

California's Cashout Policy

Background document on why recipients of Supplemental Security Income are ineligible to receive CalFresh benefits.

What is Cashout?

The federal Supplemental Security Income (SSI) program was established in 1974 to complement various state programs supporting the blind, elderly, or disabled populations. At the time, many elderly and disabled SSI participants were only eligible for minimal SNAP benefit amounts (now known as CalFresh in California). The SSI and the State Supplementary Payment (SSP) income received by participants was high enough that it limited the amount of SNAP benefits for which SSI/SSP recipients were eligible (SNAP benefit amounts are determined by several factors including income).

States had the option to “cash out” SNAP benefits to SSI recipients by including their estimated value (approximately \$10 per month in California at the time) within the SSI grant. By adding this additional dollar amount into existing SSI/SSP payments, California reduced costs associated with the high administrative costs of delivering a somewhat small amount of CalFresh benefits to each SSI/SSP recipient. By combining the SNAP benefits into the SSI/SSP payment, SSI/SSP recipients were made ineligible for SNAP.

What has changed since 1974?

Over the years, California's SSI/SSP grants have risen and fallen; relative to today's cost of living, SSI/SSP benefits are significantly lower. As SSI/SSP recipients struggle to make ends meet, some policymakers and advocates question the adequacy of SSI/SSP grants, and view removing Cashout as a way to support those recipients with CalFresh benefits.

Along with the declining SSI/SSP grants, the minimum CalFresh benefit amount has increased. Since 1974, the minimum CalFresh benefit has increased from \$10 to \$16. If Cashout were removed, some SSI/SSP recipients would be eligible for a CalFresh benefit of at least \$16.

Why has Cashout remained?

Several conditions that led to Cashout remain:

The ongoing challenge of low benefits to comparatively higher CalFresh administrative costs.

- The challenge now, as it was in 1974, is that the administrative cost of delivering the \$16 minimum CalFresh benefit is significantly higher than the face value of the benefit. This makes any proposal to eliminate Cashout fiscally unsound.
- While many elderly, blind, and disabled Californians struggle to make ends meet with the current SSI/SSP grant, analysis suggests that ending Cashout would provide three-quarters of the newly eligible population with the minimum CalFresh benefit of \$16.

Low CalFresh participation rates among seniors.

- Current CalFresh participation among the elderly population is very low; seniors face specific barriers to enrollment. Removing Cashout does not address these barriers. We cannot be sure that newly eligible seniors will apply for CalFresh.

The negative impact of ending Cashout on certain households.

- Mixed SSI/SSP households, where some members receive SSI benefits and other members do not, often

benefit under the current Cashout policy. For example, if a disabled child receives SSI/SSP and his/her household applies for CalFresh, the SSI/SSP income of this child doesn't count toward the family's CalFresh benefit calculation. In this case, the entire household receives higher overall benefits than it would have otherwise.

- While only a small group of households benefit from the current Cashout policy, the population who does is quite vulnerable (children with disabilities) and the nutrition benefits for those households are very significant. An end to Cashout would lead these households to see a significant decrease, or complete loss, of CalFresh benefits.

Removing the Cashout policy is a tradeoff that would benefit some populations and harm others:

- Households in which all members receive SSI/SSP would be newly eligible for CalFresh benefits. They would continue to receive SSI/SSP and, if they apply for CalFresh, they could receive an additional benefit (\$16 minimum).
- Some households with members who received SSI/SSP and other members that do not (mixed SSI/SSP households) would become ineligible for CalFresh or receive a lower CalFresh benefit amount. These households would continue to receive SSI/SSP but their CalFresh benefit would decrease or disappear.

How many households would win or lose if Cashout was removed?

A 2015 data analysis indicated that ending Cashout in California would make more households eligible for CalFresh. However, the average CalFresh benefit would go down (under this scenario a significant number of households would only qualify for a minimum benefit of \$16):

- 492,000 households would be newly eligible, 59,000 would become newly ineligible, and 216,000 would remain eligible (of those, 41,000 would qualify for higher benefits and 175,000 would qualify for lower benefits)
- Households that become newly eligible would most often be single person, senior household.
- One third of households that would lose CalFresh eligibility contain children.

What has been done to end Cashout but preserve benefits for households with children?

In order to benefit SSI/SSP-only households while not harming multi-person SSI/SSP households (which contain non SSI/SSP recipients), California applied for a federal waiver in 2010. California requested to waive the federal requirement to treat the state's SSI/SSP population uniformly. The waiver would have allowed California to maintain Cashout for mixed SSI/SSP households, while ending Cashout for SSI/SSP-only households.

If the waiver had been approved, the SSI/SSP income for mixed-SSI/SSP households would not count when determining the CalFresh benefit. SSI/SSP-only households would have been eligible for CalFresh. The waiver was rejected because the U.S. Department of Agriculture does not believe the agency has the authority to end Cashout for some, but not all, households.

What now?

Action now can make progress toward changing the fiscal barriers and policies that lead to Cashout:

- Reducing administrative costs associated with CalFresh could make removing Cashout more practical (and perhaps more likely). Policies that streamline enrollment and leverage modern technology to simplify CalFresh should be pursued.
- Increasing CalFresh participation among seniors would ensure that, should Cashout be removed, newly eligible households would be likely to participate. Strategies to enroll currently eligible seniors easily and efficiently into CalFresh should be a high priority.
- Efforts to protect and increase the SSI/SSP benefit would support struggling households by providing a more meaningful benefit until Cashout is resolved.