How Working Families Are Affected by Restricting Broad-Based Categorical Eligibility for SNAP

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The administration has proposed significant changes to broad-based categorical eligibility (BBCE) in the Supplemental Nutrition Assistance Program (SNAP).[1] If the changes are implemented, about 1.3 million people in working families would no longer meet SNAP's income test, and 724,000 people would not pass its asset test. This means a little more than 2 million people in working families would lose access to an average monthly SNAP benefit of $150 per household, reducing total benefits by just under $130 million monthly.[2] Many of these families will experience greater food insecurity and face trade-offs between food and other basic expenses. These trade-offs can be particularly acute in areas with higher costs of living, an issue BBCE has allowed states to address. Further, without BBCE, working families may lose benefits if their earnings increase slightly and may be discouraged from saving for future emergencies and investments.

Introduction

In fiscal year 2016, about 43.5 million people a month used SNAP to help pay for food. SNAP benefits, formerly called food stamps, reduce food insecurity by 5 to 10 percentage points (FNS 2013; Gundersen, Kreider, and Pepper 2017). These benefits are especially critical for working families: in 2015, the program lifted 6.2 million people in working families out of poverty (Wheaton and Tran 2018), reducing the poverty rate among working families by 21 percent.

Broad-based categorical eligibility is a policy option established under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (CRS 2019). States use this option to extend SNAP benefits to households with slightly higher incomes that are also coping with high expenses, like rent. BBCE is also designed to streamline eligibility determination, saving time and administrative costs. However, under the administration's proposed changes, participants who qualify for SNAP through this policy would be subject to more restrictive income and assets tests they may fail to meet. And, 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.

Of the 3.6 million people who could lose SNAP benefits from the proposed change, more than 2 million live in working families. In fiscal year 2016, the resulting benefit loss would have been $150 per month per household, or about $130 million in total monthly. Estimated impacts vary widely across states.[3]

This brief is one of three exploring this proposal's possible effects on important groups. The other two briefs focus on households with children and households with seniors or adults with disabilities.

What Is Broad-Based Categorical Eligibility?

Broad-based categorical eligibility allows states to make people automatically eligible for SNAP if they receive cash or noncash benefits from other assistance programs, such as Temporary Assistance for Needy Families (TANF). The policy can extend benefits to more families in need by allowing states to raise gross income limits up to 200 percent of the federal poverty guidelines (FPG) and remove or align asset tests with those for state-funded TANF programs (box 1).

Thirty-nine states plus the District of Columbia, Guam, and the Virgin Islands apply BBCE in various ways (CRS 2019). According to the most recent information from the US Department of Agriculture,9 states retain a gross income ceiling of 130 percent of FPG, 2 use a ceiling of 160 percent of FPG, 5 use a ceiling of 165 percent of FPG, 1 uses a ceiling of 175 percent of FPG, 8 use a ceiling of 185 percent of FPG, and 17 use a ceiling of 200 percent of FPG.[4] Most states and territories have used BBCE to eliminate asset tests; only six (Idaho, Indiana, Maine, Michigan, Nebraska, and Texas) retain an asset test for all households.

BOX 1

How Does BBCE Work, and What Does the Administration's Proposal Change?

Generally, people are eligible for SNAP if their gross income is at or below 130 percent of FPG and their net income is at or below the FPG after accounting for certain expenses. Households with a senior citizen or an adult with a disability do not face a gross income threshold but must meet the net income threshold. Households applying for SNAP must also meet other eligibility criteria, such as an asset test. In fiscal year 2019, households without a member who is a senior 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.[a]

SNAP households in which all members receive cash benefits from either Supplemental Security Income, 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.

BBCE allows states to confer SNAP eligibility on people who receive or are eligible to receive another state noncash benefit or service funded through TANF or maintenance of effort funds. These benefits 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 needy parents' dependency by promoting job preparation, work, and marriage; (3) preventing pregnancies outside marriage; and (4) encouraging the formation and maintenance of two-parent families. States offer various services to meet these goals, such as transportation assistance, education and training, child care assistance, and job counseling.[b]

Through BBCE, a state may align its asset and income limits for SNAP with those of the noncash benefit program conferring categorical eligibility, after ensuring the program conferring eligibility authorizes households to receive a benefit or service. To confer BBCE, states may opt to use referrals, including brochures, to noncash services for which a household would be eligible. BBCE households must also meet all other SNAP rules and have net incomes low enough to qualify for benefits. States can choose a gross income ceiling up to 200 percent of FPG. 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 the District of Columbia, with higher levels in Alaska, Hawaii, Guam, and the Virgin Islands.[c]

The administration's proposed rule would substantially curtail the use of BBCE by (1) restricting categorical eligibility for those receiving "substantial" and "ongoing" TANF benefits and (2) limiting the *types* of TANF benefits received that make people eligible for SNAP.[d] The proposal defines "ongoing" as having received or been authorized to receive TANF benefits for at least six months and "substantial" as a benefit valued at a minimum of $50. The proposal also only confers categorical eligibility based on direct support in the form of subsidized employment, work supports, and/or child care. People who receive noncash benefits, such as education and training, job search assistance, or work experience, would no longer be eligible for conferral of categorical eligibility for SNAP.

[a] 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. See CRS (2019) for more information.

[b] "Categories and Definitions for TANF and MOE Funds," US Department of Health and Human Services, Administration for Children and Families, accessed September 6, 2019, https://www.acf.hhs.gov/sites/default/files/ofa/categories_and_definitions_for_tanf_and_moe_funds.pdf.

[c] Lizbeth Silbermann (director, Program Development Division, US Department of Agriculture), letter to regional SNAP directors regarding fiscal year 2019 cost-of-living adjustments for SNAP, July 27, 2018, https://fns-prod.azureedge.net/sites/default/files/snap/COLAMemoFY19.pdf.

[d] Revision of Categorical Eligibility in the Supplemental Nutrition Assistance Program (SNAP), 84 Fed. Reg. 35570 (Jul. 24, 2019).

How Would Working Families Be Affected by the Administration's Proposal?

As stated, 3.6 million people would lose access to SNAP benefits if the administration's proposal is adopted.[5] Using fiscal year 2016 data, Mathematica finds that implementing the proposed rule would have the following effects on working families:

- About 1.3 million people in working families would no longer meet the income test, reducing average monthly SNAP benefits per household by $77 and national monthly SNAP benefits by approximately $45.6 million.
- Another 724,000 people in working families would not pass asset tests, reducing average monthly SNAP benefits per household by $313 and national monthly SNAP benefits by approximately $84.1 million.[6]

Families May Lose Benefits When Their Earnings Increase

SNAP is a crucial work support for many families with low wages or unstable work hours. BBCE protects working families who may experience a "benefit cliff," when benefits are reduced or cease as 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 in other programs. But low-income working families who may have experienced small increases in earnings and/or savings may lose eligibility for SNAP and subsequently have fewer resources for their food budgets. 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 a difference (Karpman, Zuckerman, and Gonzalez 2018). By permitting states to raise the 130 percent of FPG gross income limit up to 200 percent of FPG, BBCE helps mitigate the potential risk that families with increasing earnings may be worse off.

As previously mentioned, under federal rules, SNAP households without elderly or disabled members must have monthly gross incomes at or below 130 percent of FPG. A household whose income exceeds that level is 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, accounting for 4 percent of her total monthly income.[7] If her hourly wage increased by just 50 cents (or $86 a month), lifting her income slightly above 130 percent of FPG ($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. Consequently, their total monthly resources would decline by about $10 a month. This issue affects a small share of SNAP households, but $120 more in families' pockets over the course of a year can help families meet unexpected expenses, like a minor car repair or medical copay.

Categorical eligibility allows states to lift the gross income limit to further smooth the benefit cliff. Under BBCE, a 50-cent raise would reduce our example family's SNAP benefit by only $31 a month (to about $65), increasing monthly resources by $55.[15]

This example demonstrates how BBCE in SNAP can support and encourage work. It also shows that the risk of food insecurity is not confined to those with the lowest gross incomes; the annual Map the Meal Gap analysis shows nearly one in five food-insecure households has income between 130 and 185 percent of FPG (Feeding America 2019a). Many of these people live in households without enough earnings to keep pace with family needs and where the costs of living strain family budgets. Recognizing this, more than 30 states use BBCE to phase benefits out gradually, avoiding a steep benefit cliff.

Working Families May Have Higher Gross Incomes but May Also Live in High-Cost Areas

Changes to BBCE disproportionately affect working families: 58 percent of those expected to lose access to SNAP benefits under the administration's proposed rule live in households with earnings. Many of these families also struggle with high costs that put pressure on family budgets. BBCE gives states greater flexibility in considering the impact of these high costs, which can be accounted for through deductions to gross income when calculating SNAP benefits. The Center on Budget and Policy Priorities' recent analysis of fiscal year 2017 SNAP characteristics data suggests over 90 percent of benefits resulting from broad-based categorical eligibility go to households who pay over half their income toward rent and utilities (a threshold known as excess shelter costs; Rosenbaum 2019).

Working Families and Assets

As mentioned above, another important feature of BBCE is the option for states to relax or eliminate asset tests, which most states have done. Assets can act as a buffer against income shocks, and certain assets, such as vehicles, can be essential for maintaining employment, accessing health care, and securing food, especially in rural areas. Research shows low assets are a significant contributor to food insecurity (Feeding America 2019b). Thus, the flexibility afforded through BBCE helps address an underlying risk factor.

Though asset development is an important issue for all low-income families, those with earnings may be in the best position to build assets that can help them weather unexpected expenses and build resources for self-sufficiency. A recent Urban Institute study examined the impact of relaxing or eliminating SNAP asset limits through BBCE and found that it 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; Ratcliffe et al. 2016). The findings suggest relaxing SNAP asset limits can improve family financial well-being, and reinstating federal SNAP asset limits will harm family financial stability.

How Would States Be Affected by the Administration's Proposal?

BBCE has 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, one can reasonably conclude it is an important lever for responding to the challenges facing low-income families and for streamlining states' administrative processes. As stated, 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.

States use BBCE, in part, to streamline SNAP eligibility. Becoming categorically eligible also cuts down on "churn," where recipients leave the program and then reapply a short time later, often because their earnings fluctuated, recertification notices were sent to the wrong address, or recipients didn't respond in time. This churn increases costs for states and causes potentially harmful lapses in SNAP benefits (Mills et al. 2014). Relaxing or eliminating SNAP asset limits through categorical eligibility reduces churn by 26 percent (Ratcliffe et al. 2016; Ratcliffe, McKernan, Wheaton, and Kalish 2016).

SNAP is crucial for many low-income working families. It provides resources to ensure families have enough to eat, promotes health and nutrition, and supports work, providing additional resources for households whose earnings are too low to cover basic needs. Policymakers debating changes to the program's eligibility process should consider carefully the effects on families who rely on SNAP benefits and implications for state resources.

Notes

1 Revision of Categorical Eligibility in the Supplemental Nutrition Assistance Program (SNAP). 84 Fed. Reg. 35570 (Jul. 24, 2019).

2 In 2016 dollars; see "New Research Analyzes State-Level Impact of USDA Proposal to End SNAP Broad-Based Categorical Eligibility," Mathematica, September 5, 2019, https://mathematica-mpr.com/news/new-research-analyzes-state-level-impact-of-usda-proposal-to-end-snap-broad-based-categorical.

3 "New Research Analyzes State-Level Impact of USDA Proposal to End SNAP Broad-Based Categorical Eligibility," Mathematica.

4 New York applies a 200 percent of FPG ceiling for households with dependent care expenses and a 150 percent of FPG ceiling for those with earned income but no dependent care expenses.

5 "New Research Analyzes State-Level Impact of USDA Proposal to End SNAP Broad-Based Categorical Eligibility," Mathematica.

6 Some BBCE cases would likely fail both the income and asset tests. However, Mathematica's asset imputation is limited to BBCE participants who would pass the federal income tests.

7 This analysis assumes a median child care copayment of $77, as states required for child care assistance programs in 2018 for a family of three with one child in child care and income at the poverty level. We also assume a shelter cost of $934. These assumptions are based on Schulman (2018) and median shelter expenses in 2017, consistent with the Center on Budget and Policy Priorities' previous analysis of 2017 SNAP quality control data for working families with three members, including two children, earning at least $500 a month (inflated to

fiscal year 2019 dollars). To calculate SNAP benefits, we used the most up-to-date deductions from the Food and Nutrition Service. For more information, see "SNAP Eligibility," US Department of Agriculture, Food and Nutrition Service, accessed September 9, 2019, https://www.fns.usda.gov/snap/recipient/eligibility#What%20deductions%20are%20allowed%20in%20SNAP?. Also note that the example family is now in the phase-out range of the earned income tax credit, meaning its earnings are reduced by payroll taxes, exacerbating the issue.

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Errata

This brief was corrected September 20, 2019. The proposed changes to BBCE would reduce total benefits by millions of dollars monthly, not annually. The text on pages 1, 2, and 4 has been updated accordingly.

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