

# FISCAL BRIEF



## FOOD ASSISTANCE PROGRAM ELIGIBILITY AND OVERSIGHT

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### FAST FACTS

- FAP benefits are entirely federally funded.
- FAP recipients must have less than \$5,000 in countable assets in order to be eligible for the program.
- Illegal residents are not eligible for FAP benefits
- FAP caseloads have decreased by 29% and expenditures have decreased by 39% since their peak in FY 2010-11.
- Between FY 2011-12 and FY 2017-18, program disqualifications resulting from intentional violations ranged between 0.48% and 0.71% of total FAP caseload.

### INTRODUCTION

The Food Assistance Program (FAP) is the state-administered public assistance program that provides federally funded Supplemental Nutrition Assistance Program (SNAP), formerly known as Food Stamps, benefits to low-income Michigan residents. The Michigan Department of Health and Human Services (DHHS) administers the \$1.9 billion program.

### ELIGIBILITY REQUIREMENTS

When an individual or family (group) applies for FAP, DHHS caseworkers operating out of the 110 local offices determine an individual's eligibility and FAP benefit amount. In order to receive FAP benefits, a group must meet the following income requirements:<sup>1</sup>

- Must generally have gross income below 200% of the federal poverty level – this would be an annual income of \$41,560 for a family of three.
- Must have less than \$5,000 in countable assets, including the value of vehicles, after certain exemptions.
- Cannot transfer assets for less than fair market value in order to qualify, or remain eligible, for FAP benefits.

Additionally, a group must meet, with some exceptions, the following non-financial requirements<sup>2</sup> in order to be eligible for FAP:

- Every member of the group must be a U.S. citizen or a legal resident – illegal residents are not eligible to receive FAP benefits.
- Must provide a Social Security number for all members of the group.
- Must obtain child support when applicable.
- Must comply with requirements regarding work or other employment-related activities.
- Cannot violate parole/probation or be convicted of two or more drug-related felonies.

<sup>1</sup> See Bridges Eligibility Manual 406.

<sup>2</sup> See Bridges Eligibility Manuals 203, 223, 225, 230B, 233B, and 255 and Bridges Administrative Manuals 105 and 720.

- Must comply with quality control reviews (reviewing eligibility).
- Cannot be guilty of intentional program violations, including trafficking of FAP benefits.

FAP benefits are accessed by the recipient through the Bridge Card, which is similar to a debit card, and can be used to purchase food from authorized retailers or approved meal providers.<sup>3</sup> Monthly benefit allotments are calculated through a federal formula that consists of multiplying an applicant/group’s net monthly income (i.e., after exemptions such as housing and utility costs are applied) by 30%, which is then subtracted from the maximum monthly allotment for the size of the recipient/group’s household as established by the U.S. Department of Agriculture (USDA). An example benefits calculation is below, and Table 1 details USDA-established maximum monthly food assistance allotments by household size.

**Example:** A household of three has applied for FAP benefits. After applying the applicable exemptions, the group’s net monthly income is \$500. The household is expected to spend 30% of its net income on food, which is  $\$500 \times 0.3 = \$150$ . The USDA maximum monthly food assistance allotment for a household of three is \$505. The monthly FAP benefits the household will receive is  $\$505 - \$150 = \$355$ . If the household’s net income increases or decreases, benefits will be readjusted accordingly. For example, if the household’s net income increases from \$500 to \$750, FAP benefits would be recalculated and the new monthly expected contribution would be  $\$750 \times 0.3 = \$225$ , and the monthly FAP benefits received would now be  $\$505 - \$225 = \$280$ .

<u>Individuals in Household</u>	<u>Maximum Monthly Allotment</u>
1	\$192
2	\$353
3	\$505
4	\$642
5	\$762
6	\$914
7	\$1,011
8	\$1,155
Each Additional Individual	Add \$144

*Source: Allotments for the 48 contiguous states and D.C., as of March 2019; U.S. Department of Agriculture – [www.fns.usda.gov/snap/eligibility](http://www.fns.usda.gov/snap/eligibility)*

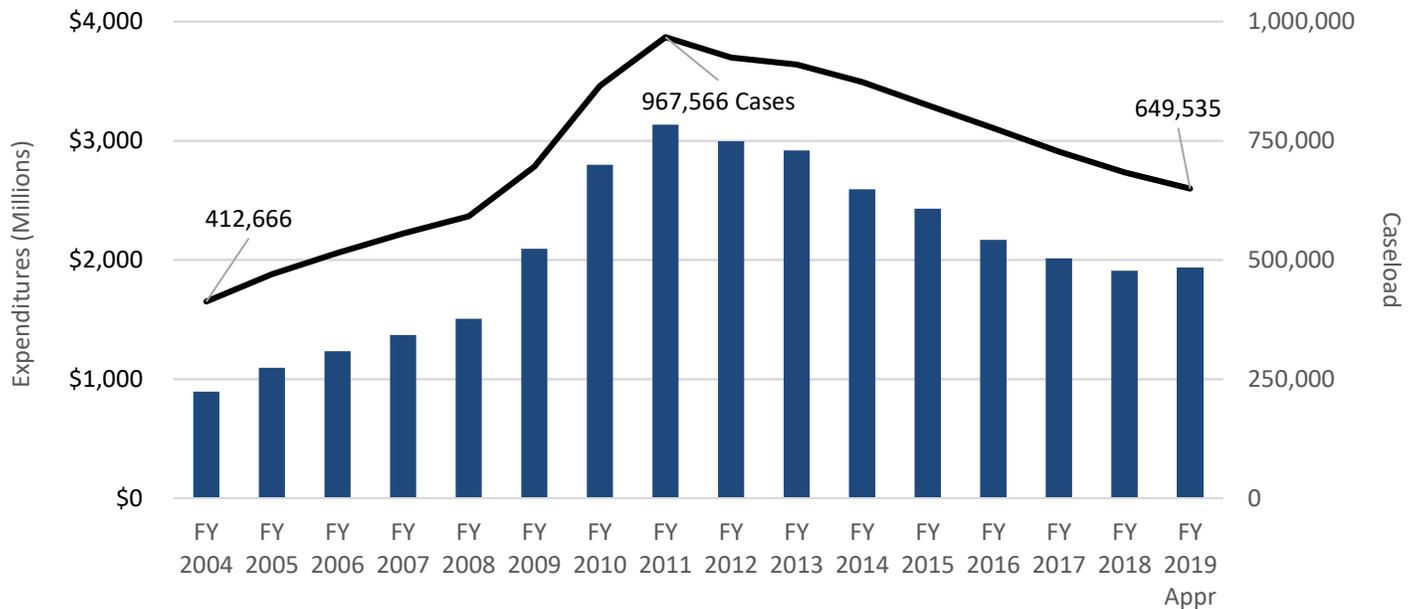
## CASELOAD TRENDS

As an entitlement program, FAP costs are entirely caseload-driven, which means the federal government will provide federal funds to support the program, regardless of the number of cases, as long as federal program requirements are met. Caseload and program expenditures vary from year to year based on economic conditions and overall need. As caseloads vary throughout the fiscal year, the Legislature can provide additional spending authorization for FAP

<sup>3</sup> As of February 2019, there are approximately 9,725 authorized retailers in the State of Michigan. The federal government administers the process through which retailers are provided authorization to accept FAP benefits, as well as which consumer products are considered eligible food items.

through the legislative transfer or supplemental appropriations processes, if necessary. Total FAP appropriations in FY 2018-19 are \$1.9 billion. [Figure 1<sup>4</sup>](#) provides an overview of caseload trends and expenditures.

**Figure 1: Food Assistance Program Expenditures and Caseload**



Approximately 1.2 million Michigan residents, represented in approximately 650,000 cases, currently receive federal food assistance through FAP.<sup>5</sup> Of those recipients, approximately 42% are children. FAP caseloads have declined 29% since their peak in FY 2010-11 due to changes in program policy and an improving economy; however, FAP caseloads have increased by approximately 54% since FY 2003-04.

### PROGRAM OVERSIGHT

The DHHS OIG investigates cases of possible improper use of welfare benefits and assists in fraud prevention, both preventing disbursements to ineligible recipients and allowing for the recoupment of improperly used or acquired benefits from both recipients and retailers. Within the DHHS OIG, the Benefits Trafficking Unit specializes in identifying FAP recipients and retailers selling Bridge Cards for cash and improperly using food assistance benefits. Additionally, OIG Front End Eligibility investigations are used to identify applicants misrepresenting income and assets, in order to prevent improper use before the applicant’s eligibility is determined. Available data provided by DHHS show that intentional program violations resulting in disqualification from FAP benefits ranged from approximately 4,000 to 5,600 between FY 2011-12 and FY 2017-18, representing 0.48% to 0.71% of total FAP caseloads.<sup>6</sup> [Table 2](#) provides an overview of FAP caseloads and intentional program violation disqualifications over this time period.

<sup>4</sup> Sources: Michigan Administrative Information Network, Statewide Integrated Governmental Management Applications, DHHS trend reports, and House Fiscal Agency archives.

<sup>5</sup> As of November 2018; DHHS Trend Report Table 24.

<sup>6</sup> This assumes that each disqualification represents a case and not an individual from a group represented as a single case.

**Table 2: FAP Expenditures, Caseload, and Program Violations<sup>7</sup>**

Fiscal Year	Caseload	Violations Resulting in Disqualification	Violation Disqualification as % of Caseload
2011-12	924,643	4,400+	0.48%
2012-13	909,764	5,662	0.62%
2013-14	873,048	4,522	0.52%
2014-15	824,428	4,796	0.58%
2015-16	776,240	4,018	0.52%
2016-17	727,396	5,132	0.71%
2017-18	684,001	4,076	0.60%

*Note: DHHS only reported that over 4,400 for intentional program violation disqualifications in FY 2011-12.*

Recipients and retailers found guilty of intentional program violations are disqualified<sup>8</sup> from the program.<sup>9</sup> However, if a case is reviewed and the recipient or recipients are found to have not committed an intentional program violation, they would not be disqualified from the program. If a disqualified recipient is a member of a group, the individual recipient’s intentional program violation disqualification does not automatically disqualify other individual recipients in that group. Intentional program violations include:

- Intentionally failing to report, or underreporting, income and assets in order to affect benefits calculation or gain/maintain program eligibility.
- Trafficking FAP benefits, which includes, but is not limited to:
  - Selling/soliciting or purchasing FAP benefits for less than face value.
  - Purchasing products with deposits in order to discard product for cash deposit (i.e., bottle deposits).
  - Selling/purchasing unauthorized items, such as alcohol or tobacco.
  - Exchanging FAP benefits for contraband, such as illicit drugs.

<sup>7</sup> Annual DHHS Section 672 Boilerplate Report.

<sup>8</sup> Disqualification time periods vary, but can be up to lifetime disqualification.

<sup>9</sup> Details on disqualifications can be found in Bridges Eligibility Manual 203.