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BILL ANALYSIS

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Senate Bill 120 (Substitute S-1 as passed by the Senate)
Sponsor: Senator Martha G. Scott
Committee: Families and Human Services

(as enacted)

Date Completed: 3-24-08

RATIONALE

Some people believe that the Department of Human Services (DHS) should provide food assistance benefits (commonly called "food stamps") to recipients twice, rather than once, a month. The DHS uses a debit card, the "Michigan Bridge Card", for the distribution of both cash assistance and food stamps. During the first 10 days of each month, based on the ending digits of recipients' case numbers, the DHS transfers the benefits payable to a recipient into his or her account, and the recipient then may use the card to make purchases. Evidently, many recipients spend most of their food assistance benefits shortly after they are paid, which leads to a spike in purchases at grocery stores during the first half of a month, followed by a sharp drop in the second half. This can be problematic for retail grocers, in terms of staffing, cash flow, inventory, and quality control, particularly with respect to perishable items. At the same time, recipients who spend their food stamps at once cannot buy fresh food or milk that will last for a month, and may have no assistance left to buy new supplies later in the month. It has been suggested that the bimonthly distribution of food stamps would address the concerns of grocers as well as the needs of recipients.

CONTENT

The bill would amend the Social Welfare Act to require the Department of Human Services to issue an individual's regular food assistance benefits twice each month, if the Department determined that the individual was eligible for food assistance benefits of \$100 or more per month. The DHS could continue to issue food assistance benefits

once monthly to recipients receiving benefits that were less than \$100 per month.

The DHS also could continue to issue food assistance benefits on a staggered basis by case ending digit.

The bill would not apply to issuing initial, retroactive, or supplemental food assistance benefits.

Proposed MCL 400.14j

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The once-monthly distribution system results in disproportionately high food stamp use in the beginning of each month, to the detriment of both retailers and recipients. According to the Associated Food and Petroleum Dealers, Inc., many of its retailers and suppliers make 80% of food stamp-related sales during the first 10 days of each month. Sales then dip severely at the end of the month. Employers must ask their staff to work 50 or more hours a week for the first two weeks of the month due to the heavy volume, and then schedule limited hours during the rest of the month. When sales are slow, it is possible that products are not being turned over as often, and may not be as fresh, as they otherwise would be. In addition, wholesalers and suppliers reportedly have stopped serving some areas because of the lack of steady demand for

products, and some stores have had to lay off employees or close.

Based on the retailers' experience, it appears that many food stamp recipients are using most of their benefits, or depleting their accounts, during the first half of the month, leaving little or no money for necessary purchases--especially fresh food and milk--at the end of the month. Evidently, research has linked the monthly distribution cycle to poor nutrition, obesity, and food "insecurity". Food shortages then place additional burdens on already overwhelmed food banks.

According to testimony submitted by the United Food and Commercial Workers International Union, one of the demands often made by its members during contract negotiations is for frequent pay periods. The more frequent pay periods are, the easier it is for workers to budget their money. This principle should apply as well to food stamp distribution: The more distribution periods a recipient has, the easier it is for him or her to budget the assistance.

Language in recent DHS appropriation acts has recognized the need to improve the food stamp distribution system. Public Act 345 of 2006, which made fiscal year (FY) 2006-07 appropriations, required the Department to "implement policy changes in the distribution of food assistance program benefits to address concerns expressed by grocers, food providers, and the Michigan food policy council". The Act also stated, "The distribution change shall seek to achieve a more uniform flow of food assistance expenditures in any given month and also consider the needs of recipients." In response, the DHS formed a work group of the interested parties, which met for about six months to find a solution.

Public Act 131 of 2007, which makes FY 2007-08 appropriations for the DHS, authorizes the Department to spend \$600,000 "to revise the distribution of food assistance benefits to implement a staggered food assistance payment schedule that spans 19 days in each month". While an extended distribution schedule would alleviate the problems experienced by grocers and suppliers, however, it would not affect recipients' practice of using most of their food stamps at one time, leaving little

or no money to buy fresh food and milk later in the 30-day cycle.

The bill would address both concerns by requiring the DHS to distribute food assistance benefits twice a month to recipients who are eligible for \$100 or more of monthly benefits. This threshold represents a compromise between the current system and a requirement to distribute all food assistance benefits bimonthly. The \$100 trigger would affect nearly 80% of the total food assistance caseload.

Response: The State's food assistance program (FAP) is subject to Federal regulations, and changing the current distribution system--either to a 19-day staggered schedule or to bimonthly distribution--would require Federal approval. Although Federal law gives state agencies flexibility to stagger the issuance of FAP benefits throughout a month, there is no clear authority for a state to split monthly allotments in two on an ongoing basis, and apparently no other state does so. According to a letter from the Midwest Region of the U.S. Department of Agriculture to the DHS Director, regarding the two potential changes, "[I]ncreasing the number of days benefits are staggered is a better way to address the retailers' concerns regarding managing their inventory and staffing...[and] spreads out the issuance much more effectively than issuing every client benefits on two days each month. At the same time, increased staggering of issuance has none of the negative impact on clients as would limiting clients to half an issuance twice a month."

In addition, it is not clear whether food stamp recipients want to change to bimonthly distribution or feel that this would meet their needs. According to a DHS spokesperson, the Department is in the process of surveying recipients and expects to have the results by the end of March 2008.

Opposing Argument

Recipients should retain the ability to decide when they will spend their food assistance dollars. Many families or individuals might prefer to buy in bulk in order to increase their purchasing power, or because they have limited transportation and can do their grocery shopping only once a month. Although there is empirical evidence that

many recipients use most of their food assistance soon after it is issued, that may be because they choose to do so—not because they cannot manage their money. If the State is giving recipients a "hand up", rather than a "hand out", it makes sense to entrust them with this responsibility. Furthermore, if recipients find themselves without money for fresh supplies at the end of the month, that may be due to how little the food stamps can buy, especially in light of today's soaring food prices.

Opposing Argument

Evidently, a farm bill before Congress would prohibit states from changing food stamp distribution from once a month. Without knowing whether that legislation will pass or having the Federal government's approval for twice-monthly distribution, it would be premature to enact Senate Bill 120 (S-1) at this time. In addition, changing to bimonthly distribution could be cost-prohibitive for the State.

Response: According to the DHS, it would cost approximately the same to implement bimonthly distribution or to move to a 19-day staggered schedule.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

If enacted, the bill would lead to an increase in administrative expense for the Department of Human Services. Implementation of a twice-monthly payment for food assistance program recipients would require modifications in information technology systems used by the Department to manage FAP payments. The Department also would have to devote additional staff resources (on a one-time basis) to implementing the change in how FAP payments are distributed.

Increases in administrative cost associated with the FAP program would be eligible for 50% Federal reimbursement.

Fiscal Analyst: David Fosdick

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.