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United States Department of Agriculture

Examination of the Effect of SNAP Benefit and Eligibility Parameters on Low-Income Households

Executive Summary

Food and Nutrition Service
Office of Policy Support

October 2017

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DECISION DEMOGRAPHICS

MATHEMATICA Policy Research

This study was prepared by Decision Demographics and Mathematica Policy Research for the Office of Policy Support, Food and Nutrition Service under contract number AG-3198-C-15-0015.

The main report is available at http://www.fns.usda.gov/fns/research.htm.

EXECUTIVE SUMMARY

This study for the U.S. Department of Agriculture (USDA) Food and Nutrition Service (FNS) examines how well the policies that determine benefit levels for the Supplemental Nutrition Assistance Program (SNAP) reflect the current spending patterns of low-income households. It is a national study that draws on Federal data resources to examine the expenditures of low-income households across the United States in 2013 and 2014.

This Summary provides a broad overview of a comprehensive report. For detailed analyses of the findings introduced here, see complete report, at http://www.fns.usda.gov/fns/research.htm

Generally, SNAP benefit levels are based on net household income, which accounts for a set of deductions intended to capture household spending on housing, health care, work-related costs, and other specified expenses. These expenses reduce what is available for food purchases. To determine household SNAP benefit levels, FNS assumes that households spend 30 percent of their net income on food. Over the years, however, changes in household spending patterns on food, housing, health care, transportation, and other areas may have led to incongruences between SNAP eligibility criteria and benefit levels and the current circumstances of low-income households.

This study finds that SNAP's existing deduction amounts generally reflect the expenditures reported by low-income households covered by the deductions. However, this finding applies to SNAP's current deduction structure and households that qualify for those deductions. Some household types not covered by the deductions have substantial expenditures, particularly in the area of medical costs—a deduction available only to elderly and disabled participants.

About SNAP

SNAP—the nation's largest nutrition-assistance program—provides eligible low-income households a monthly benefit to be spent on food, with the aim to reduce food insecurity and improve nutrition. SNAP served an average of 22.5 million households with 45.8 million individuals per month in 2015. Participating households received an average monthly benefit of $258 to supplement their spending on food. The maximum benefit available to SNAP-eligible households is based on the cost of the USDA's Thrifty Food Plan, a national standard for a nutritious diet at a minimal cost.

Implicit in SNAP program rules are assumptions about the income available to households to spend on food; indeed, benefit amounts are keyed to a household's net income, after certain deductions. The following box shows allowable SNAP deductions for monthly expenditures on certain nonfood items when computing net income.

Deduction type	Who is eligible?	How deduction is computed under Federal rules
Standard deduction	All households	Equal to fixed dollar amount that varies by household size and for Alaska, Hawaii, Guam, and the Virgin Islands; indexed annually to inflation
Earned income deduction	Households with earned income	Equal to 20 percent of monthly household earned income
Dependent care deduction	Households with dependents	Equal to monthly out-of-pocket expenses for the care of children and other dependents while other household members work, seek employment, or attend school
Medical expense deduction	Households with elderly individuals (age 60+) or disabled individuals	Equal to monthly out-of-pocket health care expenses that exceed $35 incurred on behalf of elderly or disabled household members
Child support payment deduction	Households making legally obligated child support payments	Equal to monthly child support payments
Excess shelter expense deduction	All households	Equal to out-of-pocket monthly rent, mortgage payments, utility bills, property taxes, and insurance that total more than half of household income after subtracting other deductions. Households without elderly or disabled individuals are subject to a cap that varies for Alaska, Hawaii, Guam, and the Virgin Islands and is indexed annually to inflation.

Note: The box does not summarize State options pertaining to how deductions are treated.

About this study

This study, *Examination of the Effect of SNAP Benefit and Eligibility Parameters on Low-Income Households*, was funded by FNS and carried out by Decision Demographics and Mathematica Policy Research. The study analyzes household spending patterns and deduction usage among low-income households in 2013 and 2014. The study draws on national data, including the Consumer Expenditure Survey (CE), SNAP participant information from the program's Quality Control data files, and a SNAP eligibility and participation simulation model based on Survey of Income and Program Participation data.

This study uses nationally representative data to compare low-income household spending to existing SNAP deductions.

The primary objectives of the study are to describe low-income household spending patterns across various expense categories and household types and to assess the alignment between reported spending and current SNAP policies. The study defines low-income households as those whose total income is under 200 percent of poverty.

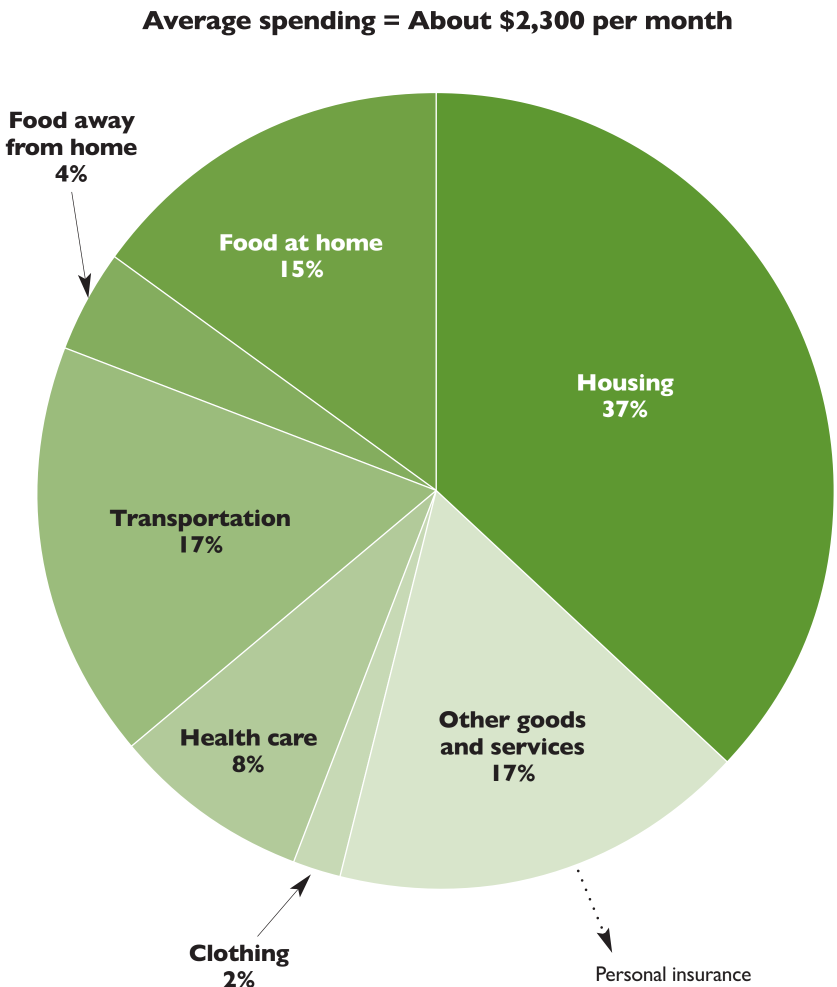
Specifically, the study addresses the following questions:

- What share of their budgets do low-income households spend on food, housing, health care, transportation, and other items?
- How do these spending patterns vary across different types of households?
- How well do SNAP deductions and the SNAP "benefit reduction rate" (the rule that reduces SNAP benefits by 30 cents for each additional dollar of net income) reflect real costs faced by low-income households?
- Do low-income households have any major expenditures that are not captured in the current deductions?
- How do households use SNAP deductions when they are initially certified and later recertified for the program?
- Is there any evidence that households face structural barriers to claiming a deduction, such as reporting and documentation requirements or privacy concerns?

Summary of findings

1. Shelter, food, and transportation dominate low-income household spending.

Of the approximately $2,300 spent monthly by the average low-income household, nearly 40 percent is spent on housing (Figure 1). Food, both at home and away from home, accounts for almost $1 out of every $5 spent, as does transportation. Together, these three categories account for nearly three-quarters of the average household's spending. The next largest share is spent on health care, with other goods and services such as insurance and pensions, clothing, and entertainment accounting for smaller shares.



Personal insurance and pensions	4%
Entertainment	4%
Cash contributions	3%
Education	2%
Other spending	4%

Figure 1. Low-income household spending patterns

Source: 2013 and 2014 Consumer Expenditure Survey.

Table 1 shows how different categories of low-income households allocate their spending as a percentage, or share, of their total expenditures. While at first glance, housing, food, and transportation generally predominate, distinguishing factors reflect the circumstances of different household types.

Table 1.
Low-income household spending

Source: 2013 and 2014 Consumer Expenditure Survey.

	Share of expenditures				
	Housing	**Food**	**Transportation**	**Health care**	**Other**
All low-income households	**37%**	**19%**	**17%**	**8%**	**19%**
Presence of children					
Children	36%	21%	19%	5%	19%
No children	37%	18%	15%	10%	19%
Presence of people age 60+					
People age 60 or older	36%	18%	15%	13%	17%
No one age 60 or older	37%	20%	18%	5%	20%
Income as a percentage of poverty					
0 to 49 percent	40%	21%	16%	6%	18%
50 to 99 percent	39%	21%	15%	6%	19%
100 to 130 percent	37%	19%	17%	8%	19%
Over 130 percent	35%	18%	18%	9%	20%
Household head employment					
Employed	36%	20%	19%	5%	21%
Unemployed	46%	23%	14%	5%	13%
Not in labor force	37%	20%	17%	6%	20%
Locality					
Urban	37%	19%	17%	8%	19%
Rural	30%	20%	19%	10%	20%

Households with children. The average household with children present spends relatively more on food and transportation and less on health care than when there are no children.

Households with people age 60 or older. Health care spending reaches 13 percent for the average household that has elderly members, higher than any other household type, while their transportation and food spending are relatively low.

Households by income. Income is measured in relation to the Federal poverty guidelines. Those with the lowest income devote the largest share of their spending to housing, on average. This percentage decreases with rising income. The same pattern holds for food spending. The opposite applies to the percentages spent on health care and all other items that rise with income.

Households by employment. A larger share of household spending is devoted to the basics of housing and food when the household head is unemployed. Average spending patterns do not vary much between whether the household head is employed or not in the labor force.

Locality. Spending on housing is the principal differentiator between urban and rural households—the average rural household spends relatively less. Urban and rural households spend about the same share on food, but rural transportation and health care spending are higher.

2. Most SNAP deductions generally reflect actual expenditures. For some types of households not covered by the deductions, however, expenses may be large.

The earned income deduction closely approximates work-related expenses. The deduction is meant to approximate costs associated with working, such as commuting expenses, work uniforms, and payroll taxes. Working individuals, also called earners, report spending on gasoline and motor oil, parking and tolls, and uniforms more often than non-earners. These expenditures generally increase with increased earnings. When combined with payroll taxes, they sum to around 19 percent of average earnings—close to the existing SNAP deduction that is set at 20 percent of earned income (Figure 2).

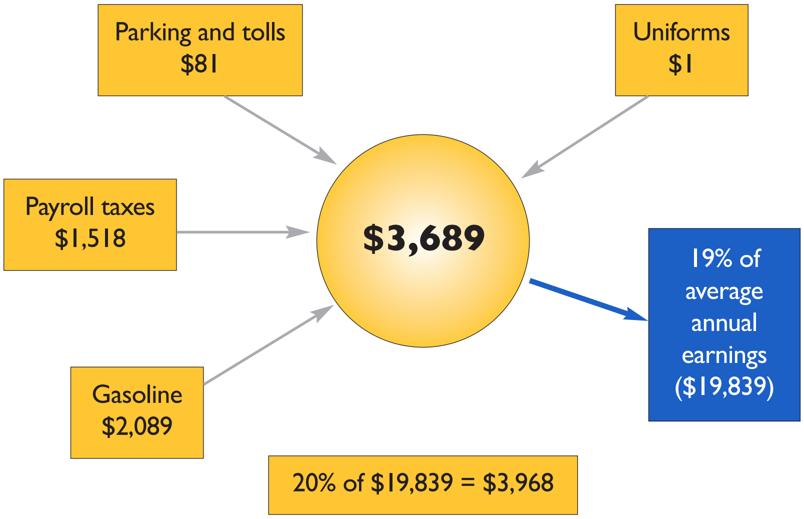


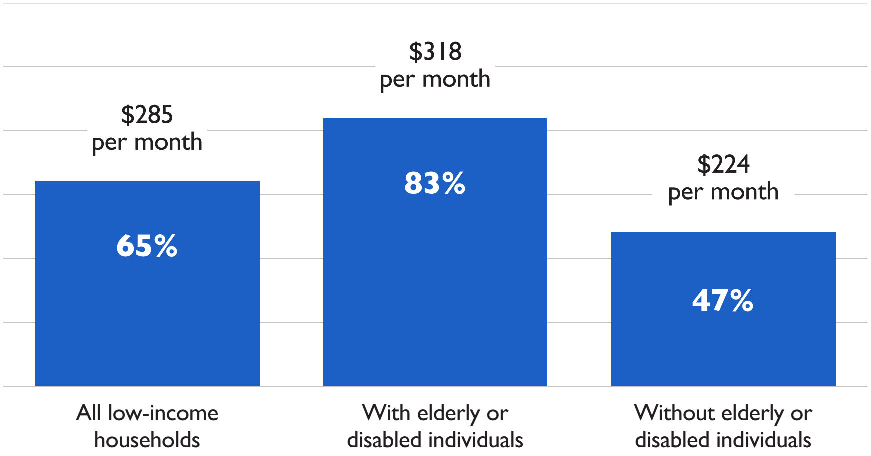
Figure 2.
Work-related expenses approximate the current earned income deduction for low-income households

Note: The available data could not identify all work-related expenditures or whether all expenditures in these categories were necessarily related to working. Different methods of estimating work-related costs range as high as 30 percent of earnings.

Source: 2013 and 2014 Consumer Expenditure Survey.

However, the available data cannot identify all work-related expenditures and, for those expenditures used in the analysis above (for example, gasoline), the data cannot identify whether they were necessarily related to working. Work-related expenses may be higher or lower than 19 percent, depending on which expenditure types are classified as being associated with working.

The medical expense deduction compensates for health care expenses for elderly or disabled individuals. However, it does not apply to other household members, whose expenses can be high. Households spending more than $35 out of pocket on the health care of elderly or disabled members may deduct that amount from gross income. Figure 3 shows that low-income households reporting health care spending average substantially more than $35 per month.



Percentage of low-income households reporting out-of-pocket medical expenses, with mean amount

Figure 3.
Low-income households with elderly or disabled members have high health care spending

Source: 2013 and 2014 Consumer Expenditure Survey.

Out-of-pocket health care expenditures are more common for households with elderly or disabled members than for those without, and they spend an average of $318 per month. However, the data do not indicate whether the medical expenses pertained to elderly or disabled household members, whose expenses in excess of $35 are deductible, or to other household members, whose expenses are not deductible. Households without elderly or disabled individuals also incur sizeable medical expenses, but the medical expense deduction is not available to them. Almost half of these households report spending on health care, averaging $224 per month.

SNAP's excess shelter expense deduction is intended to offset the housing costs that low-income households face, such as rent, mortgage payments, utility bills, property taxes, and insurance, that are high relative to their income. When this spending exceeds 50 percent of net income after subtracting all other deductions from a household's gross income, households may claim this deduction. Two additional factors affect calculation of the deduction:

- Households without elderly or disabled individuals are subject to a dollar limit on the shelter deduction—a "shelter cap." In the contiguous United States, the shelter cap was $478 per month in 2014.
- Instead of using actual utility expenses, many States use predetermined amounts, called Standard Utility Allowances, to add to a household's actual rent or mortgage expense.

For some low-income households, the cap on the excess shelter expense deduction results in the deduction not fully covering all excess shelter expenses. Figure 4 shows that the shelter cap limits the excess shelter expense deduction amount for some participating households. In particular, 14 percent of participating households without elderly or disabled individuals would realize an increase in SNAP benefits if the shelter cap were removed.

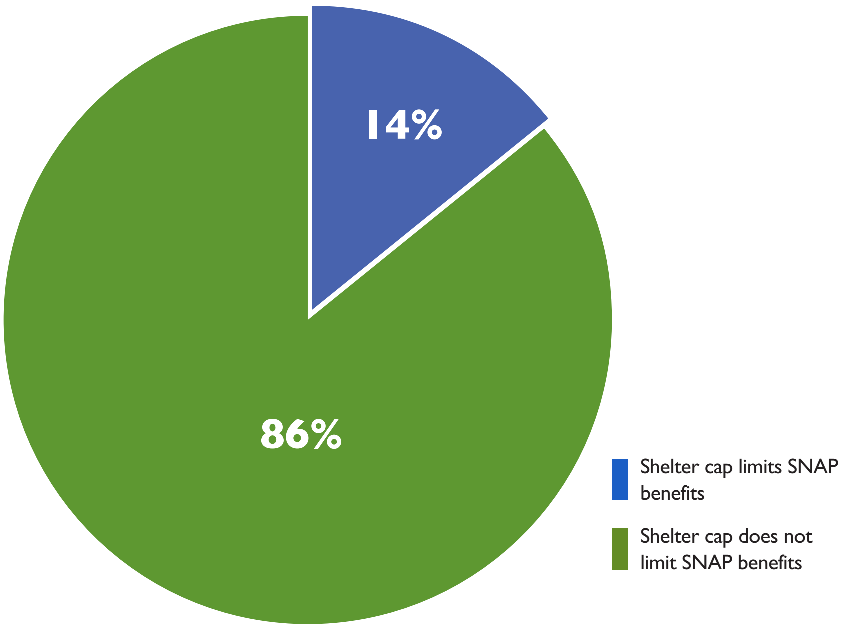


Figure 4.
The shelter cap limits the excess shelter expense deduction amount of one in seven SNAP participating households without elderly or disabled members.

Note: Only households without elderly or disabled individuals are subject to a shelter cap.

Sources: Fiscal year 2013 and 2014 SNAP QC data files and simulations using the 2013 and 2014 SNAP QC Minimodels.

While the shelter cap may limit the amount of the excess shelter expense deduction, State Standard Utility Allowances (SUAs) may inflate the amount of the deduction relative to actual costs. Figure 5 shows that utility amounts used in the SNAP excess shelter expense deduction were higher, on average, than actual utility expenses for low-income households. The utility amounts are often based on State SUAs. The

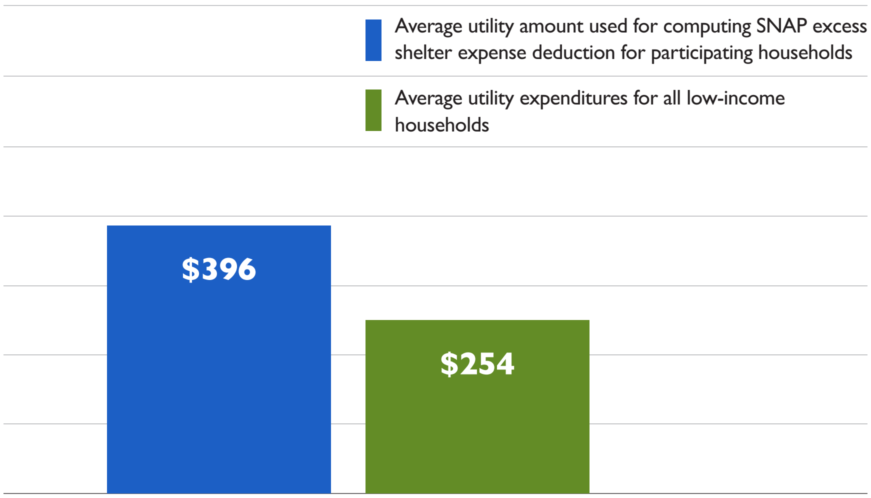


Figure 5.
Utility amounts allowed by the SNAP deduction exceed actual expenditures

Note: The totals exclude households with no utility amount (SNAP QC) and households with no utility expenditures (CE).

Sources: Fiscal year 2013 and 2014 SNAP QC data files for utility amounts, and 2013 and 2014 Consumer Expenditure Survey for utility expenditures

mean utility amount for SNAP participants (based on either an SUA or actual costs) is $396, compared to $254 in average monthly utility spending for low-income households. These estimates exclude households with no utility amount or no utility expenditures.

3. Low-income households spend less than 30 percent of after-tax income but more than 30 percent of net income on food.

Since the inception of the program, SNAP rules have assumed that participating households spend about 30 percent of their net income on food, with SNAP providing the difference between that amount and the maximum SNAP benefit. This percentage is often referred to as the benefit reduction rate, because each dollar of net income reduces SNAP benefits by 30 cents (Figure 6).

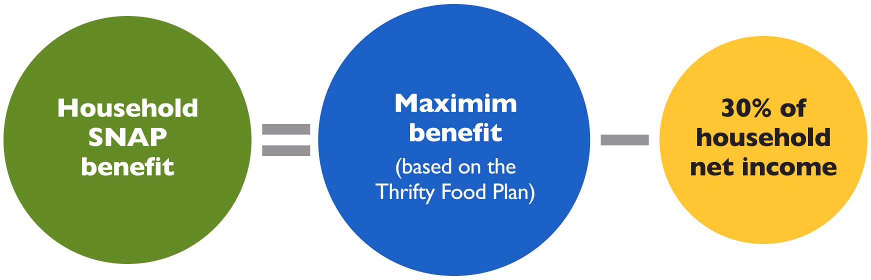


Figure 6.
SNAP benefit formula

The project team evaluated whether this benefit reduction rate reflects current food spending as a percentage of after-tax income, finding that low-income households spend about 20 percent of after-tax income on food at home. This is lower than the 30 percent used as a basis for the benefit reduction rate but larger than a 12 to 17 percent range found in a recent Institute of Medicine[1] assessment.

The project team also compared food spending as a percentage of net income to the benefit reduction rate, finding that low-income households spend about 42 percent of their net income on food at home. However, the CE data show a large discrepancy between reported available income and expenditures, with expenditures exceeding gross income by about 50 percent for most low-income households. Examining an alternate assumption that total expenditures (excluding SNAP benefits) more appropriately capture households' total available resources, the project team found that food at home spending excluding the SNAP benefit is a much lower share of total expenditures (13 percent) than of net income (42 percent). Because findings vary substantially by measure of household resources and the CE data present limitations, the project team recommends caution in interpreting these findings and making comparisons with other studies.

Study findings vary widely by approach used. Results are inconclusive because of this and other data limitations.

4. Low-income households do not receive deductions for some common types of expenditures, and the proportion of SNAP participants taking certain deductions does not always match well with reported expenditure patterns for low-income households.

SNAP deductions are determined when participating households initially apply for or recertify their eligibility for SNAP benefits. Households may experience changes in earnings and income between initial certification and subsequent recertification, along with changes in housing, health care, and dependent care expenses that affect their deductions.

The project team examined deduction availability and usage by:

- Considering whether low-income households incur costs that are not included in the deductions but that could be considered
- Comparing the percentage of participating SNAP households that take each deduction type at initial certification and recertification
- Assessing whether there is evidence of structural barriers that might keep low-income households from reporting certain expenses

The project team analyzed data for low-income households and SNAP participants to explore the need for deductions, their actual usage, and actual amounts. The findings show that:

- SNAP deductions do not capture certain common household expenses that low-income households have, such as spending on housing repairs or maintenance, vehicle-related expenses not associated with commuting, and finance, late charges, or interest on student loans.
- Nearly three-quarters of SNAP households take an excess shelter expense deduction, and 32 percent have an earned income deduction. The other deductions are used much less frequently.
- Greater percentages of households use the earned income, excess shelter expense, dependent care, and medical expense deductions at recertification than households in their initial certification, but the differences are generally small. There is no significant difference in the use of the child support payment deduction at initial certification and recertification.

Figure 7 shows that the percentage of low-income households with spending on rent or mortgage, health care, and child care is often higher

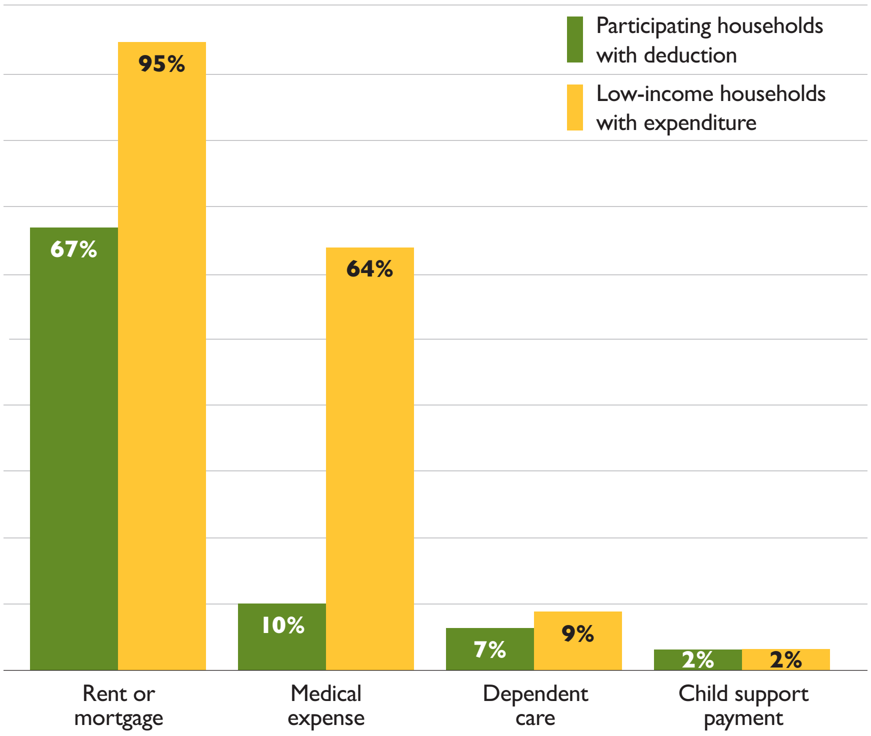


Figure 7:
The percentage of households reporting specific expenditures exceeds the percentage claiming related SNAP deductions

Notes:
Rent or mortgage: The figure for participating households represents reported rent or mortgage expenditures used toward the excess shelter expense deduction.

Medical expense: Percentages pertain to households with elderly or disabled individuals. Expenditures are in excess of $35.

Dependent care: Percentages pertain to households with children.

Sources: 2013 and 2014 Consumer Expenditure Survey; fiscal year 2013 and 2014 SNAP QC data files.

than the percentage of SNAP participants that use the corresponding deduction. This could signify structural barriers such as difficulty acquiring or providing required documentation on expenditures, or it could reflect differences between the broader low-income population and the portion of the population that participates in SNAP. It is also possible that households with low gross incomes such that their net incomes are zero after applying the standard deduction may elect not to report expenses such as shelter and medical because they would already be eligible for a maximum SNAP benefit without any additional deductions.

Summary

This study updates information on the share of their budget that low-income households spend on food, housing, health care, transportation, and other items. It also investigates whether SNAP eligibility rules and benefit amounts accurately reflect current spending patterns for low-income households

The study finds that SNAP's existing deductions generally reflect the expenditures reported by low-income households. For example, work-related expenditures and taxes for earners sum to an amount close to the percentage of earnings that are deductible for SNAP participants. In addition, some deductions such as the child support payment deduction are equal to the expenditure amount by definition. However, this overall finding applies only to SNAP's current deduction structure and the households that qualify for those deductions.

SNAP's existing deductions generally reflect the expenditures reported by low-income households.

Some household types not covered by the deductions can have substantial expenditures, particularly in the area of health care. Households without elderly or disabled individuals are not eligible for a medical expense deduction, yet those households incur sizeable health care expenses each month. In addition, some households have expenditures on items not included in the existing deductions, such as vehicle expenses, housing repairs and maintenance, and charges pertaining to education loans.

The share of after-tax income that low-income households spend on food at home is lower than the 30 percent used as a basis for the benefit reduction rate, but the share of net income spent on food at home is higher than the 30 percent benefit reduction rate. For most households, expenditures were much greater than income in the CE, calling into question whether reported gross income adequately captures the resources available to households with which to purchase goods and services. Consumption decisions may be based not only on current income, but on expectations of future earnings and assets, making expenditures a valid alternative measure of a household's budget. The share of total expenditures spent on food at home is lower than 30 percent. Because of the inconsistency in findings depending on which measure of resources is used, as well as other data limitations, caution should be used in interpreting these findings and making comparisons with other studies.

Differences between reported household spending patterns and the use of SNAP deductions suggest that some eligible households may not be claiming housing, medical, and other SNAP deductions to which they may be entitled.

About the data and methods

This study uses data primarily from the 2013 and 2014 Consumer Expenditure Survey (CE) public-use files[2] and the 2013 and 2014 SNAP Quality Control (QC) data files[3], supplemented with results from the Food and Nutrition Service's SNAP QC–based microsimulation model and Survey of Income and Program Participation–based microsimulation model.[4] The 2013 and 2014 CE data were the most recent available at the time of the study. In discussions of spending patterns, the "household" is shorthand for the CE "consumer unit"—which is broadly defined as a single person living alone or two or more people living together who share responsibility for several major types of expenses. In discussions of expenditures and deductions for actual SNAP participants, the "household" is the SNAP filing unit as observed in the SNAP QC data. All analyses use descriptive methods, except for part of the examination of costs at certification and recertification, which uses a SNAP QC-based regression model.

[1] Institute of Medicine & National Research Council. (2013). Supplemental Nutrition Assistance Program: Examining the Evidence to Define Benefit Adequacy. Adv Nutr. 4: 477-478. http://advances.nutrition.org/content/4/4/477.full

[2] U.S. Department of Labor, Bureau of Labor Statistics, Division of Consumer Expenditure Survey. "Users' Documentation Interview Survey Public-Use Microdata (PUMD) Consumer Expenditure," 2013 and 2014. http://www.bls.gov/cex/csxmicrodoc.htm

[3] Vigil, Alma, Kelsey Farson Gray, Shivani Kochhar, and Bruce Schechter. "Technical Documentation for the Fiscal Year 2014 Supplemental Nutrition Assistance Program Quality Control Database and the QC Minimodel." Alexandria, VA: U.S. Department of Agriculture, Food and Nutrition Service, Office of Policy Support, 2015.

[4] Leftin, Joshua, Joel Smith, Karen Cunnyngham, and Carole Trippe. "Technical Working Paper: Creation of the 2011 MATH SIPP+ Microsimulation Model and Database." Final report submitted to U.S. Department of Agriculture, Food and Nutrition Service, Office of Policy Support, 2014.