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Examination of the Effect of Supplemental Nutrition Assistance Program (SNAP) Benefit and Eligibility Parameters on Low-Income Households (Summary)

Background

This study examines how the policies that determine benefit levels for the U.S. Department of Agriculture's Supplemental Nutrition Assistance Program (SNAP) compare to current low-income spending patterns by analyzing the expenditures of low-income households across the United States in 2013 and 2014.

SNAP benefits are based on a household's net income, which is the income remaining after specific deductions for spending on housing, health care, work-related costs, and other specified expenses are considered. As SNAP benefits are supplementary and households are expected to spend some income on food purchases, 30 percent of a household's net income is subtracted from the maximum SNAP benefit based on the household's size. Over the years, however, changes in household spending patterns on food, housing, health care, transportation, and other areas may have led to incongruences between the current circumstances of low-income households and SNAP eligibility criteria and benefit levels.

Data Sources and Methodology

This study uses data primarily from the 2013 and 2014 Consumer Expenditure Survey (CE) and the 2013 and 2014 SNAP Quality Control (QC) data files. The analyses are supplemented with results from two microsimulation models, one using QC data and the other using the Survey of Income and Program Participation.

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. For the purposes of this study, low-income households are those that reported income below 200 percent of the poverty guidelines.

Key Findings

Shelter, food, and transportation expenses account for nearly three-quarters of low-income household spending. Of the approximately $2,300 spent monthly by the average low-income household, 37 percent is spent on housing. Food (both at home, which is eligible for SNAP, and away from home) accounts for another 19 percent, and transportation is 17 percent. 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.

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

The *earned income deduction* of 20 percent of total earnings, wages, or self-employment income closely approximates costs associated with working, such as commuting expenses, work uniforms, and payroll taxes.

The *medical expense deduction* compensates for monthly health care expenses, paid out of pocket by the household, in excess of $35 for elderly or disabled individuals. However, the deduction does not apply to other household members or households without elderly or disabled members, who also incur high medical expenses. Almost half of all households that do not qualify for the medical deduction report medical expenses averaging more than $224 per month.

The *excess shelter 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 shelter 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 the calculation of the deduction:

- Households without elderly or disabled individuals are subject to a limited shelter deduction—$478 per month in 2014 in the contiguous United States. This limit restricts SNAP benefits for 14 percent of households without elderly or disabled individuals.

- Instead of using actual utility expenses, many States use predetermined amounts, called Standard Utility Allowances (SUAs), to calculate this portion of the households' shelter costs. The average monthly utility spending for low-income households is $254, but the average for SNAP households is $396 which includes using SUAs.

On food purchases, low-income households spend less than 30 percent of after-tax income but more than 30 percent of net income. *However, because of data limitations these calculations are not directly comparable to the statutory method used to determine a household's available resources for food purchases.* Since the inception of the program, SNAP rules have assumed that participating households spend about 30 percent of their net income on food. This assumption was largely based on historical calculations of food spending as a percentage of household after-tax income. The study found that low-income households' spending on food at home in 2013-2014 represented about 20 percent of their after-tax income, but 42 percent of their net income.

Low-income households do not receive deductions for some common types of expenditures. SNAP deductions do not capture certain common household expenses that low-income households incur, such as spending on housing repairs or maintenance, vehicle-related expenses not associated with commuting, and finance, late charges, or interest on student loans.

The proportion of SNAP participants taking certain deductions does not always match well with reported expenditure patterns for low-income households. The percentage of low-income households with spending on rent or mortgage, health care, and child care is often higher than the percentage of SNAP participants that use the corresponding deduction. For example, 95 percent of low-income households have rent or mortgage expenses, yet only 67 percent of SNAP households claim rent or mortgage expenses in the calculation of the excess shelter deduction. This could signify difficulty providing the required documentation on expenditures, reflect differences between the broader low-income population and the portion that participates in SNAP, or indicate that many households' gross income is low enough to receive the maximum allotment without taking all deductions.

For More Information

Leftin, Joshua et.al. (2017). *Examination of the Effect of SNAP Benefit and Eligibility Parameters on Low-Income Households: Final Report.* Prepared by Decision Demographics for the U.S. Department of Agriculture, Food and Nutrition Service, October 2017. Available online at www.fns.usda.gov/research-and-analysis.

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