May 3, 2022

Re: FNS Consideration of Winnings Threshold in Lottery and Gambling Rule

Dear Deputy Under Secretary Dean,

We are writing you today to voice our concern regarding the inequitable design and implementation of the Lottery and Gambling Winners Final Rule and to urge USDA to consider changes within its purview. The 2014 Farm Bill gave authority to the Secretary of the USDA to define the level for substantial winnings that would result in disqualification for SNAP.1 In the 2016 proposed rule, this level was defined at $25,000 based on the assumption that this amount “would cause a significant lifestyle change for the majority of SNAP households.”2 In the 2019 Final Rule, this amount was lowered to $3,750 for Fiscal Year 2022, consistent with the asset limit for elderly or disabled households.3 As states have begun to implement the rule, it has become evident how the rule, as written, creates inequitable treatment for SNAP households and contributes to the cycle of intergenerational poverty. With SNAP benefits being terminated at such a low threshold of winnings, the policy is designed in a way that reinforces the lack of resources SNAP participants require to be resilient and support their family’s basic needs through life’s inevitable ups and downs.

The original threshold for substantial winnings was set to $25,000 because it was calculated to “result in a significant lifestyle change,” and would be more than “small amounts of winnings that would be quickly spent by a household for common expenses like paying down debt, making car repairs, saving for an apartment security deposit, or buying long put-off necessities.”4 By setting the threshold for disqualification for SNAP to such a low number at $3,750 – less than 2 months of income for most household sizes – families stand to lose the food and nutrition security that they once had, being forced to spend down any savings they may have accumulated to reapply to the program. Thus, rather than removing people from the program due to economic standing, the final rule’s, as written, largest impact is on increasing churn, which already notably disproportionately affects Black non-Hispanic households.

In addition to having harmful and lasting impacts on clients, the final rule has also proven to be administratively burdensome to SNAP agencies. As shown by data from multiple states who have begun implementing the rule, this has resulted in saving less than 0.1% of benefit dollars. This cost-savings does not include the amount of staff time that is spent in order to administer this rule, nor does it include any of the costs that may be required for systems changes and notices that states need to create in order to implement this rule. If the threshold winnings amount was increased, this would likely be easier for states to track and require less administrative burden in collecting unnecessary data.

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As FNS continues to evaluate its programs and policies to increase equity, this current ruling should be re-evaluated as its current structure is doing more harm to clients than it is good to the taxpayer’s dollar. The current threshold of $3,750 is far too low and cannot rightfully be considered as “substantial winnings” because it does not meaningfully change a household in poverty’s economic opportunity. However, it does create additional hurdles that they must face in order to feed their families. In the spirit of the recent Executive Orders focused on streamlining federal programs to better customer service⁵ and advancing racial equity⁶, we recommend that FNS reissue its rulemaking and adopt its original threshold of $25,000 as substantial winnings.

Thank you for considering our request, and we look forward to continuing to partner with you in making SNAP a more equitable program to support families and communities in using their human potential to thrive.

Sincerely,

Matthew Lyons
Director, Policy & Research
American Public Human Services Association

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Chair
American Association of SNAP Directors

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