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The Potential Effects of Ending the SSI Cash-Out

LEGISLATIVE ANALYST'S OFFICE

Presented to:
Assembly Budget Subcommittee No. 1
On Health and Human Services
Hon. Joaquin Arambula, Chair



Background

- ☑ **What Is SSI/SSP?** The Supplemental Security Income/State Supplementary Payment (SSI/SSP) program provides cash grants to low-income aged, blind, and disabled individuals and couples.
- ☑ **What Is CalFresh?** The CalFresh program is California's version of the federal Supplemental Nutrition Assistance Program (SNAP) that provides food assistance to low-income individuals and households.
- ☑ **What Is the SSI Cash-Out?** In 1974, states were given the option to increase monthly SSP grants by \$10 in lieu of providing federal food benefits to SSI/SSP recipients. This effectively "cashed-out" SSI/SSP recipients of their federal food benefits. California adopted the SSI cash-out option, making SSI/SSP recipients ineligible for federal food benefits.
 - **California Is the Only Remaining State With the SSI Cash-Out Policy in Place.** Currently, California is the only remaining state in which the SSI cash-out remains in place and SSI/SSP recipients are therefore ineligible for federal food benefits.



Effect of Ending the SSI Cash-Out



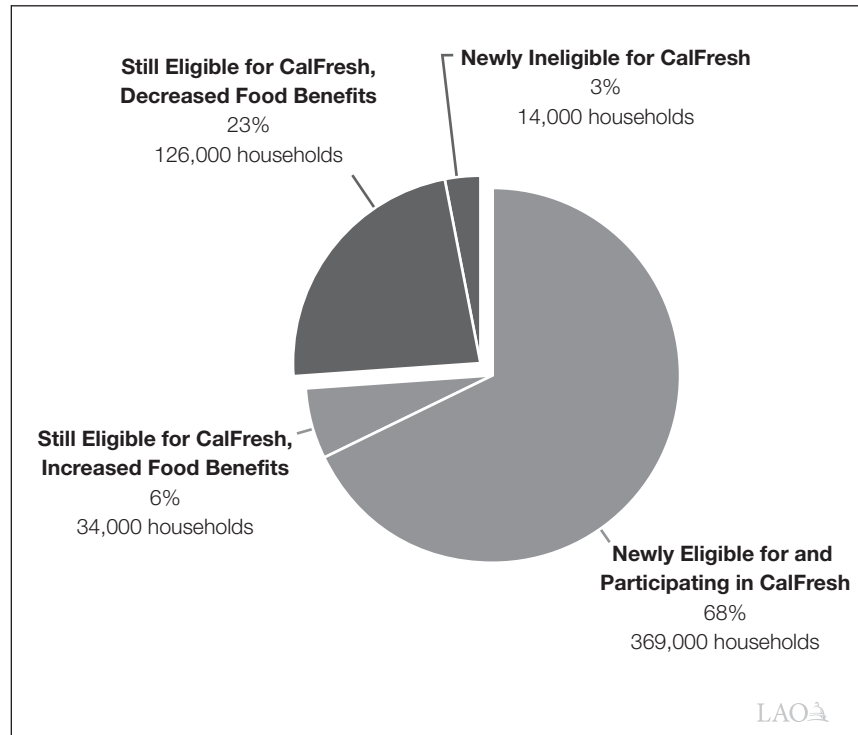
Supplemental Report Language (SRL) Required LAO to Report on Effects of Ending the SSI Cash-Out. During deliberations on the 2017-18 budget package, the Legislature directed our office to report on the potential programmatic and fiscal effects of ending the SSI cash-out.

- ***We Encountered Significant Data Limitations.*** Due to data limitations, we were not able to develop our own estimates of the impact of ending the SSI cash-out in California. Instead, we relied on estimates developed by Mathematica, a policy research organization, and modified by the Department of Social Services (DSS) to assess the potential impact of ending the SSI cash-out on households and the state.

Effect of Ending the SSI Cash-Out (Continued)



Most Households Would See Food Benefits Increase, While Others Will Experience a Reduction



Most Households Expected to Benefit From Ending the SSI Cash-Out . . . As shown in the figure above, the majority of affected households are expected to benefit from ending the SSI cash-out, mainly by becoming newly eligible for and enrolling in CalFresh. These households generally consist of single SSI/SSP recipients that live alone. DSS estimates that newly eligible households that participate in CalFresh, on average, will receive \$75 in monthly food benefits. It is important to note that although these households would become newly eligible for food benefits, they would still have to enroll in CalFresh. If more or less households opt to participate in CalFresh than assumed by DSS, the effect of ending the SSI cash-out would be different.



Effect of Ending the SSI Cash-Out (*Continued*)

- ... While Others Would Experience a Reduction in Food Benefits.** However, some current CalFresh households would experience a *reduction* of food benefits if the SSI cash-out were ended. These households are comprised of both SSI/SSP and non-SSI/SSP members. DSS estimated that many of these households would still be eligible for CalFresh, but experience, on average, an \$88 reduction in monthly food benefits. Some households would become completely ineligible for CalFresh, experiencing an average \$150 reduction in food benefits each month.

- Households That Benefit Most From Ending SSI Cash-Out Have Relatively Less Income Than Those Who Experience a Reduction in Food Benefits.** Households that are expected to benefit from ending the SSI cash-out generally have relatively less income than those who are expected to experience a reduction in food benefits. However, we note that even households that are expected to lose food benefits as a result of ending the SSI cash-out, although relatively higher income than those who are expected to experience increased food benefits, are not necessarily far above the federal poverty line.

- Expected Net Increase to Federal Food Benefits Drawn Down by the State.** DSS estimated that the state would draw down an additional \$365 million in annual federal food benefits by ending the SSI cash-out. However, DSS also estimated that the state would lose, in total, \$160 million in annual federal food benefits. On net, it is expected that the state would draw down an additional \$205 million in annual federal food benefits by ending the SSI cash-out.

Options for a Hold Harmless Policy

- There Are Various Ways the Legislature Could Hold Households Negatively Affected by Ending the SSI Cash-Out Harmless.*** The SRL required our office to provide potential hold harmless options for households that would experience a reduction in food benefits as a result of ending the SSI cash-out. A hold harmless policy would create a state-funded food program that would aim to backfill all, or a portion of, these lost CalFresh benefits.
- Cost and Complexity of a Hold Harmless Policy Varies Based on How It Is Structured.*** In general, the more expansive and complex the hold harmless, the more costly it will be.
- Main Factors to Consider When Constructing a Hold Harmless Policy.*** The main factors the Legislature may wish to consider when constructing a hold harmless policy following the elimination of the SSI cash-out include:

 - ***Who Is Eligible?*** Who would be eligible for the hold harmless policy? Would all individuals negatively affected by the end of the SSI cash-out be eligible? Or would it only be available to a subset of those negatively impacted? Would the policy only be available to those in the program when the SSI cash-out ends, or would it also be available to future households? The more individuals eligible for the hold harmless policy, the more costly the policy will be.
 - ***What Is the Duration of a Hold Harmless Policy?*** How long would the hold harmless policy be in effect? Would it be for a limited amount of time? Or until the person naturally exits the program? The longer the hold harmless policy is in place, the more costly the policy will be.



Options for a Hold Harmless Policy

(Continued)

- ***What Is the Benefit Amount?*** Should households receive the same amount of benefits they received prior to ending the SSI cash-out or some other, potentially lower, fixed benefit amount? For more long-term hold harmless policies, would the benefit amount adjust if households experience a change, such as an increase in income? The higher the benefit amount, the more costly the hold harmless policy will be.
- ***How Administratively Complex Is the Hold Harmless?*** How complicated would it be—for both recipients and counties—to implement the hold harmless policy? What are the potential automation costs? What are the potential impacts on county workload?



Issues for Legislative Consideration

- Develop More Up-To-Date Estimates on the Potential Impact to Households and the State.*** Since DSS developed its 2017 estimates, there have been a number of programmatic changes to CalFresh that may change the potential impact that ending the SSI cash-out would have on the amount of food benefits received by individual households and the state as a whole. It is our understanding that DSS is working to update its initial estimates.

- Identify Ways to Maximize CalFresh Participation Rate Among Newly Eligible SSI/SSP Recipients.*** In general, the more newly eligible households that opt to participate in CalFresh, the more additional federal food benefits the state draws down if the SSI cash-out is ended. Although ending the SSI cash-out would make many SSI/SSP recipients newly eligible for CalFresh benefits, it is not guaranteed that *all* newly eligible SSI/SSP recipients will apply to receive food benefits. The Legislature may wish to consider whether there are ways to further simplify or streamline the application process in order to increase the likelihood that newly eligible SSI/SSP recipients actually enroll in the CalFresh program. We note that attempts to change the CalFresh application process would most likely require approval by the federal government.

- Identify Ways to Mitigate Potential Automation and Administrative Challenges.*** Ending the SSI cash-out, and potentially implementing a hold harmless policy, both present significant administrative costs and challenges for the state and counties. The Legislature should consider if there are ways to reduce these challenges. For example, is there a way to phase in the enrollment of newly eligible households into the CalFresh program prior to the elimination of the SSI cash-out in order to reduce the administrative burden?