Updating Standardized State Heating and Cooling Utility Allowance Values

Background

While most Supplemental Nutrition Assistance Program (SNAP) eligibility parameters are set at the Federal level, States may establish their own standard utility allowances (SUAs) which are part of the excess shelter expense deduction. In lieu of reporting actual utility expenses, these SUAs may be used when calculating a household's total shelter costs. States may establish multiple SUAs to reflect differences in household circumstances, including Heating and Cooling SUAs (HCSUAs) for households with heating and cooling utility expenses.

The use of HCSUAs simplifies the application process for both the applicant and the State agency. However, the Food and Nutrition Service has found some variation between established HCSUA values and household utility expenses in some States. To best ensure program integrity and adequacy of benefits, FNS completed a study in 2017, *Methods to Standardize State Standard Utility Allowances*[1], which developed a standard methodology for developing and annually updating HCSUAs to better reflect typical utility costs for low-income households. The primary objectives of this current study were to (1) conduct a review of available data to determine typical costs for internet access to develop a broadband SUA to replace the telephone component in the HCSUA; and (2) using the previous study methodology and more recent data, estimate new HCSUA values for each State.

Key Findings

- The updated values include a broadband component in the HCSUA in lieu of the telephone component.
- The proposed FY 2022 HCSUAs calculated in this study tended to be lower than the actual FY 2021 HCSUAs and some were lower than the respective FY 2014 values from the 2017 SUA study.
- The change from the telephone to a broadband component is the main determinant of the lower HCSUA values from the prior study.
- Eleven States showed lower HCSUA values in FY 2022 from the prior study due to reduced energy expenditures.

Data Sources

The study uses most of the same data sources that were identified in the 2017 study to compute State-specific standardized HCSUAs. The American Community Survey (ACS) and the Residential Energy Consumption Survey (RECS) contain many of the data elements needed to develop standardized SUAs but also have limitations. Additional data sources were also used to develop trash and broadband expenditure estimates.

- The ACS has a large sample size which allows for developing estimates at the state and subpopulation level. However, it relies on self-reported information on utility costs, which tend to be overstated. Also, the ACS also does not distinguish between end uses for utilities (i.e., electricity for heating versus cooking), which is needed in order to develop HCSUAs that reflect different household circumstances.
- The RECS is the most accurate source of information on utility expenses paid by low-income households, and also includes information on end use. However, representative estimates are available only at the Census Division level and the data is only collected every four years with a significant time lag between data collection and release.
- The Consumer Expenditure Survey (CEX) provides detailed analysis of different expenditure patterns by income level and other demographic characteristics. However, the CEX data is not representative at the State level and cannot be used to produce accurate State-level estimates on its own.

[1] https://www.fns.usda.gov/snap/methods-standardize-state-standard-utility-allowances

- No public database of broadband expenditure was available at the time of this study. Instead, expenditure estimates were collected using Allconnect and BroadbandSearch. These websites compile the costs of internet service plans by state. The service plan reported on each website were averaged to estimate likely household broadband expenditure.

- The U.S. Energy Information Administration's Short Term Energy Outlook (STEO) includes monthly forecasts of energy consumption data (quantity, price, and expenditures) for the Nation and Census Divisions. The forecasts cover residential consumption of electricity, natural gas, and renewable fuels and extend approximately 6 quarters into the future.

Methods

The updated HCSUAs were calculated using three categories of household expenditures: energy, water/sewage/trash, and broadband. Due to differences in the data for these three categories, separate methodologies were used to develop the base-year estimates for each utility category.

- Average household energy expenditure in each State was calculated using 2019 ACS data adjusted using RECS to account for different utility end uses and to correct for upward bias in self-reported utility expenditures. The estimates were extrapolated to FY 2022 using the expenditure growth rate and household formation growth rate.

- Average household water and sewage expenditures in each State were calculated using 2019 ACS data. Additional estimates for household trash expenditure were calculated using CEX data. The results were extrapolated to FY 2022 using average historical growth rates in water/sewage expenditures for low-income households found in the ACS data.

- Average household broadband expenditure in each State was calculated using Allconnect and BroadbandSearch. These estimates were adjusted by participation in the Federal Communication Commission's Lifeline subsidy program. These results were extrapolated to FY 2022 using STEO's macroeconomic forecast of the consumer price index.

Findings

The proposed FY 2022 HCSUAs calculated in this study tended to be lower than the actual FY 2021 HCSUAs. (See Figure 1.) Several proposed HCSUAs for FY 2022 were also lower than the respective FY 2014 values from the 2017 SUA study.

Figure 1: Actual HCSUAs implemented in FY 2021 and proposed HCSUAs calculated for FY 2022:

	Actual HCSUAs (FY 2021)	Proposed HCSUAs (FY 2022)
Minimum Value	$275	$262
Maximum Value	$850	$497
Average Value	$470	$327

The change from a telephone to broadband component is the main determinant of the lower HCSUA values from the prior study. All States showed a lower broadband cost in FY 2022 than the telephone cost in FY 2014, with an average State difference of $30. The change in the telephone/broadband component is responsible for 22 of the 33 States that show lower HCSUA values in FY 2022 than in FY 2014.

Eleven States showed lower HCSUA values in FY 2022 from the prior study due to reduced energy expenditures. In six States, the ACS reported lower energy expenditures by low-income households between the two study periods. In addition, 27 States showed declines in the RECS adjustment applied to the ACS data between the two studies.

For More Information:

Holleyman, Chris, Pratima, Damani, and Torres, Erick. Updating Standardized State Heating and Cooling Utility Allowance Values. Prepared by SP Group LLC. for the U.S. Department of Agriculture, Food and Nutrition Service, March 2023.