



Proposed Changes to the Poverty Line Would Reduce SNAP Participation over Time

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In 2016, the Supplemental Nutrition Assistance Program (SNAP) provided benefits to more than 40 million people per month to help them meet their food needs.¹ To determine who is eligible for assistance,² SNAP uses the federal poverty guidelines. The federal government updates those guidelines every year based on the federal poverty thresholds, which are adjusted for inflation as reflected in the Consumer Price Index for All Urban Consumers (CPI-U).³

The administration has proposed changing how the poverty level is adjusted for inflation, a change that would reduce the inflation rate. One proposal the administration is considering would change the inflation measure to the Chained Consumer Price Index for All Urban Consumers (also known as “chained CPI”).⁴ Consequently, fewer people would be eligible for the SNAP program, and those reductions in eligibility would compound over time.

Had the chained CPI, rather than the CPI-U, been used to adjust the poverty guidelines for inflation for 15 years before 2016, **579,000 SNAP recipients (including nearly a quarter of a million children) would have been ineligible for benefits in 2016.**

With SNAP serving fewer people because of a shift to the chained CPI, we can expect poverty and food insecurity rates to rise, all else equal. And because food insecurity is linked to poor outcomes for children and adults, it is important to carefully consider the implications of changing how we adjust the poverty level for inflation.

Background

SNAP is the US's primary food assistance program, providing benefits to nearly one in eight Americans every month. In 2016, the program paid nearly \$67 billion in benefits, with an average monthly benefit of about \$125 per month for each recipient.⁵ The program aims to help low-income families better address their nutritional needs by increasing their purchasing power. SNAP benefits can only be used to buy food from authorized retail food establishments (USDA 2017).

SNAP is one of several public assistance programs that uses federal poverty guidelines to determine eligibility (box 1). In general, a household's gross income cannot exceed 130 percent of the federal poverty guideline, and its net income (gross income less allowable deductions for things like certain work expenses and excess costs for shelter) cannot exceed 100 percent of the federal poverty guideline.⁶ Some states have set higher gross income limits, though only a small share of SNAP households have income above the federal limit, and benefits for these households are relatively low.⁷ The income limits vary by the number of people in the household (more specifically, the assistance unit, which includes all people in a home who share food expenses). For fiscal year 2019, the monthly gross income limit for a four-person household was \$2,720 (\$32,640 per year) and the net income limit was \$2,092 (\$25,104 per year).⁸

BOX 1

What's the Difference between Poverty Thresholds and Poverty Guidelines?

The Office of Management and Budget is currently seeking comment on alternative inflation adjustments to annual poverty **thresholds**. The thresholds are issued by the Census Bureau for research purposes, to calculate the number of people in poverty. They vary by family size and the number of children present. They are finalized in September and apply to the prior calendar year; for example, the poverty thresholds for calendar year 2018 will be finalized in September 2019. Discussions about the federal poverty level or poverty line are usually based on the poverty thresholds.

Poverty **guidelines** are issued by the Department of Health and Human Services for administrative purposes, to determine financial eligibility for certain programs (like SNAP). The guidelines vary by family size, but not composition; further, there is one set of guidelines for the contiguous 48 states and the District of Columbia while Hawaii and Alaska each have state-specific guidelines. The guidelines are issued in January of the year for which they apply but are derived from the thresholds from two calendar years earlier, updated to the prior calendar year using the CPI-U. For example, the poverty guidelines for 2016, issued in January 2016, are based on the poverty thresholds for 2014 adjusted for inflation to reflect prices in 2015.

The poverty guidelines are based on the official poverty measure, which was established in the 1960s and is adjusted annually for inflation using the CPI-U. The Bureau of Labor Statistics produces the CPI-U every month based on the cost of a "basket" of consumer items that it updates every two years. The CPI-U may overstate changes in the cost of living because it does not account for how

consumers change their buying patterns when the relative prices of goods and services change. For example, if you buy five apples and five oranges and they each cost \$1, you spend \$10. If the price of oranges rises to \$2, then you need \$15 to buy the same combination of fruit. The CPI-U's method would then estimate inflation at 50 percent. But given the price changes, you may instead choose to buy eight apples and only three oranges, getting more pieces of fruit but in different proportions than before, and be just as happy as you were with five apples and five oranges. The cost of that basket of fruit is only \$14, so the cost of living actually only rose by 40 percent. The chained CPI, an alternative measure of inflation, accounts for that substitution.

If the chained CPI were used to adjust the poverty level for inflation, the poverty level would grow more slowly over time than it would using the CPI-U. That means that fewer and fewer people would be eligible for SNAP benefits. In any given year, inflation measured by the chained CPI is only 0.2 to 0.3 percentage points lower than CPI-U inflation, on average. But over time, that small difference compounds, growing ever larger.

In this brief, we assess the implications of changing the inflation measure used to adjust the federal poverty level by estimating how many SNAP recipients in 2016 would have been ineligible for benefits if the poverty levels had been adjusted for inflation using the chained CPI over the previous 5, 10, and 15 years.

Analytic Approach

We model the implications of using alternative poverty guidelines on SNAP eligibility using the Urban Institute's Analysis of Transfers, Taxes, and Income Security (ATTIS) microsimulation model. ATTIS is a powerful tool to provide estimates at the national and state levels because it starts with a baseline of data from the US Census Bureau's American Community Survey. The model adjusts for underreported assistance from public programs by aligning reported data from the American Community Survey with administrative data for various assistance programs, including SNAP. Rules governing eligibility and benefits for various public assistance programs are coded into the model so it can simulate the effects of changes in any of those rules.

For this exercise, we begin with the ATTIS baseline for SNAP receipt in the average month of 2016. We then adjust the poverty guidelines governing eligibility and estimate how many individuals and households would remain eligible for the program if those guidelines were lower. We show how much smaller the SNAP caseload would be in 2016 had the chained CPI been used to adjust for inflation for the previous 5, 10, and 15 years. In addition, we show how the results vary by recipient age, household type, and state.

Establishing Poverty Guidelines

Establishing what the poverty guidelines would have been in 2016 under the assumption that the chained CPI was implemented at an earlier time requires several steps. The guidelines are derived from

the poverty thresholds. We produced three sets of guidelines for 2016 by applying the chained CPI to the thresholds from earlier years. To convert the indexed poverty thresholds into guidelines, we followed the process outlined in the US Department of Health and Human Services (HHS) Office of the Assistant Secretary for Planning and Evaluation's computations for the poverty guidelines.

The US Department of Agriculture Food and Nutrition Service updates SNAP guidelines at the beginning of each federal fiscal year (October), using the most recent available HHS guidelines. SNAP used the HHS 2015 guidelines to determine eligibility for October 2015 through September 2016 and the HHS 2016 guidelines for October 2016 through September 2017. Our estimates reflect average monthly results for calendar year 2016, and so we use weighted average guidelines for the months of the calendar year, with three-fourths of the weight reflecting the HHS 2015 guidelines and one-fourth of the weight reflecting the HHS 2016 guidelines.⁹

Results

For calendar year 2016, we computed a \$2,628 average monthly gross income limit for SNAP eligibility for a family of four and a monthly net income limit of \$2,022 (table 1). Had those monthly income limits been adjusted for inflation using the chained CPI over five years, they would have been \$2,611 and \$2,008, respectively, \$17 and \$14 lower than they actually were. Over time, however, the difference grows. Had the chained CPI been used to adjust the limits over 15 years, the monthly income limits would have been \$2,539 and \$1,953, respectively, \$89 and \$69 lower than they actually were.

TABLE 1

Average Monthly SNAP Income Limits Used in Simulations, Calendar Year 2016
2016 US dollars

	Baseline (CPI)	C-CPI 5 years	C-CPI 10 years	C-CPI 15 years
Income limit (using HHS poverty guideline)				
One-person	983	978	979	961
Four-person	2,022	2,008	1,985	1,953
Gross income limit (130 percent of net income limit)				
One-person	1,278	1,272	1,273	1,249
Four-person	2,628	2,611	2,581	2,539

Source: Authors' calculations.

Notes: SNAP = Supplemental Nutrition Assistance Program. CPI = consumer price index; C-CPI = Chained Consumer Price Index for All Urban Consumers. HHS = Department of Health and Human Services. The income limits shown are the weighted average monthly income limits for calendar year 2016 in the baseline and if the chained CPI had been used for the previous 5, 10, and 15 years.

Those lower income limits mean that many SNAP participants in 2016 would not be eligible for benefits. A switch from the CPI-U to the chained CPI would have reduced SNAP participation by over 100,000 recipients in five years (table 2).¹⁰ If the chained CPI had been in place for 15 years before

2016, 579,000 people who received SNAP in 2016 would have been ineligible. Children make up 242,000 of the recipients who would have been ineligible for SNAP had the income limits been adjusted for inflation using the chained CPI for 15 years before 2016.

TABLE 2

Average Number of People Participating in SNAP Per Month in 2016 under Various Poverty Guidelines, by Age

Thousands

	Baseline (CPI)	C-CPI 5 years	Change from baseline	C-CPI 10 years	Change from baseline	C-CPI 15 years	Change from baseline
All	46,021	45,917	-104	45,776	-245	45,442	-579
Birth to 17	19,620	19,575	-45	19,497	-123	19,378	-242
18-59	20,568	20,522	-46	20,463	-105	20,298	-271
60+	5,833	5,820	-13	5,816	-17	5,767	-66

Source: Authors' calculations.

Notes: SNAP = Supplemental Nutrition Assistance Program. CPI = consumer price index; C-CPI = Chained Consumer Price Index for All Urban Consumers. Table shows the number of SNAP participants in 2016 and how many would have been ineligible for the program had the chained CPI been used to adjust income limits for the previous 5, 10, and 15 years.

We see the same pattern when considering how many households (SNAP assistance units) would become ineligible for the program when using the chained CPI (table 3). Had the SNAP income eligibility limits been adjusted using the chained CPI for the 15 years before 2016, over 240,000 SNAP households would have been ineligible for benefits in 2016. That includes almost 50,000 households with an elderly member (ages 60 or older), over 20,000 households with a person with a disability, and over 118,000 households with a child.

TABLE 3

Average Number of Units Participating in SNAP Per Month in 2016 under Various Poverty Guidelines, by Unit Type

	Baseline (CPI)	C-CPI 5 years	Change from baseline	C-CPI 10 years	Change from baseline	C-CPI 15 years	Change from baseline
All	21,498,400	21,457,900	-40,500	21,426,000	-72,400	21,257,600	-240,800
With elderly member (60+)	5,021,780	5,011,430	-10,350	5,010,230	-11,550	4,971,840	-49,940
With disabled member	4,122,360	4,118,590	-3,770	4,114,680	-7,680	4,100,630	-21,730
With dependent child <18	9,225,380	9,203,770	-21,610	9,174,500	-50,880	9,107,060	-118,320
Without elderly, disabled, or children	4,832,520	4,825,670	-6,580	4,824,480	-8,040	4,769,700	-62,820

Source: Authors' calculations.

Notes: SNAP = Supplemental Nutrition Assistance Program. CPI = consumer price index; C-CPI = Chained Consumer Price Index for All Urban Consumers. Table shows the number of SNAP assistance units in 2016 and how many would have been ineligible for the program had the chained CPI been used to adjust income limits for the previous 5, 10, and 15 years. The first three categories overlap.

The number of SNAP households that would be ineligible if the program income limits had been set using the chained CPI varies by state, with more populous states generally seeing the largest reductions (table 4). New York would see the largest reduction in SNAP-eligible households if income limits had used the chained CPI for 15 years before 2016: 24,000 of New York's SNAP households would have been ineligible. California, Florida, and Ohio would have had 15,000 fewer SNAP households. On the other hand, eight states would experience a negligible change (fewer than 500 cases): Arizona, Delaware, the District of Columbia, Maine, New Hampshire, North Dakota, Vermont, and Wyoming.

TABLE 4

**Average Number of Units Participating in SNAP Per Month in 2016
under Various Poverty Guidelines, by State**

Thousands

	Baseline (CPI)	C-CPI 15 years	Change from baseline
All	21,498	21,258	-241
Alabama	393	385	-7
Alaska	35	35	0
Arizona	432	430	-3
Arkansas	184	182	-3
California	2,090	2,075	-15
Colorado	224	220	-4
Connecticut	240	238	-2
Delaware	72	72	0
District of Columbia	73	73	0
Florida	1,791	1,776	-15
Georgia	787	774	-13
Hawaii	89	87	-1
Idaho	78	77	-2
Illinois	987	977	-10
Indiana	324	317	-7
Iowa	179	176	-3
Kansas	113	111	-3
Kentucky	307	303	-4
Louisiana	434	430	-4
Maine	97	97	0
Maryland	375	373	-2
Massachusetts	446	441	-5
Michigan	766	761	-4
Minnesota	229	228	-1
Mississippi	257	254	-4
Missouri	365	356	-9
Montana	56	54	-2
Nebraska	79	77	-2
Nevada	223	221	-2
New Hampshire	47	47	0
New Jersey	438	436	-3
New Mexico	216	214	-2
New York	1,624	1,600	-24
North Carolina	771	765	-5
North Dakota	26	25	0
Ohio	785	769	-15
Oklahoma	275	270	-5
Oregon	409	406	-3
Pennsylvania	955	944	-11
Rhode Island	99	98	-1
South Carolina	360	354	-7
South Dakota	42	42	-1
Tennessee	530	522	-8
Texas	1,604	1,594	-10
Utah	85	83	-2
Vermont	43	42	0
Virginia	384	378	-6
Washington	534	531	-3
West Virginia	178	176	-2

	Baseline (CPI)	C-CPI 15 years	Change from baseline
Wisconsin	352	349	-3
Wyoming	14	14	0

Source: Authors' calculations.

Notes: SNAP = Supplemental Nutrition Assistance Program. CPI = consumer price index; C-CPI = Chained Consumer Price Index for All Urban Consumers. Bolded states had a gross income limit above 130 percent of the federal poverty guideline in 2016.

Discussion

Something as seemingly innocuous and technical as how we measure inflation can have consequences for the well-being of vulnerable Americans. Adjusting the poverty level for inflation using the chained CPI rather than the CPI-U will slowly erode eligibility for programs like SNAP that base eligibility on the official poverty measure. Here, we show that if the chained CPI had been used for 5 years before 2016, over 100,000 recipients would have been ineligible in 2016, and that number swells to 579,000 if the chained-CPI had been used for the previous 15 years.

SNAP is not the only program that would be affected by a change in how we measure inflation. Aron-Dine and Broaddus (2019) projects that if the chained CPI, rather than CPI-U, were used to adjust for inflation, after 10 years, more than 300,000 children would lose health insurance coverage under Medicaid and the Children's Health Insurance Program.

SNAP effectively reduces poverty and food insecurity (Gundersen, Kreider, and Pepper 2017; Wheaton and Tran 2018). Therefore, we could expect poverty and food insecurity rates to rise with a move to the chained CPI, all else equal. Because food insecurity is associated with poor health outcomes for both adults and children (Gundersen and Ziliak 2015), it is important to consider the risks associated with this policy change.

The adverse impacts of adopting the chained CPI to adjust poverty guidelines for inflation could potentially be mitigated if other strategies were simultaneously adopted. For example, families could still access SNAP benefits if the gross and net income limits were set at a higher percentage of poverty, say 140 and 110 percent, respectively. Alternatively, SNAP eligibility standards could be established without using the official poverty measure, as is done in some other assistance programs. The official poverty measure could also be revisited, adjusting it to reflect the income needs families face today. The official measure is based on food costs and consumption patterns from more than 50 years ago. If we update the poverty measure periodically to reflect current consumption patterns (as is done with the Supplemental Poverty Measure), then slight variations in how we adjust for inflation would have far weaker consequences.

As the Office of Management and Budget considers changes to how poverty thresholds are adjusted for inflation, it should keep in mind the poverty measure's many well-documented shortcomings; specifically, it does not realistically capture the needs of families today, which include work expenses, child care costs, and health care. How the measure is adjusted for inflation is not among

its most important weaknesses. Further, policymakers should consider how changes in the way we measure poverty have consequences for families who need support from programs like SNAP.

Notes

- ¹ “Supplemental Nutrition Assistance Program Participation and Costs,” US Department of Agriculture, Food and Nutrition Service, June 7, 2019, <https://fns-prod.azureedge.net/sites/default/files/resource-files/SNAPsummary-5.pdf>.
- ² “SNAP Eligibility,” US Department of Agriculture, Food and Nutrition Service, accessed June 16, 2019, <https://www.fns.usda.gov/snap/recipient/eligibility#Am%201%20eligible%20for%20SNAP?>.
- ³ The Office of Management and Budget is seeking comments on the inflation adjustment used for the poverty thresholds. Those thresholds are used to create the poverty guidelines, which in turn are used to determine eligibility for SNAP. For a detailed discussion of the difference between poverty thresholds and poverty guidelines, see box 1.
- ⁴ Request for Comment on Consumer Inflation Measures, 84 Fed. Reg. 19961 (May 7, 2019).
- ⁵ “Supplemental Nutrition Assistance Program Participation and Costs,” US Department of Agriculture, Food and Nutrition Service, June 7, 2019.
- ⁶ Households with an elderly member or person with disabilities are exempt from the gross income test.
- ⁷ In 2016, 5.8 percent of SNAP households had gross income above 130 percent of the poverty level. People in these households received an average \$35 per month per person in SNAP benefits. See “Table A.1 Distribution of Participating Households, Individuals, and Benefits, by Household Characteristic,” in *Characteristics of Supplemental Nutrition Assistance Program Households: Fiscal Year 2016* (Alexandria, VA: US Department of Agriculture, Food and Nutrition Service), November 28, 2017, <https://fns-prod.azureedge.net/sites/default/files/ops/Characteristics2016.pdf>.
- ⁸ “SNAP Eligibility,” US Department of Agriculture, Food and Nutrition Service.
- ⁹ The full process is quite complex. We are creating chained CPI–based guidelines for calendar year 2016, but the poverty guidelines used for SNAP eligibility are updated by fiscal year. As such, the guidelines we use for our analysis of 2016 are the weighted average of guidelines for fiscal year 2015 (75 percent) and fiscal year 2016 (25 percent). HHS establishes poverty guidelines using the most recently available thresholds, but those are the thresholds for two years prior. For example, the poverty thresholds for 2013 were published in September 2014, and then HHS created the 2015 poverty guidelines in January 2015. Those are the guidelines we begin to apply to our analysis of the 2016 SNAP caseload. To compute what the thresholds would have been under the chained CPI, we take the thresholds from calendar years 2000, 2005, and 2010 and inflate them to 2013 using the chained CPI. Then we translate the 2013 thresholds into 2015 guidelines using HHS’s procedure. We then repeat the procedure for 2016 and take the weighted average of 2015 and 2016 as described above. For information on HHS’s procedure for creating poverty guidelines, see “Computations for the 2015 Annual Update of the HHS Poverty Guidelines for the 48 Contiguous States and the District of Columbia,” US Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, December 1, 2015, <https://aspe.hhs.gov/computations-2015-annual-update-hhs-poverty-guidelines-48-contiguous-states-and-district-columbia> for the computation of the 2015 poverty guidelines and “Computations for the 2016 Poverty Guidelines,” US Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, April 25, 2016, <https://aspe.hhs.gov/computations-2016-poverty-guidelines> for the 2016 poverty guidelines.
- ¹⁰ All changes are relative to the ATTIS baseline SNAP caseload for 2016. ATTIS aligns to administrative totals for “units” (people within a household who buy and prepare food together) receiving SNAP. Because of variations in the underlying data and how the model adjusts for underreported benefits, ATTIS finds that about 46 million people received SNAP in the average month of 2016, compared with 44.2 million reported in administrative data.

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