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HOUSE AGRICULTURE COMMITTEE FARM BILL WOULD THROW 2 TO 3 MILLION PEOPLE OFF OF SNAP

By Dorothy Rosenbaum and Stacy Dean

On July 12th the House Agriculture Committee passed its 2012 farm bill, H.R. 6083, the Federal Agriculture Reform and Risk Management Act of 2012 (FARRM.) [1] The bill would cut the Supplemental Nutrition Assistance Program (SNAP, formerly known as the Food Stamp Program) by $16.5 billion over the next decade, eliminating food assistance to 2 to 3 million low-income people, mostly low-income working families with children and seniors.

The House Agriculture Committee bill would cut total farm bill authorized spending by an estimated $35 billion over ten years; more than 45 percent of the cuts would come from SNAP. In contrast, the bipartisan Senate-passed farm bill saves a total of $23 billion. The entire difference between the overall sizes of the two farm bill packages is due to the much larger cuts to SNAP in the House Agriculture Committee bill.

The bill's SNAP cuts come primarily from eliminating a state option known as "categorical eligibility." Congress created the option in the 1996 welfare law, allowing states to provide food assistance to households — primarily working families and seniors — with gross incomes or assets just above federal SNAP limits but disposable incomes in most cases below the poverty line. The bill also would eliminate SNAP incentive payments to states that have improved payment accuracy and service delivery and would eliminate a state option that reduces paperwork for many households claiming utility expenses (and also reduces state administrative costs). (See Table 1 for information about the effects of the provisions in specific states.)

The proposed cuts would cause significant hardship to several million low-income households.

- **The bill would terminate SNAP eligibility to several million people.** By eliminating categorical eligibility, which over 40 states have adopted, the bill would cut 2 to 3 million low-income people off food assistance.

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[1] The House Agriculture Committee bill, as amended, likely will be available at http://agriculture.house.gov/LegislationDetails.aspx?NewsID=1598. The Congressional Budget Office cost estimate of the bill as proposed prior to the mark-up is available at http://cbo.gov/sites/default/files/cbofiles/attachments/LettertoLucasDraftLegis.pdf. No major amendments affecting SNAP costs were adopted during the Committee's July 11th nutrition title deliberations.

- **Several hundred thousand low-income children would lose access to free school meals.** According to the Congressional Budget Office (CBO), 280,000 children in low-income families whose eligibility for free school meals is tied to their receipt of SNAP would lose free meals when their families lost SNAP benefits.

- **Some working families would lose access to SNAP because they own a modest car, which they often need to commute to their jobs.** Eliminating categorical eligibility would cause some low-income working households to lose benefits simply because of the value of a modest car they own. These families would be forced to choose between owning a reliable car and receiving food assistance to help feed their families.

Contrary to proponents' claim that the bill's SNAP cuts are needed to rein in program growth, CBO has found that SNAP's expansion in recent years primarily reflected the severe recession and that SNAP spending will fall significantly as the economy recovers. CBO projects that the share of the population that participates in SNAP will fall back to 2008 levels in coming years and that SNAP costs as a share of the economy will fall back to their 1995 level by 2019.

Ending "Categorical Eligibility" State Option Would Cut Off SNAP for 2 to 3 Million People

The House Agriculture Committee bill achieves 70 percent of its SNAP cuts ($11.5 billion over ten years) from eliminating the longstanding categorical eligibility option, which would primarily hit low-wage working families with children and low-income elderly individuals.

The 1996 welfare law allowed states to align their SNAP gross income eligibility limit and asset test with the eligibility rules they use in programs financed under their Temporary Assistance for Needy Families (TANF) block grant. Over 40 states have taken this option, known as expanded (or broad-based) categorical eligibility, to align program rules, simplify their programs, reduce administrative costs, and broaden SNAP eligibility to certain families in need, primarily low-wage working families.

The federal SNAP gross income limit of 130 percent of the poverty line excludes some low-income working families whose *disposable* income actually is *below* the poverty line, often because they must incur sizeable child care costs in order to work. In addition, the SNAP asset limit of $2,000 has not been adjusted for inflation in 25 years and has fallen 48 percent in real (i.e., inflation-adjusted) terms since 1986. Some states use the categorical eligibility option to enable households with gross incomes modestly above 130 percent of the poverty line but disposable incomes below the poverty line — or savings modestly above $2,000 — to qualify for SNAP assistance, in recognition of their need.

- **The cut would push millions of low-income people off of SNAP.** CBO estimates that repealing categorical eligibility would eliminate food assistance to 1.8 million low-income people; the Administration's estimate is 3 million.[2] Most of those who would lose eligibility are either low-income working families with children or seniors.

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[2] See http://www.whitehouse.gov/blog/2012/04/18/protecting-top-hurting-hungry.

A typical working family that qualifies for SNAP benefits due to categorical eligibility is a mother with two young children who has monthly earnings just above the program's monthly gross income limit ($2,008 for a family of three in 2012). On average, the families above that limit who qualify for SNAP as a result of categorical eligibility have combined child care and rent costs that exceed *half* of their wages. The $100 per month in SNAP benefits that they receive covers about one-fifth of their monthly food budget.[3]

- **Categorical eligibility does *not* cause substantial SNAP benefits to go to non-needy families.** In 2010, only 1.5 percent of all SNAP households had monthly disposable income (i.e., income after SNAP's deductions) above the poverty line. In other words, with the categorical eligibility option in place, *nearly 99 percent of all SNAP households have disposable income that leaves them in poverty*.

  In addition, of every $10 in SNAP benefits provided to households whose incomes are just above the federal SNAP limit but qualify for SNAP because of categorical eligibility, more than $9 goes to working households.[4]

- **Categorical eligibility does not result in households being enrolled automatically.** Households must still apply through the regular application process, which has rigorous procedures for documenting applicants' income and circumstances.

- **Categorical eligibility has *not* been a major factor in SNAP spending growth in recent years.** According to CBO, states' use of this option accounts for only about 2 percent of program costs. Factors like the severe economic downturn dwarf the effects of categorical eligibility.

- **The cut would penalize families for saving modest amounts.** If Congress repeals categorical eligibility, states will have to terminate benefits to poor families participating in SNAP who have managed to save as little as $2,001. Building assets helps low-income families invest in their future, avert a financial crisis that can push them deeper into poverty or even to become homeless, and have a better chance of avoiding poverty (and greater reliance on government) in old age. Research indicates that having some assets is associated with greater family stability, improved health outcomes, more economic security, and better educational results for children.

The Lottery Winner Issue

An extremely unusual situation developed recently in Michigan, where two low-income individuals who won the lottery continued receiving SNAP under Michigan's rules. *This should not be allowed, and the House Agriculture Committee's bill, as well as the Senate-passed bill, contain a provision that prohibits lottery or gambling winners from qualifying for SNAP*. This rare and extreme case provides no basis for eliminating categorical eligibility.

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[3] Based on CBPP analysis of SNAP quality control administrative data for 2010 regarding households whose incomes exceed the federal SNAP limit but qualify for SNAP because of categorical eligibility. The analysis excludes the effects of the 2009 Recovery Act's SNAP benefit increase because that increase will have terminated for almost all of the 2013-2022 budget period.

[4] See previous footnote.

- **Some working households would lose benefits merely because they own a modest car.** States have used categorical eligibility to ease overly restrictive rules governing the value of a car that households may own under SNAP rules. A working family with a modest vehicle that has a *market* value of $5,000 to $10,000 (regardless of how little *equity* the household may have in the vehicle) could lose all of its SNAP benefits under the House Agriculture Committee bill. Such families would need to choose between owning a car they may need to get to work and receiving help feeding their children.

- **Some 280,000 low-income school children would lose free school lunches and breakfasts.** Children in households that receive SNAP are automatically eligible for free school meals. According to CBO, 280,000 children in families whose eligibility for free school meals is tied to their receipt of SNAP would lose free school meals under the bill.

- **The cut would strip states of flexibility and would be administratively burdensome.** Eliminating categorical eligibility would require over 40 states to alter their SNAP eligibility rules, modify their computer systems, revise applications and program manuals, and retrain staff. Since elimination of this option would make SNAP rules considerably more complicated — and inconsistent with the rules in states' TANF and Medicaid programs, both of which permit states to set asset and income tests — it would increase administrative costs and likely raise SNAP error rates.

Other SNAP Cuts in the House Agriculture Committee Bill

The bill includes two other significant cuts to SNAP. One would eliminate SNAP incentive payments to states to improve program administration. The other, also in the Senate farm bill, would restrict states' use of an important paperwork simplification option.

Eliminating State Performance Funds

The bill would eliminate SNAP incentive payments to states with the best, and the most improved, SNAP performance. SNAP incentive payments, which policymakers established on a bipartisan basis in 2002, have led to reductions in error rates and overpayments and to improved service to low-income families. (Table 1 lists the bonuses that states have won since 2003.) The provision would cut SNAP spending by $480 million over ten years.

Leading up to the 2002 Farm Bill, there was bipartisan recognition that the SNAP quality control system was leading states to take actions that were intended to lower error rates but that often made it harder for *eligible* low-income working families to obtain SNAP benefits. Because the system measured only how well states performed with respect to payment accuracy, it had the effect of rewarding many states that made it harder for eligible working-poor families to participate in SNAP, because those states' error rates were low compared to other states. (It is harder for states to determine SNAP benefit levels for working-poor families with precise accuracy because their incomes fluctuate depending on their hours of work, amount of overtime, loss of work due to sick days, etc.) States that endeavored to reach all eligible households, including households with fluctuating circumstances like the working poor, were more likely to have higher error rates than other states and to face fiscal sanctions as a consequence.

The states, the Bush Administration, and Congress worked together in 2002 to build a more balanced program accountability system. The system they developed remains the most rigorous of any federal benefit program; it includes performance measures that maintain a strong focus on program integrity and low error rates. It also measures how well states do in serving eligible households and in acting promptly when eligible households apply for assistance.

Bill Also Includes Non-Savings Provisions

The House Agriculture Committee bill also includes numerous provisions, many of them positive, that would strengthen certain rules regarding households' and retailers' eligibility to participate in SNAP and make other updates to SNAP.

For example, it would clarify longstanding restrictions around college students' eligibility for the program and call for stricter standards governing the diversity of foods that a retailer must carry in order to participate in the program. Other changes include: the Agriculture Department (USDA) and retailers would be permitted to test new technology for redeeming SNAP benefits, such as smart phones; USDA would be required to work with states to institute reporting on SNAP employment and training program outcomes; and non-profit grocery delivery services that assist home-bound senior or disabled SNAP participants would be able to redeem SNAP benefits for these individuals.

Other than a provision to require retailers to pay for the cost of equipping their stores with the terminals that accept SNAP debit cards and an additional $5 million per year in funding for USDA to strengthen retailer and recipient program integrity, none of these SNAP provisions is expected to save or increase SNAP costs.

The bill would provide $220 million in increased funding for food banks over the next ten years through The Emergency Food Assistance Program and $100 million over ten years in additional funding for Community Food Projects. Finally, the bill includes $33 million for a pilot to test extending SNAP program rules to the Commonwealth of the Northern Mariana Islands (in lieu of its alternative SNAP program.)

States now strive to improve *both* program integrity *and* overall SNAP operations. Performance bonuses are available to the top and the most improved state performers across four measures. All states have an incentive to improve performance with respect to these measures, which has produced highly beneficial results.

- **Error rates have declined markedly.** Since the incentive payments were put in place, the SNAP error rate (the sum of the program's overpayment and underpayment rates) has dropped by nearly 43 percent, from 6.6 percent in 2003 to 3.8 percent in 2011. *The federal savings dwarf the $48 million in annual performance incentive payments.*

- **Access to SNAP by eligible households also has improved.** The Program Access Index, a measure of the percentage of eligible people who participate in SNAP, rose from 62 percent in 2003 to 69 percent in 2010.

States often use these incentive funds to make further SNAP improvements, such as online application systems, improved data matching to verify household earnings, training and tools to make eligibility workers more efficient, and job training for unemployed SNAP recipients. The Senate farm bill not only maintains the incentive system but strengthens it through a provision to ensure that incentive payments are reinvested in SNAP operations rather than diverted to other purposes.

Restricting Standard Utility Allowance (SUA) Simplification

Like the Senate farm bill, the House Agriculture Committee bill would restrict states' ability to use an important program simplification that reduces paperwork in determining household benefit levels. CBO estimates that the provision would reduce benefits for about 500,000 households in 15 states by an average of about $90 a month, for a total of $4.5 billion in savings over ten years. (Table 1 lists the 15 states.) The households affected by the cut would be disproportionately low-income seniors, people with disabilities, and working-poor families with children.

SNAP benefits are targeted to households based on their ability to purchase adequate food. When calculating the income that a household has available for food, SNAP provides deductions for certain essential household expenses. One of the most important deductions, the shelter deduction, is available to households that expend *more than half* of their disposable income on housing and utility expenses. (Only the amount in excess of 50 percent of a household's disposable income is deducted.) The deduction ensures that households that face very high housing and utility costs in relation to their income — for example, because they receive no federal or state housing assistance or live in a colder climate — receive sufficient SNAP benefits to purchase a bare-bones, nutritionally adequate diet.

States can simplify the shelter deduction by setting Standard Utility Allowances (SUAs) that reflect typical low-income households' utility bills in the state, rather than requiring every household to provide copies of its monthly utility bills and requiring caseworkers to try to calculate each household's average month utility costs. Households that can demonstrate they have out-of-pocket utility costs for heating and cooling costs are assigned an SUA that reflects those costs in lieu of calculating each household's utility costs.

States have long considered a household's receipt of assistance from the Low-Income Home Energy Assistance Program (LIHEAP) a sound test of whether the household incurs utility expenses and hence qualifies for the SUA. LIHEAP is targeted to low-income households that can't afford to pay their home energy bills and defrays a fraction of such households' utility expenses. For decades, SNAP households that receive LIHEAP have been eligible for the SUA, based on LIHEAP's determination the household has home energy bills that it needs assistance in meeting.

This connection between the two programs reduces unnecessary paperwork for state SNAP agencies. Without this streamlined approach, households would have to provide SNAP caseworkers with enough of their utility bills to document that they incur costs for heating or cooling their homes.

In recent years, some states have provided a very small or nominal LIHEAP benefit of $1 or $5 to SNAP households in order to qualify those SNAP households for an SUA and the resulting larger shelter deduction. This has allowed some low-income households that pay for utilities through higher rents to deduct more in excess shelter costs and receive higher SNAP benefits. It has also allowed states to streamline benefit eligibility determinations for households with utility expenses that would otherwise qualify for the deduction. With rising caseloads and fewer administrative resources, states have used the modest LIHEAP payment as a means to reduce paperwork for their workers — and hence the number of staff needed to conduct eligibility determinations — as well as for eligible households.

Consistent with the Senate farm bill, the House Agriculture Committee bill would require a household's LIHEAP benefit to be at least $10 in order for the household to claim an SUA based on its participation in LIHEAP. This approach would curb the state practice of providing nominal LIHEAP payments in order to streamline administration and to leverage SNAP deductions. As noted above, about 500,000 households would lose an average of $90 a month in SNAP benefits as a result of the change. But, in contrast to the SUA proposal the House Agriculture Committee adopted earlier this year as a part of its reconciliation package, this proposal would not fully sever the longstanding connection between the two programs — a connection that CBO says reduces administrative costs.

Rationale for Cuts Reflects Inaccurate Claims Regarding SNAP Growth

Some policymakers, including some House Agriculture Committee members who have pushed for the SNAP cuts in the bill, have justified such cuts primarily by charging that the program is growing out of control. Such charges, however, are mistaken: SNAP costs have grown substantially over the past decade, but for reasons that show the program is working; SNAP spending is expected to come down substantially in the coming years as the economy recovers.

As CBO recently stated, "the primary reason for the increase in the number of SNAP participants was the deep recession from December 2007 to June 2009 and the subsequent slow recovery; there were no significant legislative expansions of eligibility for the program during that time."[5] The recession dramatically increased the number of low-income households that qualify for and have applied for help from the program; SNAP expanded to meet the increased need. Without SNAP, poverty and hardship would have been significantly greater in the last few years.

To be sure, the downturn does not explain all of the recent increase in SNAP costs. Some people assume that eligibility expansions are largely responsible for the remainder of the cost increase and that, as a result, SNAP expenditures and participation will continue growing even after the economy recovers. Such assumptions are incorrect.

As in many other areas of budgetary analysis, the year one picks as a starting point for a historical analysis matters. For SNAP, starting only ten years ago provides a distorted picture of program growth because SNAP participation and costs had plummeted at that point, in part due to a large *decrease* in the proportion of eligible families receiving SNAP in the late 1990s. The 1996 welfare law

[5] Congressional Budget Office, "The Supplemental Nutrition Assistance Program," April 2012.

was intended to encourage work, but due to problems in state administrative systems in the first years of implementation, many families moving from welfare to working-poor status were cut off SNAP when they left welfare, even though they remained eligible for SNAP. This was not what Congress had intended.

Aggravating this problem, some states instituted administrative practices in those years that had the unintended effect of making it harder for many working-poor parents to participate in SNAP (largely by forcing them to take too much time off from work for repeated visits to SNAP offices at frequent intervals, such as every 90 days, to reapply for benefits).

This prompted many to call for reforms that would improve access to SNAP for low-income working families and led both the Clinton and Bush administrations to act to address this problem. A bipartisan consensus emerged that making it difficult for families to continue receiving SNAP when they left welfare for low-wage work would discourage work and conflict with welfare reform goals.

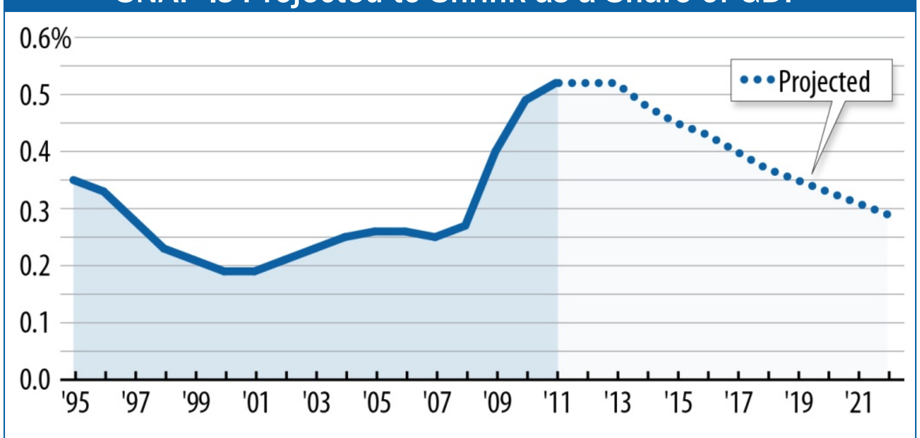
As a result, Congress enacted meaningful, although relatively modest, changes in 2002 and 2008 to lessen barriers to SNAP participation among the working poor, as well as modest improvements in benefits largely aimed at low-wage workers and their families. In addition, most states took steps to improve access for working families. These measures have succeeded: the SNAP participation rate, which had plummeted from 75 percent of eligible individuals receiving SNAP assistance in 1994 to 54 percent in 2002, is back to 72 percent today.[6] Of particular note, SNAP participation among low-income *working* families has risen steadily, from 43 percent in 2002 to about 60 percent in 2009, a record high.

The final major contributor to recent SNAP spending growth is the temporary SNAP benefit increase that Congress enacted as part of the 2009 Recovery Act in order to reduce hardship and deliver high "bang-for-the-buck" economic stimulus. CBO reports that this provision accounted for 20 percent of the growth in the program between 2007 and 2011. The temporary benefit increase is now phasing down and terminates entirely at the end of October 2013.

In sum, there are three main reasons for the large increase over the past decade in SNAP expenditures: the economy; a substantial increase in participation among eligible households, especially eligible working households; and the Recovery Act's temporary benefit

Figure 1

SNAP Is Projected to Shrink as a Share of GDP



Sources: Congressional Budget Office, CBO March 2012 baseline outlay and economic forecast and OMB historical data

[6] The most recent year for which USDA publishes estimates is 2009.

increase.

What lies ahead for SNAP costs? Under current SNAP law, without any changes, expenditures will *decline* in the coming years, for two reasons.

First, history demonstrates that SNAP caseloads and expenditures fall after unemployment and poverty fall, as CBO's recent report on SNAP notes. SNAP caseload growth already has slowed dramatically; in fact, over the last six months (through April 2012, the most recent month for which data are available), SNAP participation has declined slightly. According to CBO, in the years ahead the share of the population that participates in SNAP will fall back to 2008 levels.

In addition, as noted, the Recovery Act benefit increase is slated to end on October 31, 2013, reducing benefits for all SNAP households.

Figure 1 shows where all this will lead. SNAP costs as a share of the economy are expected to decline all of the way back to their 1995 level by 2019 and then edge below that level.

This means that SNAP is *not* contributing to our long-term budgetary problems. Unlike health care programs and Social Security, there are no significant demographic or programmatic pressures that will cause SNAP costs to grow faster than the economy in the years and decades ahead. This also means that the recent growth in SNAP expenditures is not a sound justification for imposing SNAP cuts on needy households.

Table 1				
State-by-State Impact of the House Agriculture Committee's Proposed SNAP Cuts				
State/Territory	**Adopted Expanded Categorical Eligibility Option***		**Affected by House Standard Utility Allowance Change**	**Number of Performance Bonuses Since 2003****
	Asset Test	**Income Test**		
Alabama	Yes			2
Alaska				6
Arizona	Yes	Yes		1
Arkansas				2
California	Yes		Adopting in 2013	1
Colorado	Yes			3
Connecticut	Yes	Yes	Yes	0
Delaware	Yes	Yes	Yes	8
District of Columbia	Yes	Yes	Yes	12
Florida	Yes	Yes		7
Georgia	Yes			4
Guam	Yes	Yes		1
Hawaii	Yes	Yes		4
Idaho	Yes			6
Illinois	Yes			3
Indiana				1
Iowa	Yes	Yes		1
Kansas				4
Kentucky	Yes			6
Louisiana	Yes			4
Maine	Yes	Yes	Yes	8
Maryland	Yes	Yes		2
Massachusetts	Yes	Yes	Yes	10
Michigan	Yes	Yes	Yes	2
Minnesota	Yes	Yes		3
Mississippi	Yes			6
Missouri				10
Montana	Yes	Yes		5
Nebraska	Yes			11
Nevada	Yes	Yes		1
New Hampshire	Yes	Yes		9
New Jersey	Yes	Yes	Yes	2
New Mexico	Yes	Yes		2
New York	Yes		Yes	3
North Carolina	Yes	Yes		9
North Dakota	Yes	Yes		4
Ohio	Yes			2
Oklahoma	Yes			5
Oregon	Yes	Yes	Yes	9
Pennsylvania	Yes	Yes	Yes	3
Rhode Island	Yes	Yes	Yes	3
South Carolina	Yes			4
South Dakota				21

Table 1 (continued)				
State-by-State Impact of the House Agriculture Committee's SNAP Cuts				
State/Territory	**Adopted Expanded Categorical Eligibility Option***		**Affected by House Standard Utility Allowance Change**	**Number of Performance Bonuses Since 2003****
	Asset Test	**Income Test**		
Tennessee				6
Texas	Yes	Yes		3
Utah				1
Vermont	Yes	Yes	Yes	6
Virginia				5
Virgin Islands	Yes			2
Washington	Yes	Yes	Yes	6
West Virginia	Yes			9
Wisconsin	Yes	Yes	Yes	5
Wyoming				3
United States	43	27	15	

* These states have adopted broad-based categorical eligibility. Additional states have narrow categorical eligibility (beyond cash assistance, but not affecting large numbers of households) and may also have some households that would be cut off SNAP.

** States may win more than one performance bonus in a year.

Sources: USDA, Food and Nutrition Service, Broad-based Categorical Eligibility Chart, performance bonuses by year, and private correspondence. See http://www.fns.usda.gov/snap/rules/Memo/BBCE.pdf and http://www.fns.usda.gov/snap/government/program-improvement.htm.