

Question 1: How does KY's SNAP/public assistance fraud rate compare with other states?

Department for Community Based Services (DCBS) Response: Many factors contribute to a state's fraud rate, including how a state prevents or identifies fraud. A state may display low fraud numbers, but invest a small amount in fraud prevention or investigation. The actual amount of fraud could be more than what is presented simply because efforts to discover fraud are low. Florida, for example, has a much higher number of Supplemental Nutrition Assistance Program (SNAP) recipients than Kentucky, yet the number of disqualifications due to fraud is similar. Some may conclude that Kentucky has a much greater amount of fraud than Florida. However, the basis could be that Florida is not investing as many resources in identifying fraud as Kentucky. Please see the chart below for comparisons of fraud rates in the southeast United States.

SERO
Disqualifications Added to eDRS

State	FY2018	YTD
		FY2019
Alabama	412	181
Florida	1,988	1,409
Georgia	2,548	1,062
Kentucky	1,601	849
Mississippi	1,266	219
North Carolina	3,535	1,525
South Carolina	1,918	964
Tennessee	1,186	529
SERO	14,454	6,738

Question 2: What percentage of errors include fraud?

DCBS Response: The data specifically requested cannot be produced at this time. The feasibility and cost of a special report to provide these data will have to be explored. However, DCBS would like to clarify the difference between error rates and fraud rates. Conflating the two is flawed.

For all public assistance programs, the DCBS Division of Program Performance (a.k.a., Quality Control) reviews cases to ensure cases are processed timely and accurately, confirming that clients are receiving the correct amount of benefits. The reviews conducted by Quality Control are federally prescribed and re-reviewed at the federal level. Quality Control does not review explicitly for fraud, but rather to verify information. At times when Quality Control interviews clients, incorrect reporting is verified. Errors are reported to the Division of Family Support, which then refers the individual cases for claims.

The error rate is composed of agency errors and clients errors—not solely clients errors. The errors could be caused by incorrect data entry (e.g., income, deductions, expenses); income miscalculation (e.g., earned income, unearned income, child support); information provided but not used in the case; changes not acted on when reported by household; misinterpretation or misapplication of policy; DCBS staff using incorrect verification (e.g., old verification when new verification is provided); cases denying, discontinuing, or terminated incorrectly due to system or worker error; the household receiving the incorrect notice for actions taken on the case; recipients not reporting correct information at time of application (e.g., income, members in household, household expenses); or the recipient not reporting changes timely when they occur. The Payment Error rate (PER) for SNAP is deterred by the total allotments and error dollars (error dollars ÷ total allotments) as reviewed by Quality Control staff. The current SNAP error rate is 40.18% error dollars from agency errors and 59.82% error dollars from client errors. Other program error rates are established by dividing the amount of error cases by the amount of cases reviewed.

Subsequent to the referral of a case from Quality Control, the DCBS Division of Family Support re-verifies all the information that the eligibility staff has verified, the recipient is re-interviewed, and the information is compared and calculated to ensure the correct amount of benefits is being received for the recipient. This process is employed with all the public assistance programs: SNAP, Medicaid, TANF cash assistance, and child care assistance/subsidy.

Claims can be established for agency and client errors, whether fraud is suspected. DCBS must be able to evidence intent for a recipient error to be identified as suspected fraud. Recipient fraud is most often identified by the DCBS eligibility and enrollment worker, batch matches or interfaces with verification sources, or through partnership with U.S. Department of Agriculture during retailer investigations, rather than through the Division of Program Performance/Quality Control case review process. A claim, whether fraud is suspected, and any suspected fraud must be acknowledged by the recipient or upheld through administrative or judicial proceedings. DCBS includes a claims branch that oversees collection activities, including tax intercepts. In addition to claims, applicable programmatic penalties can be applied as a result of fraud.

DCBS defers to the Department for Medicaid Services regarding its claim collections, penalties, and the Office of Inspector General within the Cabinet for Health and Family Services regarding its public assistance audit and investigative capacities.

Question 3: What are the uses of Temporary Assistance for Needy Families (TANF) funds in KY?**DCBS Response:**

TANF expenditures in Kentucky are determined by federal regulation. TANF funding can be allocated under the following categories:

- Basic Assistance
- Work, Education and Training Activities
- Child Care (spent or transferred)
- Program management, this is subject to a 15 percent cap
- Refundable Tax Credits
- Child Welfare Services (including Authorized Solely under Prior Law)
- Pre-kindergarten/Head Start
- Transferred to SSBG (Social Services Block Grant)
- Out of Wedlock Pregnancy Prevention
- Non-Recurrent Short Term Benefits
- Work Supports and Supportive Service (including Financial Education and Asset Development)
- Services for Children and youth (including Home Visiting)
- Authorized Solely Under Prior Law
- Fatherhood and Two-Parent Family Programs
- Other

Kentucky utilizes the following categories;

- Child Care (spent or transferred)
- Basic Assistance
- Work Supports and Supportive Service (including Financial Education and Asset Development) – listed as Supportive Services
- Work, Education and Training Activities
- Non-Recurrent Short Term Benefits
- Program management, this is subject to a 15 percent cap- listed as Maintenance/Admin

The services/supports/programs within each of these categories are as follows;

- Child Care (spent or transferred)
 - Cost of child care for participant

- Basic Assistance
 - Monthly Cash assistance payments
 - Safety Net Program
 - Kinship Care Payments
 - Private Child Care (PCC) payments

- Supportive Services
 - Education Bonus
 - Transportation
 - All other supportive services for eligible participants in the Kentucky Works Program (KWP)
 - Family Care Initiatives for P&P

- Work, Education and Training
 - Fostering Success Program
 - WIN Program
 - Training provided by KWP contractors
 - Wage Subsidy Program

- Non-Recurrent Short Term Benefits
 - Family Alternative Diversion Program (FAD)

- Maintenance/Admin
 - Staffing/Case management
 - Systems, such as Integrated Eligibility Enrollment System (IEES) Online Tracking Information System (OTIS)

The tables below provide data on TANF expenditures in Kentucky for State Fiscal Years (SFY) 17-19 in the categories above, breaking out the TANF expenditures utilized for Protection & Permanency (P&P) programs for Private Child Care

(PCC) and Kinship Care. The tables show the percentage spent in the five categories versus the changes proposed in House Bill 3.

SFY17

Core and non core categories	% spent in SFY 17	\$ amount	Proposed % of HB3	\$ amount
Child Care (ZAGB and ZAGC)	5.62%	\$9,560,084.45	25%	\$42,538,865.44
Basic Assistance*:	52.11%	\$88,673,686.20	15%	\$25,523,319.26
Supportive Services**:	20.67%	\$35,166,793.24	25%	\$42,538,865.44
Work, Education, and Training:	5.40%	\$9,190,190.22	25%	\$42,538,865.44
Nonrecurrent Short-Term Benefits:	0.01%	\$12,323.46	5%	\$8,507,773.09
Maintenance/Admin:	16.19%	\$27,552,384.17	5%	\$8,507,773.09
total	100.00%	\$170,155,461.74	100%	\$170,155,461.74
\$67,027,319.31 went toward PCC Care for P&P*				
\$10,482,025.38 was for Kinship care*				
\$22,391,584.79 Family Care initiatives for P&P**				

SFY18

Core and non core categories	% spent in SFY 18	\$ amount	Proposed % of HB3	\$ amount
Child Care (ZAGB and ZAGC)	4.90%	\$8,759,507.32	25%	\$44,669,394.23
Basic Assistance*:	53.55%	\$95,683,255.92	15%	\$26,801,636.54
Supportive Services**:	21.64%	\$38,673,592.59	25%	\$44,669,394.23
Work, Education, and Training:	6.89%	\$12,314,865.43	25%	\$44,669,394.23
Nonrecurrent Short-Term Benefits:	0.09%	\$167,967.85	5%	\$8,933,878.85
Maintenance/Admin:	12.92%	\$23,078,387.79	5%	\$8,933,878.85
total	100.00%	\$178,677,576.90	100%	\$178,677,576.90
\$68,482,192.86 went toward PCC Care for P&P*				
\$8,825,876.76 was for Kinship care*				
\$29,864,904.38 Family Care initiatives for P&P**				

SFY19

Core and non core categories	% spent in SFY 19	\$ amount	Proposed % of HB3	\$ amount
Child Care (ZAGB and ZAGC)	1.92%	\$ 3,706,999.68	25%	\$48,298,716.29
Basic Assistance*:	61.39%	\$ 118,597,503.36	15%	\$28,979,229.77
Supportive Services**:	20.58%	\$ 39,759,251.78	25%	\$48,298,716.29
Work, Education, and Training:	2.90%	\$ 5,598,405.75	25%	\$48,298,716.29
Nonrecurrent Short-Term Benefits:	0.07%	\$ 134,752.90	5%	\$9,659,743.26
Maintenance/Admin:	13.15%	\$ 25,397,951.68	5%	\$9,659,743.26
Total	100.00%	\$ 193,194,865.15	100%	\$193,194,865.15
\$88,000,000 went toward PCC Care for P&P*				
\$11,707,354.42 was for Kinship care*				
\$35,455,431.33 Family Care initiatives for P&P**				