



## VOTE NO ON HB 1047:

**CATEGORICAL ELIGIBILITY Enhances Efficiency and Reduces Costs. It Also Helps Working Families, Older Adults, and People with Disabilities Put Food on the Table.**

### BUDGET & TAX CENTER FACT SHEET

May 2016

**House Bill 1047, *Welfare Reform/Food and Nutrition Benefits*, would eliminate North Carolina's ability to expand categorical eligibility (CAT EL) as allowed under federal law. Expanded or "broad-based" CAT EL makes sense because it enhances efficiency, saves North Carolina money, and helps at least 22,000 low-income people become eligible for food assistance.<sup>1</sup>**

**The federal government pays the full cost of food assistance and splits the cost of administering the program with the state, which operates the program.**

#### **CAT EL Reduces Red Tape, Helps People in Need Put Food on the Table**

States are allowed to expand Food and Nutrition Services' (FNS) reach to low-income people who cannot afford to purchase groceries through an option called broad-based CAT EL. This option allows some North Carolina families with modest assets and low incomes—but high expenses such as child care, rent, and utilities—to be eligible for federally-funded food benefits.

One of the main goals of broad-based CAT EL is to reduce state administrative costs and workload for the Division of Social Services. CAT EL reduces the number of tests that households must meet to be *eligible* for FNS. If a household already met financial eligibility rules in one specific low-income program—such as Work First—then they can bypass the standard gross income and asset tests for FNS. Households are categorically eligible through this option by receipt of a wide range of human services.<sup>2</sup> As such, this option eliminates red tape: it simplifies policies, reduces the time that case workers must devote to verifying resources, and reduces error rates.<sup>3</sup>

Eligibility (step 1) does not guarantee benefits (step 2). Households are not automatically enrolled because their net incomes must still be low enough to *qualify* for benefits. They must follow rigorous procedures for documenting income and expenses to determine benefits. The broad-based option here in North Carolina helps:

- **Households that earn just enough not to otherwise qualify for FNS but don't have enough disposable income to afford the food they need.** The option does this by raising the gross income limit to 200 percent of the federal poverty line (FPL) from 130 percent. Virtually all benefits go to households with net incomes below 100 percent FPL.
- **Households whose assets exceed \$2,250 (or \$3,250 for households with older adults and people with disabilities).** The option does this by eliminating the asset test.

#### **Eliminating CAT EL Would Strip NC of Flexibility, Likely Increase State Costs**

Eliminating broad-based CAT EL would make FNS rules more complicated and administratively burdensome, requiring the state to alter its FNS eligibility rules, modify NC FAST (the state's new benefits delivery system) and applications, and retrain staff. By reducing efficiency and increasing workload, HB 1047 would likely increase administrative costs—the only state costs associated with FNS benefits—and potentially raise FNS error rates.

NC FAST is programmed to determine FNS eligibility with broad-based categorical eligibility in place. Changing the rules may require an appropriation to update the program accordingly to ensure that people in need are not wrongly cut off from food assistance. This would come at a time when NC FAST is already under tremendous strain. In fact, counties are still reporting "glitches and long delays" with the program.<sup>4</sup>

For more information, contact:

**Tazra Mitchell**  
Budget & Tax Center  
[tazra@ncjustice.org](mailto:tazra@ncjustice.org)  
or (919) 861-1451

NORTH CAROLINA  
JUSTICE CENTER

P.O. Box 28068  
Raleigh, NC  
27611-8068

(919)856-2570  
[www.ncjustice.org](http://www.ncjustice.org)

## Eliminating Broad-Based CAT EL Would Penalize Low-Income Working Families the Most

Eliminating the broad-based CAT EL option would cut at least 22,000 low-income working North Carolinians from their food benefits.<sup>5</sup> These are people who work hard for low wages that don't cover their family expenses, especially child care and rent. Children in low-income families whose eligibility for free school meals is tied to their receipt of FNS through CAT EL would lose free meals when their families lose FNS.

Lifting the asset test allows low-income families to save modestly for the future to move off public benefits and save for emergencies or homeownership. Older adults and people with disabilities who live on fixed incomes and have modest savings set aside for emergencies also benefit from this state option. And, unemployed individuals facing hardship who may still have modest savings to get them through unemployment also benefit.

## Eliminating Broad-Based CAT EL Would Put Pressure on Local Non-Profits

As the cost of living continues to rise, nearly 1 in 6 North Carolinians use FNS to buy the food they need to survive and feed their families. Cutting food assistance for low-income North Carolinians will strain the resources of local nonprofits and private charities. These groups are already dealing with the fallout from the return of the FNS time limit for childless adults, a weakened unemployment insurance program, and an uneven economic recovery. They would be hard-pressed to manage the spike in demand for their services as public food assistance is terminated.

## Eliminating Broad-Based CAT EL is Out of Step with Other States

More than 40 states have exercised the CAT EL option, broadening FNS eligibility to help people who need it. States have also used the option to align FNS rules with other programs, since doing so simplifies operations and reduces administrative costs.

## Three Points on Fact VS. Fiction

1. **Broad-Based CAT EL is not “out of control:”** Nationwide, categorical eligibility accounts for just 2 percent of FNS costs—so allowing states to use the option has not driven caseloads out of control or driven up program costs unreasonably, as some have claimed.<sup>6</sup>
2. **FNS caseloads in our state have already fallen by nearly 11 percent since peak levels, compared to 7 percent nationally.**<sup>7</sup> We shouldn't dedicate time or resources to keeping families from getting the food they need. Repealing North Carolina's ability to expand eligibility will only serve to target struggling working families who are trying to get back on their feet and older adults who struggle make ends meet.
3. **CAT EL does not result in automatic enrollment of families, as some claim.** Every household must follow rigorous procedures for documenting income and expenses to determine benefits.

**Permanently barring the state from having the option to provide food aid through broad-based categorical eligibility is a harsh policy that will increase food hardship among North Carolinians.**

For more information, contact:

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Budget & Tax Center  
[tazra@ncjustice.org](mailto:tazra@ncjustice.org)  
or (919) 861-1451

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<sup>1</sup> Falk, Gene and Randy Alison Aussenberg. “The Supplemental Nutrition Assistance Program (SNAP): Categorical Eligibility.” Congressional Research Service. February 2, 2016. See page 14.

<sup>2</sup> Based on federal guidelines, a household is categorically eligible for SNAP if the household receives a cash benefit, such as Supplemental Security Income or Work First cash assistance. States can expand CAT EL based on receipt of a wide range of non-cash human services (TANF or MOE-funded benefit) rather than simply cash assistance.

<sup>3</sup> USDA memo. “Improving Access to SNAP through Broad-Based Categorical Eligibility.” September 30, 2009.

<sup>4</sup> Hawley, Jon. “DSS chiefs: NC FAST still too slow.” Daily Advance. May 8, 2016.

<sup>5</sup> See footnote 1.

<sup>6</sup> FNS is known as SNAP federally. Special data request to the Center on Budget and Policy Priorities.

<sup>7</sup> Special Data request to the Center on Budget and Policy Priorities. Peak levels occurred in September 2011 in North Carolina and December 2012 nationally.