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IssueBRIEF

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Proposed Changes to the Supplemental Nutrition Assistance Program: **Heating and Cooling Standard Utility Allowances and Earned Income**

Income deductions affect benefit levels

A household's SNAP benefit is determined by a variety of factors, including income, size, and location. Benefit calculations also take into account income deductions, such as those based on earned income and high housing costs. In general, bigger deductions result in a higher SNAP benefit.

The House and Senate versions of the 2018 Farm Bill differ on proposed changes to the Supplemental Nutrition Assistance Program (SNAP). The House version (H.R.2, The Agriculture Improvement Act of 2018) would, among other things, change how SNAP agencies determine total SNAP benefits for households. Specifically, the bill would change the way agencies account for earnings and housing expenses when calculating a household's benefit. The Senate version leaves these provisions untouched.

This issue brief, the second in a series of briefs analyzing the impact of proposed changes to SNAP, describes how these changes could impact program participants, including children. With support from the Robert Wood Johnson Foundation, Mathematica is using a microsimulation model developed for the U.S. Department of Agriculture's Food and Nutrition Service (FNS) to estimate how the changes proposed in the House version of the farm bill would affect SNAP participants. The model simulates fiscal year 2017 federal and state SNAP policies using fiscal year 2017 SNAP Quality Control data.

Proposed changes to heating and cooling standard utility allowance requirements. Households with high housing expenses relative to their income are entitled to an income deduction based, in part, on rent (or mortgage) and utilities costs. Instead of using actual utility expenses to calculate the deduction, states may streamline the process by using a predetermined amount called a standard utility allowance (SUA). Further, under current law, states may use the highest SUA—the heating and cooling SUA (HCSUA)—to calculate a household's deduction if the household receives energy assistance, even if the household does not have heating and cooling utility costs. The House version of the Farm Bill continues to permit this practice for households that include a senior or a person with a disability, but not for other households. Among households without a senior or a person with a disability, some may still qualify for an HCSUA if they can document actual heating and cooling expenses; others may qualify for a smaller SUA by documenting other utility expenses; and others will no longer qualify for any utility allowance.

Proposed changes to earnings deduction. Under current law, working households may deduct a portion of their earnings from their income to receive a higher SNAP benefit. The House version of the Farm Bill would increase the earnings deduction from 20 percent of earned income to 22 percent. Below we discuss the implications of these two provisions.

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What does this mean for a typical SNAP household?

2 adults and 1 child
With earnings, receiving energy assistance

Monthly household income: **$1,499**

Monthly SNAP benefit under current law: **$346**

Both Policy Changes

SNAP benefit
$206 to $260
-25% to -40%

Increasing Earnings Deduction

SNAP benefit
$357
3.2%

Restricting HCSUA Policies

SNAP benefit
$197 to $246
-29% to -43%

EFFECT OF PROPOSED CHANGES ON SNAP BENEFITS

The proposed earnings deduction change would slightly increase SNAP benefits for households with earnings, while the proposed HCSUA change would decrease benefits for affected households, in some cases by a substantial amount. If both these provisions had been in place in fiscal year 2017, we estimate about 20 percent of SNAP households – the equivalent of about 4.0 to 4.1 million households – would have received a $10 increase, on average, in their monthly SNAP benefits, while 3 to 5 percent – the equivalent of about 800,000 to 1.1 million households – would have received a $50 to $75 decrease, on average, in their monthly benefits, depending on whether they could claim a lower SUA or no SUA.

Among the households participating in fiscal year 2017 that would see a reduction in benefits:

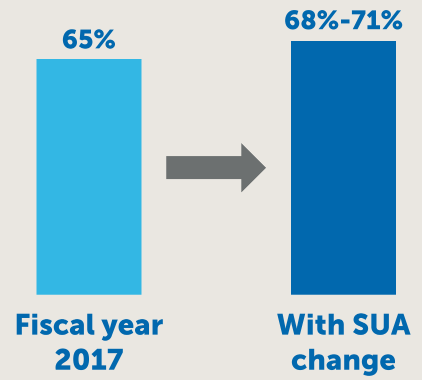
- 79 to 84 percent include children, about 700,000 to 900,000 households.
- 76 to 80 percent are in poverty, about 600,000 to 900,000 households.
- 65 to 69 percent have earnings, about 500,000 to 700,000 households.

The effects of each provision are clearer when examined separately. Increasing the earned income deduction rate would impact an estimated 23 percent of SNAP households, the equivalent of 4.6 million households participating in fiscal year 2017. Most of those households would see their monthly SNAP benefit increase by between $2 to $21. On average, impacted households would experience a 7 percent increase, or $10, to their monthly benefit. (A small share of these households with earnings would also be affected by the proposed change to the HCSUA requirements.)

The proposed changes to HCSUA requirements would impact 4 to 5 percent of SNAP households—the equivalent of 800,000 to 1.1 million of the households participating in fiscal year 2017. Most of those households would experience a reduction in their monthly SNAP benefit ranging from $9 to $152. On average, impacted households would lose between $54 and $79 in monthly SNAP benefits. The specific amount would depend on whether households could qualify for another SUA if the HCSUA was no longer available. (More than half of these households have earnings and would be affected by both provisions.)

Percentage below poverty. The change to the HCSUA requirements would also increase the percentage of households whose income plus SNAP benefits are below the federal poverty guideline ($20,420 a year for a family of three). As shown in the graphic below, the percentage of those households living in poverty – when considering income plus SNAP benefits – would increase from 65 percent to between 68 and 71 percent.

Percentage of households affected by the HCSUA change with income plus SNAP benefit below the poverty line



Eligibility. For the most part, the two provisions detailed above affect the amount of benefits that households receive, not their overall eligibility. However, in some cases, a change in a household's income deductions can also change whether it is eligible for SNAP. The proposed changes would have a very small impact on household eligibility. Less than 1 percent of households participating in fiscal year 2017 would lose eligibility under the changes to HCSUA requirements, and less than 1 percent would gain eligibility under the changes to the earnings deduction.

For more information about SNAP microsimulation modeling or Mathematica's work in this area, contact Senior Researcher Karen Cunnyngham at KCunnyngham@mathematica-mpr.com or (202) 264-3480.

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