$2,000 has not been

adjusted for inflation in more than 25 years. In addition, current SNAP rules require a household without an elderly or disabled member to have a gross income below 130% of FPL - a requirement which disqualifies many households with significant expenses, such as child care expenses. California is one of the 43 states, which currently use some form of broad-based categorical eligibility. In California, anyone who receives SSI, general assistance, or a TANF-funded benefit can qualify for SNAP without an asset limit though the State applies a gross income limit of 130% FPL to qualify for SNAP benefits rather than the maximum allowable 200% FPL limit.

The second biggest difference is how the House and Senate bills would change how SNAP households can use a Low Income Home Energy Assistance (LIHEAP) payment as a standard utility allowance in calculating the household's SNAP benefits. Under current law, a SNAP household can use a LIHEAP payment of any amount to trigger a standard utility allowance (SUA) without having to document its utility costs that can be deducted from income in calculating their SNAP benefits. In effect, this simplifies the determination (and administration) of SNAP benefits, and also, in effect, increases a household's SNAP benefit unless it already qualifies for the maximum SNAP benefit. A number of states have implemented an optional "heat and eat" policy to make an extremely small LIHEAP payment to increase households' SNAP benefits. The House bill would restrict the use of small LIHEAP payments to increase SNAP benefits by requiring a LIHEAP payment of at least \$20 a year to entitle a household to a SUA while the Senate bill would require a LIHEAP payment of at least \$10 a year.

The CBO estimates that the House LIHEAP/SUA restriction would reduce Federal SNAP spending by \$8.7 billion over 10 years, compared to \$4.1 billion under the Senate bill. California would be affected by the restrictions in the Senate and House bills because it began implementing a "heat and eat" policy of providing all SNAP/CalFresh recipients with a LIHEAP payment of 10 cents a year, effective on January 1, 2013.

Other differences between the House and Senate bills are that the House, but not Senate bill, would:

- Eliminate the current \$48 million a year in SNAP performance bonuses that are provided to qualifying states for improving payment accuracy, program access, application timeliness, and error rates;
- Reduce the threshold for a quality control error from \$50 to \$25, which, in effect, would increase quality control error rates unless states invested more administrative resources to minimize relatively small errors; and

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- Establish a new pilot program to provide states with an option to apply TANF work requirements on able-bodied adult SNAP applicants and recipients and to retain one-half of the SNAP benefit savings from adults who lose SNAP benefits because they do not meet the work requirements.

The new work pilot program was added to the H.R. 1947 on a floor amendment by Representative Southerland (R-FL), which was adopted, 227 to 198, on a party-line vote.

Status of 2013 Farm Bill Legislation

On June 10, 2013, the Senate passed S. 954, on a 66 to 27 vote. The majority probably would have been higher if seven senators had not missed the vote due to travel delays. On June 20, 2013, the House rejected H.R. 1947 on a 195 to 234 vote with 62 Republicans voting against it and only 24 Democrats voting in favor of it. The vast majority of House Democrats voted against the bill because they oppose the deep SNAP cuts while the Republicans who voted against the bill believe that the SNAP cuts and farm subsidy reforms did not go far enough. The Obama Administration supports the Senate bill, and strongly opposes H.R. 1947 because it opposes its deep SNAP cuts and believes that it does not contain sufficient commodity and crop insurance reforms.

It is not clear that the Senate, House, and Obama Administration will be able to reach agreement on a farm bill. If agreement cannot be reached, another short-term extension of SNAP and other USDA programs is likely to be enacted.

We will continue to keep you advised.

WTF:RA
MR:MT:ma

c: Executive Office, Board of Supervisor
County Counsel