CalFresh Funding:
Top 10 Things to Know

July 2013

1. CalFresh Benefits

The benefits that families receive to spend on food are 100% funded by federal dollars.

In California, the benefits projected to be funded by the federal government for (federal) FY 2012-13 totaled: **$8.3 billion.**

2. CalFresh Administrative Costs

The administrative costs to operate the Supplemental Nutrition Assistance Program (SNAP or, in California, CalFresh) are generally shared between the federal government and the state government 50%/50%. In California, the State generally splits California's 50% with the Counties, so that the baseline share of administrative costs is 50% federal/35% state/15% county. (Sometimes this is referred to as a 70/30 split between the State and counties, capturing their respective shares of the 50% of state costs.)

In building a budget, the State first calculates the amount it will contribute from the General Fund, per the discussion below, and from that number calculates the funds to be contributed by the counties and reimbursed by the federal government to meet the total 50% federal/35% state/15% county ratio. The General Fund amount serves as a cap on the administrative spending levels; it cannot be exceeded, even if more county or federal match potentially could be available, without legislative action.

Operationally, the State must spend 100% of funds budgeted, in order to receive the 50% reimbursement from the federal government. Further, each county must first spend its 15% contribution funds to receive from the State that county's share of the 35% provided by the State's General Fund and of the 50% reimbursement provided by the federal government.

In (state) FY 2013-14, the TOTAL administrative budget for CalFresh equaled**: $1.85 billion**, with $922 million in federal funds, $638 million in State General Fund, and $268 million in county funds. (Note that this is different from the standard 50/35/15 split, for reasons discussed below.)

3. Budgeting the Administrative Costs for the State

There are two major types of CalFresh cases that require an administrative budget.

A. The largest part by far is the administrative budget for CalFresh cases <u>not</u> receiving CalWORKs – known as *Non-Assistance CalFresh (NACF)*. The 2013-14 budget caseload projection for NACF was *1.79 million cases*. This budget amount is built by CDSS each year from two data points:

- The FY 2001-02 general fund amount was established as the baseline;
- That amount is increased each year by the previous year's statewide caseload growth.

Note that this formula does not take into account any changes in actual operating costs since FY 2001-02, such as labor, facilities, or technology, suggesting at some point an updating of this formula will be in order.

In 2013-14, the administrative budget for NACF totaled: **$1.57 billion**, with $704 million federal funding, $621 million state General Fund, and $220 million county funds.

B. A second type of CalFresh cases includes individuals who receive both CalWORKS <u>and</u> CalFresh – *Public Assistance* (PA) cases – and that funding is based on actual claims, with a share of total case costs apportioned to CalFresh. The 2013-14 budget used a PA caseload figure of *563,000 cases*.

In 2013-14, the amounts for PA shifted to NA totaled: **$214 million**, with $107 million federal funding, $75 million state General Fund, and $32 million county funds.

4. <u>Other Administration-Related Budget Items</u>

Two other major categories of administrative spending are also included in the administrative budget.

- *California Food Assistance Program*: The state runs a CalFresh-like program for legal non-citizens who are income-eligible for CalFresh, but do not meet the federal requirement of having been in the country for five years. This program – both benefits and administrative costs -- is 100% funded by the state's general fund, with no federal match or county share. For FY 2013-14, the budget amount for administration was $**3 million**, all in state general fund (benefits were an additional $67 million, also all in state general fund, for a caseload of *47,493*).

- *Policy Changes*: In addition to the overall administrative costs for operating the program, the State also requests one-time funds for new policy changes (e.g. moving from quarterly to semi-annual reporting, allowing inter-county transfers). These costs are estimated by CDSS, based on specific methodology detailed in budget binders (e.g., additional case worker time needed to implement change, savings from reduced mailings, etc.). Note that often these changes generate savings (e.g., the switch to prospective budgeting). Over time, the impact of these policy changes is absorbed into the general administrative costs.

  These Policy Change line items taken together typically are less than roughly 5% of the total administrative budget. These costs are also eligible for 50% reimbursement by federal dollars. These costs may or may not require a county share, depending on the nature of the change. These funds may or may not be distributed to all counties, depending on whether all counties are participating in the policy or program change.

Finally, note that *Automation Projects* – mainly, to upgrade the 3 SAWS (Statewide Automated Welfare System) information technology systems used by the Counties: CalWIN, C-IV, and, LEADER – are funded in a separate line item from the CalFresh Administration, because they usually benefit multiple programs (including CalWORKs and Medi-Cal). These expenditures, too, may be matched by federal funds and may require a county share.

5. <u>Allocating the Administration Budget to Counties</u>

Once the statewide administrative budget is determined, the amount that *each county* receives also needs to be established. The CWDA assists CDSS in allocating the state's administrative budget to the 58 counties. CWDA allocates an amount to each county using:

- Each county's budget amount from the previous year as a base,
- Plus, an increase equal to their caseload growth over the past year.

Note that including past year caseload growth in the allocation formula both provides equity for increased costs and acts as a positive incentive for increased caseloads.

6. <u>Claiming and Closing-Out Administrative Costs</u>

Counties first spend the administrative dollars, and then can claim at the end of each quarter their reimbursement from the State (including the federal share). Usually – although see the waiver section below -- counties need to demonstrate that they *first* have spent their entire 15% share of the administrative budget, and *then* they can begin to receive their share of the 35% allocated annually from the state general fund and their share of the 50% reimbursement from the feds. This claim is submitted within one month of the end of the quarter, and reimbursement comes within 9 months.

At the end of the year, the state will do a formal reconciliation and "close-out" of the counties' claims. One goal of the reconciliation process is to ensure that the counties, taken together, claimed up to the maximum allocated from the state General Fund and matched by the federal government. One way that CDSS reaches that fiscal goal is to re-allocate administrative funds designated for those counties that have "under-spent" their allocation to those counties that have "over-spent" their allocation (because of larger than expected caseload growth, or one-time program investments, for example).

Additionally, mid-year CWDA informally surveys counties to see if any counties are able to identify that they will under-spend or over-spend. If so, CWDA can recommend some mid-year re-allocations to CDSS, again to help ensure available funds are best utilized where and when needed.

7. <u>Under-match vs. Over-match of Administrative Budget</u>

It is normal fiscal management that the total funds claimed by the counties will be modestly under the total budgeted by the State (e.g., 2-4%), with a correspondingly modest loss of federal funds. However, significant under-matching of costs to the budget would suggest a larger problem in program structure or management that needs addressing, so that CalFresh doesn't lose out on significant federal match dollars and opportunities to maximize program performance.

Significant under-matching began appearing when the recession began: in 2009-10, the administration budget was under-spent by 13%, according to an analysis by the Coalition of California Welfare Rights Organizations. As a result, $51 million of the amount budgeted from General Fund went unused and therefore unmatched by another $85 million in federal funds that would have been available to CalFresh if the county and state had fully matched.

To respond to the under-matching and ensure needed and available administrative funds were still utilized by the program, the counties requested a "Match Waiver" from the legislature beginning in FY 2010-11, discussed below.

8. Match Waiver for County Administrative Funds

Why were the counties under-matching more than normal during the recession? As the economy slowed, counties were having trouble expending their 15% share of the administrative costs, because of three pressures:

- Caseloads were growing dramatically (24.1% in FY 2008-09 and 30.1% in 2009-10), increasing administrative costs overall and therefore the dollar amount needed to reach the 15% share that counties needed to provide;
- At the same time, sales tax revenues, which counties have used since 1991 realignment to fund their local administrative share, were decreasing sharply.
- Some counties also experienced across-the-board freezes on hiring or other administrative spending, given the severity of the fiscal crunch, even if funds specifically designated for CalFresh were available.

Counties were at risk of not being able to access state and federal funds at all, because they couldn't reach their required 15% share in local funds.

The Match Waiver gave counties a new way to access their state and federal funds: instead of having to spend the 15% of the administrative budget, they had the alternative of spending the dollar amount specified in the 1996 federal welfare law as the "Maintenance of Effort" amount. For most counties, especially the larger counties, the MOE amount is considerably lower than the 15%. In this way, the waiver allowed the counties to spend less and still get access to state and federal funds they otherwise would not have been able to during the recession. On the other hand, the counties who did put up the lower amount lost the federal match they would have received if they had been able to spend the full 15%.

The Match Waiver's impact on administrative funding in 2010-11, its first year of operation, is the following:

- 27 counties used the waiver and spent their MOE minimum rather than 15% share.
- On the plus side, $28.2 million in general fund was drawn down, and then eligible for federal reimbursement, that otherwise would have been lost to counties without this lower requirement.

- On the negative side, the counties were unable to spend $10 million that was projected to come from county funds, and thus lost up to an addition $10 million in federal fund reimbursement, costing California a total of $20 million in spending on CalFresh administration.

Note that the actual impact of the waiver from year one of implementation is significantly less than the projected budgets, which rely on the assumption that all counties use the waiver to the maximum amount. In the 2013-14 budget, based on that premise of maximum utilization, it is projected that the counties would not spend $110 million, losing another $110 million in federal match, and in total costing the state administration budget $220 million. However, it is anticipated that the actual loss will be much lower.

The Match Waiver has continued for the past three years, in the budgets for 2011-12 (the final close-out report on the impact should be available in spring 2013); 2012-13; and 2013-14. The Match Waiver, however, should at some point soon come to an end, as county sales tax revenue recovers and caseload growth, while continuing to grow in California by double digits, climbs less sharply than during the height of the recession (12.5% growth projected in 2013-14). A planned wind-down is now envisioned by the State and counties.

9. <u>Administrative Budget Veto in 2012</u>

In 2012, the Governor proposed an additional response to the problem of under-match: an $80 million cut in state administrative funding for CalFresh. Counties were able to demonstrate to the Legislature and the Administration that caseload was still growing and needed continued investment; and, further, that previous years' under-match was being largely addressed by the Match Waiver and the (still in progress) close-out and re-allocation process between counties. Nonetheless, a one-time cut of $68 million was included in the final 2012-2013 budget signed (and blue-penciled) by the Governor. That cut, however, was able to be allocated over the close-out of 2010-11 and 2011-12, as well as 2012-13, lessening its harm to program operations. Most importantly, that one-time cut did not become part of the baseline, and the 2013-2014 budget was again calculated per the usual formula: 2001-02 budget, plus annual caseload growth.

10. <u>Administrative Costs in California vs. Other States</u>

USDA annually ranks all 50 states on their administrative costs per case. California has consistently appeared on those rankings as having dramatically higher costs per case than any other state. What accounts for this striking disparity?

CDSS and CWDA have suggested that the USDA calculation fails to take into account unique and important distinctions in California, for example: 1) by including in the calculation California's extensive Nutrition Education program and 2) by excluding those receiving SSI-cash out as an equivalent (and cheaply administered) benefit. USDA, for its part, believes the calculation fairly reflects some of the high-cost decisions California has made, such as maintaining three information-technology systems, and is therefore requiring the state to move to one system by 2020 (at present, the State has only agreed to move to two, CalWIN and LRS, an update on LEADER that C-IV plans to join).

All agree that California has some higher costs of doing other business than other states, such as labor and facilities, which may always leave California at the higher end of the ranking of states. Further detail on the administrative costs line-items from the state and counties and from other states is needed to fully and fairly compare California to other states.