

Exploring the Causes of State Variation in Supplemental Nutrition Assistance Program (SNAP) Administrative Costs (SUMMARY)

Background

The United States Department of Agriculture's Food and Nutrition Service (FNS) administers the Supplemental Nutrition Assistance Program (SNAP) nationally while State and local agencies operate the program locally. The Federal Government fully funds SNAP benefits, but FNS and State agencies share administrative expenses, with each paying about 50 percent. This study explores extant data looking for causes of State variation in SNAP administrative expenses (SAE) per case.

SAE per case varies widely by State. In Fiscal Year (FY) 2016, the SAE per case ranged from \$89 in Florida to \$848 in Wyoming. There has been a widespread decline in administrative costs over time: the average SAE per case in FY 2016 was less than half the FY 1999 amount, after adjusting for inflation (\$348 compared to \$714), with costs per case dropping in all but two States.

This study explores the following factors to try to explain the variation in State SAE per case:

- State economic conditions,
- SNAP caseload characteristics, and
- State SNAP policies (e.g. certification periods, modernization efforts).

Methods

This study included data from FY 1999 to FY 2016 for the 50 States and the District of Columbia (DC). Total SAE and SAE per case—total annual SAE costs divided by the average monthly number of households receiving SNAP benefits—were calculated from State reported data. Two main models are presented in the study: the preferred model focusing on a key set of variables and an expanded model with a fuller set of economic, caseload, and policy variables.

Both models include State fixed effects and year fixed effects. State fixed effects account for differences in unobservable determinants of SAE that are constant within States over the years. Year fixed effects account for nationwide changes in SNAP and macroeconomic conditions during the period of analysis (e.g., the Great Recession). A third model tests a SNAP policy index, which collapses six of the policy variables that were not found significant in the expanded model. A fourth model estimates impacts without State fixed effects.

State economic condition variables in the preferred model are average monthly wages of public welfare workers, State revenue per capita, and lagged State unemployment rates. The expanded model added average annual wages for all occupations, a housing price index, and the change in the unemployment rate from the prior year.

SNAP caseload characteristic variables in the preferred model are average SNAP household size, share of SNAP households with earnings, and share of SNAP households with Temporary Assistance for Needy Families (TANF) benefits. The expanded model added variables on the share of SNAP households with the elderly or persons with disabilities, the share of SNAP households in rural areas, and the share of SNAP households with at least one non-citizen eligible for SNAP.

State policy variables in the preferred model are the use of broad-based categorical eligibility; use of simplified reporting; average certification period (in months) for nonelderly SNAP households without earnings; use of a waiver of face-to-face interviews at initial certification; and required fingerprinting of SNAP applicants. The expanded model added variables on the average certification period for SNAP households with earnings, operation of a Combined Application Project for receipt of

Supplemental Security Income benefits, exclusion of all vehicles from the SNAP asset test, operation of call centers, use of an online application, offer of transitional SNAP benefits to families leaving TANF, and Medicaid expansion under the Affordable Care Act.

Findings

Economic differences across States explained about 10 to 12 percent of the variation in SAE per case. SAE was higher in States with higher average wages of public welfare workers; a 10-percent increase in wages was associated with a 5-percent increase in SAE per case. An increase in the unemployment rate (lagged 1 year) by 1 percentage point led to a 5-percent reduction in SAE per case – primarily through its effect on the caseload, not on aggregate SAE. A 10-percent decline in State revenue per capita led to a 0.6-percent decline in SAE per case.

The characteristics of the SNAP caseload had relatively little effect on SAE per case, explaining only about 4 to 8 percent of the variation. SAE per case did decrease with declines in average household size. Other demographic factors had less effect. An increase in the share of SNAP households with earnings led to a decrease in SAE per case, an unexpected result. This result may be due to the Great Recession when caseloads increased dramatically, the share of SNAP recipients with earnings increased and SAE per case fell, all at the same time.

State policy options were similar to caseload characteristics in explaining the variation. Two of the modeled policies – adoption of Broad-Based Categorical Eligibility (BBCE) and simplified reporting – reduced SAE per case by about 7 percent when either policy was introduced. The model including a SNAP policy index found that SAE per case decreased 3.4 percent as States adopted an additional streamlining policy or modernization practice.

About 72 percent of the variation in SAE per case across States is explained by State fixed effects which are differences between States that could not be captured in the model. These may include persistent differences in State cost of living, budgeting practices, statutory and regulatory policies outside of SNAP, and operational practices other than those captured in databases of SNAP policy options and modernization efforts. In contrast, year fixed effects, which capture the nationwide decline in SAE per case during the time period covered by the models, explained only about 12 percent of the variation in SAE per case.

Although the 10 States with county-administered SNAP have higher average SAE per case than the remaining States with State-administered SNAP, the models were unable to determine whether this is due to county administration per se or to other time invariant characteristics of the county-administered States. It was not possible to include this variable in the models because no State changed county-administered status between FY 1999 and FY 2016.

For More Information

Geller, D., Isaacs, J., Braga, B., and Zic, B. (2019). *Exploring the Causes of State Variation in SNAP Administrative Costs*. Prepared by Manhattan Strategy Group and the Urban Institute for the U.S. Department of Agriculture, Food and Nutrition Service, 2019. Available online at: <https://www.fns.usda.gov/research-analysis>.