



Economic Impact Analysis Virginia Department of Planning and Budget

22 VAC 40-601 – Supplemental Nutrition Assistance Program
State Board of Social Services
April 3, 2012

Summary of the Proposed Amendments to Regulation

The proposed regulation will count the full income of an ineligible alien when determining the eligibility and amount of food stamp benefits of a household rather than counting only a prorated amount of the immigrant's income.

Result of Analysis

The proposed change will remove an economic inequality currently exists between families with an ineligible non-alien and families with an ineligible alien when determining eligibility and amount of benefits in the food stamp program. However, the costs likely exceed the benefits since the proposed change makes some of the food stamp recipients in the Commonwealth worse off without making anyone else in the state better off by a comparable magnitude.

Estimated Economic Impact

These regulations set out rules for the Supplemental Nutrition Assistance Program (SNAP) also known as the “food stamp” program. Prior to the enactment of the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), states were required to prorate¹ the income of the ineligible immigrant² and count the prorated amount toward the eligibility of the remaining household members for SNAP benefits. PRWORA allowed each state the option to count all of the income of the ineligible immigrant or to prorate

¹ Prorate in this context means the income of the ineligible alien divided by the number of all household members is disregarded when calculating the total family income.

² Ineligible immigrant is referred in 7 CFR 273.11(c)(3)(i) to as someone: who is not lawfully admitted for permanent residence; who is not granted asylum; who is not admitted as a refugee; who is not paroled; whose deportation or removal has not been withheld; who is not aged, blind, or disabled and is not admitted for temporary or permanent residence; or who is not a special agricultural worker admitted for temporary residence.

the income.³ Virginia has opted to count the prorated share of income since 1996, but with this action the State Board of Social Services proposes to count the entire income of the immigrant who is ineligible for food assistance.

The eligibility and amount of food stamp benefits are determined by looking at the combined income of the members in the household and the number of eligible members among other criteria. The eligibility determination counts full income of all individuals in the household unless the individual is an alien who is ineligible for food assistance. Even though their incomes are counted, benefits are not issued to ineligible individuals, aliens or non-aliens alike.

Since currently less than the full amount of the ineligible alien's income is counted in eligibility determinations, families with an ineligible alien are favored by the eligibility rules compared to the families with an ineligible non-alien member where every member's full income is counted.⁴ The logic behind this conclusion is that a family with an ineligible alien is more likely to be determined eligible for food assistance and qualify for higher benefits due to the lower combined family income. Conversely, a family with an ineligible non-alien is less likely to be determined eligible for food assistance and qualify for lower benefits due to the higher combined family income. Thus, there exists a fairness issue in determining combined family income for purposes of food stamp eligibility and benefit amount.

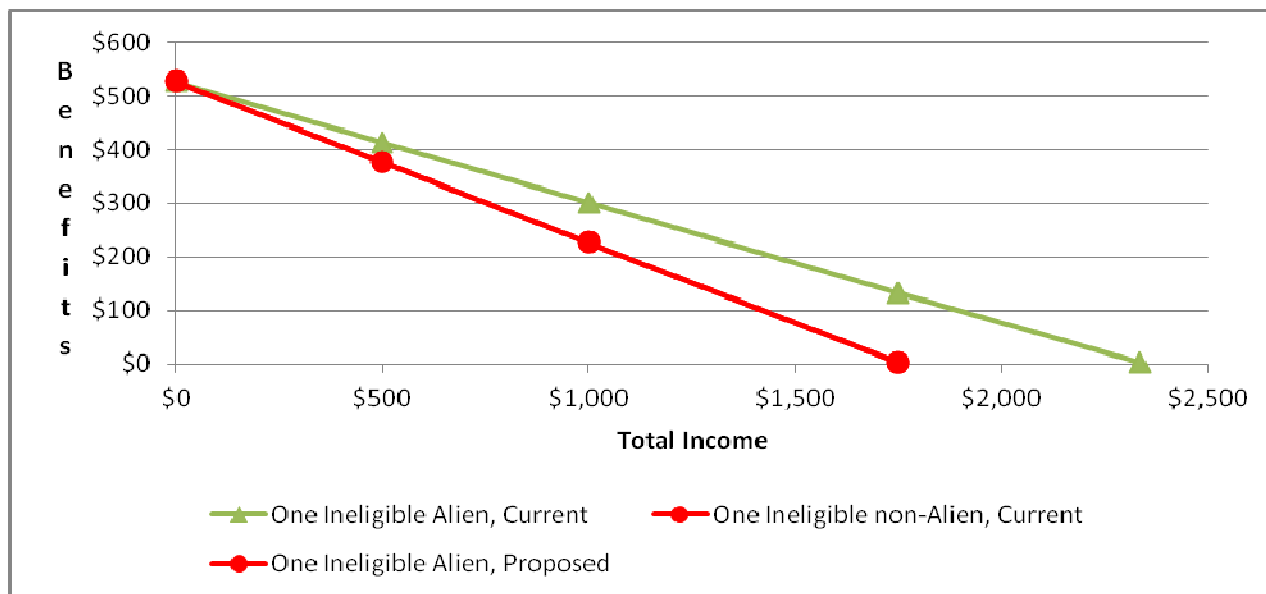
The figure in the following page shows the relationship between monthly income and benefits for two families for various income levels:⁵ the red line marked with circles represents the income-benefit relationship for a family of four with one ineligible non-alien and the green line marked with triangles represents the same relationship for a family of four with one ineligible alien. For simplicity, each family is assumed to have two income earning adults and two minor children. Each adult is assumed to make one half of the total family income.

The graph shows that both families would receive \$526 in benefits if they had no income. If the family income were \$500 a month, the red line shows that the family with one ineligible non-alien member would receive \$376 in food assistance compared to \$413 for the family with one ineligible alien as indicated by the green line. The family with one ineligible alien would

³ See federal regulations at 7 CFR 273.11(c)(3)(i).

⁴ Based on the comments provided, the impetus for this proposed change appears to originate from the eligibility workers at local departments of social services who believe there is a fairness issue involved in determining income for purposes of SNAP assessment.

Income-Benefit Relationship for Two Families under Current and Proposed Rules



receive higher benefits compared to the family with one illegible non-alien for all income levels up to \$1,750. The family with one ineligible non-alien would not be eligible for assistance beyond \$1,750 income level. In contrast, the family with one ineligible alien would continue to be eligible up to \$2,333 income level. The fairness issue appears to be prompted by the differential treatment of a family with an ineligible alien and a family with an ineligible non-alien.

The main economic impact of this proposed change will be on families that have at least one ineligible alien. First, their chances for food stamp eligibility will be reduced as the level of counted family income used for eligibility will be higher, or a lower level of total family income will render them ineligible.⁶ According to the Department of Social Services (DSS), in the month of February 2012, approximately \$117 million in SNAP benefits were issued to 914,445 persons in 439,966 households. Of the eligible persons, approximately 15,614 were excluded in the month of September 2011 from the program because of their immigration status. This suggests that the proposed regulation may affect approximately 7,500 families.⁷ Among these families, the ones with high income levels will have a reduced chance to qualify for food assistance.

⁵ The values the graph is derived from are provided in a table in the appendix.

⁶ This action will align SNAP guidance with that of Medicaid and Temporary Assistance to Needy families, as these programs count the full amount of ineligible immigrant's income in the eligibility determination.

⁷ $15,614 / (914,445 / 439,966) = 7,512$.

Second, among the 7,500 families, the ones with lower income levels will have their benefit amounts reduced because their counted income will be higher.

The impact of the proposed change on the income-benefit relationship of a family with an ineligible alien is illustrated in the graph by tilting the lower part of the green line to the left so that it completely overlaps the red line and becomes identical to it. In other words, the proposed change aligns the income-benefit relationship of a family containing an ineligible alien with that of a family containing an ineligible non-alien so that there is no differential treatment between the two families.

The fact that the food stamp program is financed 100% by the federal government has a crucial role in determining the economic impact of this change to the Commonwealth. Since the families with an ineligible alien either will cease to receive benefits, or start receiving reduced benefits, a reduction in the funds coming into the Commonwealth from the federal government is expected. Unlike the state or private funds, influx of federal funds coming into the Commonwealth does not have offsetting reductions in funds elsewhere in the state and thus has significant positive impact on the state's economy. A reduction in net influx of federal spending directed to residents of Virginia is expected start a chain reduction in economic activity. The first effect would be a reduction in revenues of retailers. Then, retailers would buy less from their suppliers and hire fewer employees creating more negative economic effects and so on. Even though the magnitude of the revenue loss to retailers is highly uncertain, the impact of such reduction would have negative consequences on Commonwealth's economy. Currently, there are 5,580 authorized retailers accepting food stamps in Virginia though households are not limited to use their benefits in Virginia.

The proposed change will also require DSS to reprogram the statewide eligibility system, change the program guidance, and train eligibility workers in local departments of social services. DSS estimates that three to four system experts would be involved in making the required system change over a three-month period. Also, approximately 2,500 local eligibility workers are estimated to be involved with the SNAP program and would have to be educated about this change. However, training usually covers multiple topics. Thus, the proposed change may be responsible for only a portion of the training costs that may accrue. Even though the proposed change is likely to create additional costs in terms of reprogramming, changing

guidance documents, and training, DSS expects that these costs will be absorbed within existing budgets. On the other hand, the proposed change will also provide some administrative cost savings due to the expected reduction in the SNAP caseloads. Administrative costs of social services are funded 50% by federal government, 34.5% by state government, and 15.5% by local governments. While the administrative cost savings would work to offset some of the negative impact of reduced spending funded by the federal government to some extent, administrative costs are usually a fraction of benefits provided by most public assistance programs and therefore these savings are not likely to fully offset the expected negative impact.

Businesses and Entities Affected

The proposed regulation applies to SNAP program. In February 2012, there were approximately 914,445 persons in 439,966 households receiving benefits. Approximately 15,614 individuals in estimated 7,500 households were excluded in September 2011 from the program because of their immigration status. There are approximately 5,580 authorized retailers participating and about 2,500 eligibility workers involved in the program.

Localities Particularly Affected

The proposed regulation applies throughout the Commonwealth.

Projected Impact on Employment

The estimated reduction in the net influx of federal funds coming into the Commonwealth and reduction in caseloads are likely to reduce the demand for labor in Virginia. This reduction may be temporarily offset to a small degree by the increased labor demand necessary to reprogram the statewide eligibility system, to update guidance materials, and to attend and to provide training.

Effects on the Use and Value of Private Property

The proposed regulation does not have a direct effect on the use and value of private property. However, a reduction in food benefits would reduce revenues of authorized retailers participating in the program. A reduction in revenues may have a negative impact on the asset value of such businesses.

Small Businesses: Costs and Other Effects

The number of small businesses among the 5,580 authorized retailers is probably significant. The proposed change is expected to reduce issuance of food benefits in Virginia and consequently the revenues of retailers some of which may be small businesses.

Small Businesses: Alternative Method that Minimizes Adverse Impact

There is no known alternative method that minimizes the adverse impact on small businesses while accomplishing the same goals.

Real Estate Development Costs

No effect on real estate development costs is expected.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 14 (10). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.

Appendix

Income-Benefit Comparison for Two Families under Current and Proposed Rules

<i>One Ineligible Non-Alien</i>		<i>One Ineligible Alien</i>			
<i>Current and Proposed Rules</i>		<i>Current Rules</i>		<i>Proposed Rules</i>	
<i>Total Income</i>	<i>Benefits</i>	<i>Counted Income</i>	<i>Benefits</i>	<i>Counted Income</i>	<i>Benefits</i>
\$0	526	\$0	\$526	\$0	\$526
\$500	\$376	\$375	\$413	\$500	\$376
\$1,000	\$226	\$750	\$301	\$1,000	\$226
\$1,750	\$2	\$1,312	\$132	\$1,750	\$2
\$2,333	Ineligible	\$1,750	\$2	\$2,333	Ineligible