HB 1532

Department of Legislative Services

Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1532 (Delegate Solomon, *et al.*)
Appropriations

Human Services – Food Supplement Program – Eligibility (Protect Against Hunger Act)

This bill requires eligibility for the Food Supplement Program (FSP) to be determined under the State's eligibility requirements in effect on July 1, 2019, notwithstanding any change in federal law after that date that limits eligibility for the federal Supplemental Nutrition Assistance Program (SNAP). The State must provide FSP benefits to eligible individuals for whom federal funding is not available. **The bill takes effect June 1, 2020.**

Fiscal Summary

State Effect: General fund expenditures increase significantly to the extent the State must provide benefits to individuals for whom federal funding is not available, as discussed below. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law/Background: Federal SNAP, or FSP in Maryland, provides benefits solely for the purchase of food items to families and individuals who meet income and resource requirements. Benefits are 100% federally funded, while administrative costs are split equally between the State and federal government. However, the State provides two supplemental benefits, including (1) State and county supplemental benefit for seniors older than age 62; and (2) State matching funds for a supplemental benefit for children in the summer and in December, which begins in fiscal 2021. Program rules and regulations are issued by the federal government.

Eligibility Determination

Under federal rules, households without an individual who is elderly or disabled that apply for SNAP (FSP in Maryland) must meet a gross income test (130% of federal poverty guidelines (FPG)) and a net income test (100% FPG). Net income reflects countable income minus allowable deductions that include specified earned income, dependent care costs, medical expenses, and excess shelter costs. Net income is also part of the benefit calculation, as the benefit amount is the maximum allowable payment minus net income. These households must also meet an asset test (possess assets no greater than $2,250, or $3,500 for households with an individual who is elderly or disabled).

The FSP caseload has been declining since fiscal 2014. In fiscal 2019, the average monthly number of recipients was 627,299, and the average monthly benefit was $228.89 per month for traditional FSP benefits. Total spending on FSP benefits in fiscal 2019 was $885.8 million. As of January 2020, the average monthly number of recipients was 598,415.

Broad-based Categorical Eligibility

Categorical eligibility allows an individual or household that is determined eligible for one benefit to be determined eligible for another benefit. Under SNAP, need-based cash assistance program benefits provided under the Temporary Assistance for Needy Families (TANF) block grant (known in Maryland as Temporary Cash Assistance) and Supplemental Security Income (SSI) allow recipients to qualify for SNAP through categorical eligibility. SNAP also allows for broad-based categorical eligibility under which states may convey eligibility for SNAP based on a noncash TANF-funded benefit. In general, the benefit must still have an eligibility limit no greater than 200% FPG.

Broad-based categorical eligibility can be used to increase the gross income limit for households receiving SNAP or increase or remove SNAP asset limits. For households receiving benefits under categorical eligibility or broad-based categorical eligibility, benefits must still be determined through the regular method (maximum allowable benefit minus net income). If the net income is too high, the household does not receive a benefit, except that all eligible households of one or two persons are eligible for the minimum monthly benefit ($15). In Maryland, the broad-based categorical eligibility is conveyed with a referral to services on an application. Under this broad-based categorical eligibility, there is no asset limit, and the gross income limit is 200% FPG.

Standard Utility Allowance

One of the available deductions to income under SNAP is the excess shelter deduction, which is for shelter expenses that exceed 50% of income (after other deductions). Utility costs are included in the shelter expense calculation. States are allowed to develop and use a standard utility allowance (SUA) in lieu of actual utility expenses for this deduction. The largest SUA is the heating and cooling SUA. The U.S. Department of Agriculture (USDA) indicates that, in federal fiscal 2019, individual state SUAs ranged from $278 to $826.

Proposed Federal Changes

In July 2019, USDA proposed a change to broad-based categorical eligibility. States would still be able to convey categorical eligibility using noncash TANF benefits; however, it would be limited. Under the proposed rule, TANF benefits used to convey categorical eligibility must be valued at a minimum of $50 and be provided for at least six months. Eligible noncash TANF benefits would be limited to those that support work (*i.e.*, subsidized employment, child care, or other work supports). Some households currently receiving benefits under broad-based categorical eligibility would continue to be eligible based on income and asset levels or receipt of qualifying benefits.

In October 2019, USDA announced a proposed rule to alter allowable SUAs. Under the proposed rule, SUA would be set at the 18th percentile of utility costs for low-income households in the state. USDA would calculate the base year SUA and update it annually using a three-year average of inflation for fuel and utilities. The proposed rule also eliminates state options to vary SUA by household size or geographic area. The proposed rule contains several other changes, such as capping certain other utility allowances at a certain percent of the state SUA. In addition, the proposed rule replaces the current telephone expense with a telecommunication standard that includes the cost of basic Internet service. It would not change the state options for mandating the use of SUAs or providing the option to use actual data.

USDA estimates that 29 states would see a net loss of SNAP benefits (totaling about $1.54 billion annually) and 21 states and Washington, DC would see a net gain of SNAP benefits ($0.54 billion). In federal fiscal 2014, SUA in Maryland under the proposed rule was estimated at $253 compared to $388 under the current method. As a result of the expected lower SUA, the Department of Human Services (DHS) anticipates that SNAP benefits would decrease in Maryland if the proposed rule is finalized.

State Fiscal Effect: To the extent changes in federal law limit eligibility for SNAP and the State must provide FSP benefits to eligible individuals for whom federal funding is no longer available, DHS general fund expenditures increase significantly. The amount of any such increase cannot be reliably estimated at this time.

With respect to broad-based categorical eligibility changes, DHS is unable to provide an estimate of the number of households that would potentially lose benefits because the department does not currently collect asset information. However, the Urban Institute estimated impacts of the proposed rule for all states using its own modeling tools. Under this estimate, if the change had been implemented in federal fiscal 2018, approximately 40,500 Maryland households, or 74,800 participants, would not have qualified for benefits.

For illustrative purposes only, if 40,500 households lose the *minimum* monthly benefit ($15) for an entire year, general fund expenditures increase by $7.3 million to provide FSP assistance. If 40,500 households lose the *average* monthly benefit ($228.20 in fiscal 2019) for an entire year, general fund expenditures increase by $110.9 million per year to provide FSP assistance. This does not reflect any impact associated with changes to the standard utility allowance.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Urban Institute; Montgomery County; Department of Human Services; Department of Legislative Services

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