

The Importance of Broad-Based Categorical Eligibility in SNAP

Statement of

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PROGRAM (SNAP)

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Chairwoman Fudge, Ranking Member Johnson, and members of the subcommittee:

Thank you for the opportunity to testify today and to share insights from my research on food insecurity and issues affecting access to the Supplemental Nutrition Assistance Program. The views expressed in this testimony are my own and should not be attributed to the Urban Institute, its trustees, or its funders.

Despite an improving economy, food insecurity persists at high levels across the US. In 2017, the USDA reported that approximately 40 million people—about 12.5 percent of the population—were food insecure. More recently, the Urban Institute’s nationally representative Well-Being and Basic Needs Survey found that nearly 4 in 10 nonelderly adults reported that in 2018, their families experienced material hardship—defined as trouble paying or being unable to pay for housing, utilities, food, or medical care at some point during the year—which was not significantly different from the share reporting these difficulties for 2017.¹ Among adults in families with incomes below twice the federal poverty level (FPL), over 60 percent reported at least one type of material hardship in 2018.

SNAP is a critical resource for many families across the US. Although the number of families participating in SNAP has continued to decline as the economy improves, in March 2019, 36.3 million people in over 18 million households received SNAP benefits.² Research shows that SNAP does exactly what it was intended to do—decrease food insecurity. According to recent research, SNAP reduces the prevalence of food insecurity by 5 to 10 percentage points, including households with children.³ Moreover, SNAP is an effective antipoverty tool: in 2015, the program lifted 8.4 million people from poverty and reduced poverty among children by 28 percent.⁴ These data are important to keep in mind when we think about policy changes that might reduce the number of families participating in SNAP; fewer families on SNAP might translate into greater levels of food insecurity and poverty.

What Is Broad-Based Categorical Eligibility in SNAP?

Our topic today is one aspect of SNAP eligibility policy: broad-based categorical eligibility, or BBCE. I’ll briefly outline how states use this SNAP option to confer benefit eligibility on low-income families.

¹ Michael Karpman, Stephen Zuckerman, and Dulce Gonzalez, “Despite Labor Market Gains in 2018, There Were Only Modest Improvements in Families’ Ability to Meet Basic Needs (Washington, DC: Urban Institute, 2019), <https://www.urban.org/research/publication/despite-labor-market-gains-2018-there-were-only-modest-improvements-families-ability-meet-basic-needs>.

² “Supplemental Nutrition Assistance Program (Data as of June 7, 2019),” <https://fns-prod.azureedge.net/sites/default/files/resource-files/34SNAPmonthly-5.pdf>.

³ US Department of Agriculture (USDA), Food and Nutrition Service, Office of Policy Support, “Measuring the Effect of Supplemental Nutrition Assistance Program (SNAP) Participation on Food Security (Summary)” (Washington, DC: USDA, 2013), <https://fns-prod.azureedge.net/sites/default/files/Measuring2013Sum.pdf>; Craig Gundersen, Brent Kreider, and John V. Pepper, “Partial Identification Methods for Evaluating Food Assistance Programs: A Case Study of the Causal Impact of SNAP on Food Insecurity,” *American Journal of Agricultural Economics* 99, no. 4 (2017): 875–93, <https://doi.org/10.1093/ajae/aax026>.

⁴ Laura Wheaton and Victoria Tran, *The Antipoverty Effects of the Supplemental Nutrition Assistance Program* (Washington, DC: Urban Institute, 2018), <https://www.urban.org/research/publication/antipoverty-effects-supplemental-nutrition-assistance-program>.

Generally, people are eligible for SNAP if their gross income is at or below 130 percent of the federal poverty guidelines, and their net income at or below the federal poverty guidelines after certain expenses are taken into account. Households with an elderly or disabled member do not face a gross-income threshold, but their net income must not exceed 100 percent of the federal poverty guidelines. Net income is determined by subtracting allowable deductions from gross income such as a portion of earned income, dependent care costs, medical expenses (for households with elderly or disabled members), child support payments, and shelter expenses exceeding half of net income after other deductions. Households applying for SNAP must also meet certain other eligibility criteria, such as an asset test. In fiscal year 2019, households without a member who is elderly or has a disability must have assets of \$2,250 or less, and households with such a member must have assets of \$3,500 or less.⁵

SNAP households in which all members receive cash benefits from either Supplemental Security Income, Temporary Assistance for Needy Families (TANF), or general assistance are categorically eligible for SNAP and therefore not subject to the federal income and asset limits. Categorical eligibility streamlines the application and eligibility determination process for states and reduces the time devoted to verifying resources. States also have an option through TANF called broad-based categorical eligibility (BBCE) to confer eligibility on a category of people who receive or are eligible to receive another noncash benefit or service offered by the state through its Temporary Assistance for Needy Families /Maintenance of Effort (TANF/MOE) funds. These TANF/MOE benefits or services that confer BBCE must meet one of four goals of the TANF block grant: 1) Assisting needy families so children can be cared for in their own homes, 2) Reducing the dependency of needy parents by promoting job preparation, work, and marriage, 3) Preventing out-of-wedlock pregnancies, and 4) Encouraging the formation and maintenance of two-parent families.

Through the BBCE option, a state may align its asset and income limits with the TANF noncash benefit program that confers categorical eligibility. BBCE households must also meet all other SNAP rules and have net incomes low enough to qualify for SNAP benefits. States may include households with gross incomes up to 200 percent of the federal poverty level, and states vary in their choice of gross income ceiling. However, households must have net incomes low enough to qualify for a positive SNAP benefit. One- and two-person households are eligible for a relatively small minimum monthly benefit: \$15 in fiscal year 2019 for the 48 contiguous states and Washington, DC, with higher levels in Alaska, Hawaii, Guam, and the Virgin Islands.⁶

The design of TANF/MOE programs is up to the State agency, which must ensure that the program conferring eligibility authorizes households to receive a benefit or service.⁷

⁵ Countable assets include cash, resources easily converted to cash (such as money in checking or savings accounts), and some nonliquid resources. The value of family homes, retirement and education savings accounts, and some types of property are not counted toward the asset limit.

⁶ USDA, "Supplemental Nutrition Assistance Program (SNAP) Fiscal Year (FY) 2019 Maximum Allotments and Deductions," updated October 1, 2018, <https://fns-prod.azureedge.net/sites/default/files/snap/FY19-Maximum-Allotments-Deductions.pdf>.

⁷ Lizbeth Silbermann (director, Program Development Division, Supplemental Nutrition Assistance Program), memo to SNAP regional directors regarding clarification on characteristics of broad-based categorical eligibility programs, December 27, 2016, <https://fns-prod.azureedge.net/sites/default/files/snap/clarification-bbce-memo.pdf>. Some states have retained what is known as narrow categorical eligibility, which means only certain cash and noncash services can confer categorical

BBCE is a widely used state option. Forty states, plus the District of Columbia, Guam, and the Virgin Islands use this option, although they vary in how they apply it.⁸ As of October 2018, the gross income ceilings used by states and territories electing BBCE were as follows: 10 retained a gross income ceiling of 130 percent of FPG, 2 used 160 percent of FPG, 5 used 165 percent of FPG, 1 used 175 percent of FPG, 8 used 185 percent of FPG, and 17 used 200 percent of FPG. Most states and territories have used BBCE to eliminate asset tests; only 6 (Idaho, Indiana, Maine, Michigan, Nebraska, and Texas) retain some type of asset limit.

BBCE has enjoyed widespread support across urban and rural states, across all regions of the country, and among states with more and less conservative approaches to safety net programs. Because such a wide variety of states and territories have elected to use BBCE, it is reasonable to conclude that states find it a very important lever for responding to the challenges facing low-income families and for streamlining their administrative processes. Because so many states have built their procedures, information systems, and training around BBCE, removing or significantly restricting it will likely be costly and disruptive.

Proposals to narrow or eliminate BBCE have been considered in past Farm Bill proposals, including in 2018, but they have not been passed in final bills. In 2018, an analysis by Mathematica Policy Research estimated that approximately 2.1 million households would have lost SNAP eligibility if BBCE had been eliminated.⁹

Proposals to eliminate or restrict BBCE reflect concerns among some that the implementation of BBCE has moved SNAP away from general program intent.¹⁰ However, data about who would be income-ineligible if BBCE were eliminated indicate that in fact, states are reaching households that are a high priority for SNAP and that the vast majority of those with categorical eligibility would still be income-eligible if BBCE were eliminated. The most detailed analysis of the SNAP caseload under BBCE was prepared by MPR and shows that only 3.1 percent of all SNAP households and 3.4 percent of all SNAP individuals would have been income ineligible if noncash BBCE were eliminated.¹¹ Moreover, households that would have been income ineligible received less than 1 percent of SNAP benefits, reflecting that households not meeting income tests are generally those with higher income, and therefore receiving lower benefits. This 2014 analysis found that the

eligibility for SNAP to program participants. These benefits and services, which can include work support, child care, diversion assistance, transportation, mentoring, and other short-term assistance, are generally provided to only a small number of people, according to Laird and Trippe (2014).

⁸ USDA, "Broad-based Categorical Eligibility," updated October 1, 2018, <https://fns-prod.azureedge.net/sites/default/files/snap/BBCE.pdf>

⁹ Karen Cunyngnam, "Simulating Proposed Changes to the Supplemental Nutrition Assistance Program: Countable Resources and Categorical Eligibility" (Washington, DC: Mathematica Policy Research, 2018), <https://www.mathematica-mpr.com/our-publications-and-findings/publications/simulating-proposed-changes-to-the-supplemental-nutrition-assistance-program-countable-resources?MPRSource=TCSide>.

¹⁰ Elizabeth Laird and Carole Trippe, *Programs Conferring Categorical Eligibility for SNAP: State Policies and the Number and Characteristics of Households Affected Final Report* (Washington, DC: Mathematica Policy Research, 2014), <https://www.mathematica-mpr.com/our-publications-and-findings/publications/programs-conferring-categorical-eligibility-for-snap-state-policies-and-the-number-and-characteristics-of-households-affected>.

¹¹ Laird and Trippe, *Programs Conferring Categorical Eligibility for SNAP*.

percentage of SNAP households that would become income-ineligible if BBCE were eliminated varies from 12.2 percent in Wisconsin to less than 1 percent in California, Georgia, Kentucky, and South Carolina.¹²

In general, the use of SNAP BBCE aligns well with the populations we always think of when we discuss SNAP. Moreover, BBCE helps SNAP reach households that may have slightly higher income and assets and very significant expenses, like high housing costs (in excess of 50 percent of income), medical out-of-pocket expenses, and child care. People who come into SNAP through BBCE reflect important populations we need to support, and BBCE helps simplify the outreach and eligibility process for doing so.

Laird and Trippe's 2014 report on categorical eligibility in SNAP showed that those who would become income ineligible if BBCE were eliminated have the following important characteristics: they are more likely than other participating SNAP households to (1) have children, (2) have earned income, (3) have higher income, and (4) receive very low benefits. This information helps inform our understanding of what eliminating or significantly restricting BBCE could mean. First of all, most SNAP households would still be income eligible. Second, those households who would likely become income-ineligible disproportionately are working families with children. It is important to be assertive in reducing food insecurity for all types of families because it presents health risks at every stage in the life course, but we particularly worry about food-insecure households with kids and adolescents. Food insecure children have higher rates of fair and poor health, have higher rates of hospitalization, increased risk of asthma, and delays in cognitive developments.¹³ Many people are less familiar with the research around teens and food insecurity, but we need to remember that adolescence is another sensitive developmental period. Unfortunately, research indicates that adolescents who are food insecure are at greater risk for depression and other mental health problems and are more likely to experience suicidal ideation than other adolescents.¹⁴ Therefore, the ability to reach vulnerable children and adolescents is one of the strengths of BBCE.

It's also useful to understand how BBCE supports priorities for SNAP that have been a significant part of the policy discussion in recent years—for example, how can SNAP support work among those who are able to do so, including these working families with children. BBCE offers an important safeguard to those families who are working and may experience what we refer to as a benefit cliff as their earnings increase. Because SNAP provides for a 20 percent disregard of earnings when calculating benefits and because benefit levels phase out as incomes rise, the benefit cliff in SNAP is not as dramatic as may be experienced in other programs. But we still worry about low-income working families who may have experienced small increases in earnings and/or savings and subsequently have fewer resources for their food budget because they lose

¹² Laird and Trippe, *Programs Conferring Categorical Eligibility for SNAP*.

¹³ C. Gundersen and J. Ziliak. "Food Insecurity and Health Outcomes," *Health Affairs* 34, no. 11 (2015): 1830-39; J.T. Cook, D.A. Frank, S.M. Levenson, N.B. Neault, T.C. Heeren, M.M. Black, C. Berkowitz, P.H. Casey, A.F. Meyers, D.B. Cutts, and M. Chilton. "Child Food Insecurity Increases Risks Posed by Household Food Insecurity to Young Children's Health." *Journal of Nutrition* 136, no. 4 (2006): 1073-76. .

¹⁴ K. A. McLaughlin, J. G. Green, M. Alegria, J. Costello, M. J. Gruber, N. A. Sampson, and R. C. Kessler, "Food Insecurity and Mental Disorders in a National Sample of US Adolescents," *Journal of the American Academy of Child and Adolescent Psychiatry* 51, no. 12 (2012): 1293–1303; K. Alaimo, C. M. Olson, and E. A. Frongillo, "Family Food Insufficiency, but Not Low Family Income, Is Positively Associated with Dysthymia and Suicide Symptoms in Adolescents," *Journal of Nutrition* 132, no. 4 (2002): 719–25.

eligibility for SNAP. As I mentioned in the beginning of these remarks, working families across the country continue to struggle to make ends meet and often find themselves trading off between food and other basic needs, such as housing, utilities and medicine and even modest benefits can make an important difference. By permitting states to raise the gross income limits above 130 percent up to a ceiling of 200 percent of FPL, SNAP can help mitigate the potential risk that families who are working hard to increase their earnings may be less well off as earnings increase.

An example is helpful to put the idea of the benefit cliff in real terms. As previously mentioned, under federal rules, SNAP households without elderly or disabled members must have monthly gross income at or below 130 percent of the federal poverty line. A household whose income exceeds that level are not eligible and could lose substantial SNAP benefits from a small increase in earnings. For example, a single mother with two children working full time at \$12.75 an hour would receive about \$96 a month from SNAP, making up about 4 percent of her total monthly income. If her hourly wage increased by just 50 cents (or \$86 a month), lifting her income slightly above 130 percent of FPL (\$2,252 for a family of three in fiscal year 2019), the family would become ineligible for SNAP under the federal income eligibility cut-off. As a result, the household's loss of SNAP benefits would actually leave the family worse off; their total monthly resources would decline by about \$10 per month. While this issue affects a small share of SNAP households, it can be a significant hardship for those who are affected, just when they are making strides to improve their economic circumstances.

The categorical eligibility option allows states to lift the gross income limit to further smooth this the benefit cliff. In our example here, under BBCE, a 50-cent raise would reduce the family's SNAP benefit by only \$31 a month (to about \$65), resulting in a monthly increase in resources of \$55 per month.¹⁵

This example helps us understand how BBCE in SNAP can support and encourage work. It is also important to recognize that the risk of food insecurity is not confined to those with the lowest gross incomes; we know from the annual Map the Meal Gap analysis that nearly 1 in 5 food insecure households actually have incomes between 130 and 185 percent of FPL.¹⁶ Many of these individuals live in households where there are simply not sufficient earnings to keep pace with family needs and where the costs of living put significant pressure on family budgets. So BBCE can help us make progress on reducing food insecurity in this vulnerable segment of the population.

¹⁵ This analysis assumes the median copayment of \$77 that states required for their child care assistance programs in 2018 for a family of three at the poverty level and with one kid in child care as well as a shelter cost of \$934. These assumptions are based off the most recent National Women's Law Center report "Overdue for Investment: State Child Care Assistance Policies 2018," <https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2018/11/NWLC-State-Child-Care-Assistance-Policies-2018.pdf> and median shelter expenses in 2017 consistent with previous analysis done by the Center on Budget and Policy Priorities of 2017 SNAP Quality Control data for working families earning at least \$500 a month with three members, including two children, and inflated to fiscal year 2019 dollars. Most up to date deductions from Food and Nutrition Service used to calculate SNAP benefits. For more see <https://www.fns.usda.gov/snap/recipient/eligibility#What%20deductions%20are%20allowed%20in%20SNAP?>. It should also be noted that the example family is now in the phaseout range of the EITC and that earnings are reduced by payroll taxes, exacerbating the issue.

¹⁶ Feeding America, "Map the Meal Gap: Executive Summary" (Chicago: Feeding America, 2019), https://www.feedingamerica.org/sites/default/files/2019-05/2017-map-the-meal-gap-executive-summary_0.pdf.

Teens participating in a series of focus groups conducted by Urban shared their own experiences with what earning a little above the SNAP income guidelines can mean for families. One girl remarked: “Personally, I don’t think that food stamps is available for everyone that actually needs them. Because like my mom, they won’t give her them, because she makes over the amount. But it doesn’t really seem like it, because her whole paycheck will go to rent and utilities.” A second girl responded: “That’s the same with my mom . . . because my mom applied for it, and she put me and my brother and her on it, and we only got \$31 per [month] . . . because she makes too much. And then like two months later, they took it away.”

Now, let’s turn to the issue of assets in low-income households and how eliminating asset tests can achieve some important objectives. As mentioned previously, the opportunity to relax or eliminate asset has been taken up by a majority of states. There has been broad bipartisan recognition that assets can act as a buffer against income shocks and that vehicles can be essential for maintaining employment, accessing health care and securing food, especially in rural areas. Research shows that low assets is a significant contributing factor to food insecurity.¹⁷ Thus, the flexibility afforded through BBCE offers a mechanism for helping to address an underlying risk factor.

A recent study by my colleagues at the Urban Institute examined the impact of relaxing or eliminating SNAP asset limits through BBCE and found that this option increases low-income households’ savings (8 percent more likely to have at least \$500) and participation in mainstream financial markets (5 percent more likely to have a bank account). It also reduces SNAP program churn (26 percent).¹⁸ SNAP churn refers to the exit and re-entry back into SNAP within a short time period, which may happen because of changes in household circumstances but can also happen because of administrative practices. Taken together, relaxed asset limits increase households’ financial security and stability by increasing savings and reducing benefit fluctuations, and they can decrease administrative program costs when fewer people cycle on and off the program. The findings suggest that states with SNAP asset limits can improve family financial well-being by relaxing them and that reinstating federal SNAP asset limits will harm family financial stability.

Understanding the larger context of racial asset disparity in the U.S is useful for thinking about asset tests in benefit programs. While the majority of SNAP participants in the US are white, SNAP is an important support to families of color because of persistently low income and assets in these communities. Eliminating SNAP asset tests may also help us to begin to address the striking disparity in assets across racial and ethnic groups in the US, which is important for promoting a more robust economy and inclusive prosperity for everyone. The racial wealth gap in the U.S. is large: the median white family has 10 times the wealth of the

¹⁷ Feeding America, *Map the Meal Gap 2019* (Chicago: Feeding America, 2019), <https://www.feedingamerica.org/sites/default/files/2019-05/2017-map-the-meal-gap-full.pdf>.

¹⁸ “The Unintended Consequences of SNAP Asset Limits.” Caroline Ratcliffe, Signe-Mary McKernan, Laura Wheaton, and Emma Kalish. July 26, 2016. <http://www.urban.org/research/publication/unintended-consequences-snap-asset-limits> and “Asset Limits, SNAP Participation, and Financial Stability.” Caroline Ratcliffe, Signe-Mary McKernan, Laura Wheaton, Emma Kalish, Catherine Ruggles, Sara Armstrong, Christina Oberlin, June 2016. <http://www.urban.org/research/publication/asset-limits-snap-participation-and-financial-stability>

median African American family and 8 times the wealth of the median Hispanic family. So for every \$10 a white family has in wealth, African American families have only \$1.

Families of color are not getting the same chances to catch-up in terms of their wealth. The future majority population of our country—families of color—are not on a firm wealth building path. As of 2011, over half of children younger than one belong to a community of color. These children are critical for our future, yet wealth disparities have worsened over the past 50 years.¹⁹ These very profound issues require a host of efforts beyond the scope of this hearing. But elimination of asset tests in public programs is one basic foundational step that can help lay the groundwork for a better economic future for all of us.

Why Is SNAP So Important to Low-income Households and Communities?

One of the most attractive features of SNAP is that it supports the ability of families to participate in the mainstream economy by boosting their purchasing power in retail stores, farmers markets and other authorized venues that sell food. Families I interview in the course of my research emphasize how important SNAP benefits are in securing the kinds of food they need. At Urban, we have conducted focus groups with many adolescents facing food insecurity and the intense stigma they feel around not having enough food is striking. They always emphasize how important SNAP is in their household in helping make ends meet and how it allows their families to experience the dignity of shopping for food just as their better off peers do. For example, a girl in Illinois related her own family's experience with SNAP: "It's really helpful for a lot of families. We had a [SNAP Electronic Benefits Transfer] card like that for a while. It takes stress off of a difficult situation because you know where your next meal will come from."

That purchasing power has an important impact on the economic health of our communities. A new study from the Economic Research Service released in May 2019 helps us to further understand the importance of SNAP to local economies, especially those in rural areas.²⁰ The analysis shows that SNAP redemptions had a positive average impact on county-level employment from 2001 to 2014 in nonmetro counties, translating to about 0.4 additional job per \$10,000 of additional SNAP redemptions. The impacts of SNAP redemptions during and immediately after the Great Recession (2008–10) were even greater, an additional \$10,000 of SNAP redemptions led to about 1.0 additional job on average in nonmetro counties and about 0.4 additional job in metro counties. Moreover, during the Great Recession, the impacts per dollar of SNAP redemptions were greater than impacts of other Federal or State government transfer payments combined and greater than the impacts of all Federal Government spending combined.

In summary, I am pleased to be asked to submit this testimony to assist the subcommittee in drawing on the research evidence base in evaluating the potential impacts of eliminating or restricting BBCE. Research tells us that SNAP is a very effective program; as such, proposed changes must be carefully evaluated as to

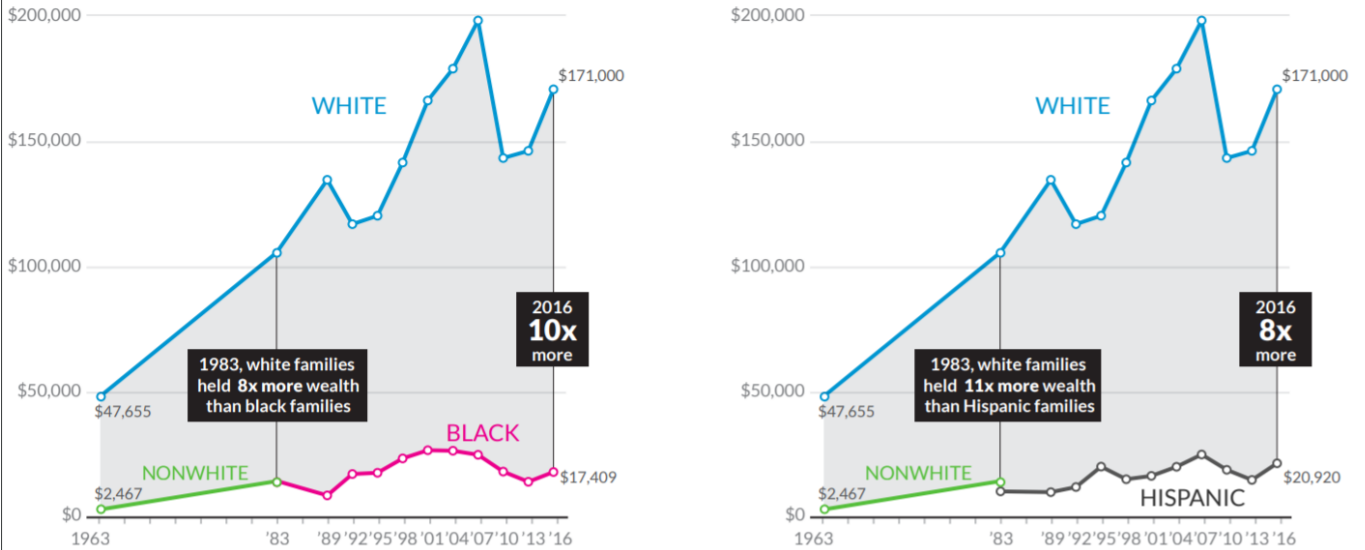
¹⁹ Signe-Mary McKernan, Caroline Ratcliffe, C. Eugene Steuerle, Caleb Quakenbush, and Emma Kalish, "Nine Charts about Wealth Inequality in America (Updated)," Urban Institute, last updated October 5, 2017, <https://apps.urban.org/features/wealth-inequality-charts/>

²⁰ John Pender, Young Jo, Jessica E. Todd, and Cristina Miller, *The Impacts of Supplemental Nutrition Assistance Program Redemptions on County-Level Employment*, Economic Research Report 263 (Washington, DC: USDA, 2019), <https://www.ers.usda.gov/webdocs/publications/93169/err-263.pdf?v=1509.3>.

how they may enhance or reduce the ability to address food insecurity. The evidence we have discussed today also suggests that eliminating or significantly restricting BBCE could in fact undermine several key goals for the program: to reduce food insecurity, to encourage work and increased earnings, to permit the building of basic assets that can help buffer income shocks and reduce disparities across the US, and to minimize the burden on states as they prioritize their limited resources.

Exhibit 2

Median Family Wealth by Race/Ethnicity, 1963–2016



Source: Urban Institute calculations from Survey of Financial Characteristics of Consumers 1962 (December 31), Survey of Changes in Family Finances 1963, and Survey of Consumer Finances 1983–2016.

Notes: 2016 dollars. No comparable data are available between 1963 and 1983. Black/Hispanic distinction within nonwhite population available only in 1983 and later.