SNAP Standardization of State Standard Utility Allowances

November 2019

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Issue

The US Department of Agriculture (USDA) Food and Nutrition Service (FNS) is proposing to revise Supplemental Nutrition Assistance Program (SNAP) regulations to standardize the methodology for calculating standard utility allowances (SUA). This eliminates flexibility and discretion at the state level, and will result in a decrease in SNAP benefits for many Washingtonians.

Background

SNAP benefit amounts are based on countable gross income less applicable deductions. SNAP households with shelter costs are entitled to a shelter deduction including shelter costs and utility expenses. States may develop their own SUAs annually in accordance with 7 CFR 273.9 (d)(6)(iii), and are not required to use a particular methodology under current program rules.

Washington state currently offers one of the following utility deductions to determine SNAP eligibility for households who meet criteria:

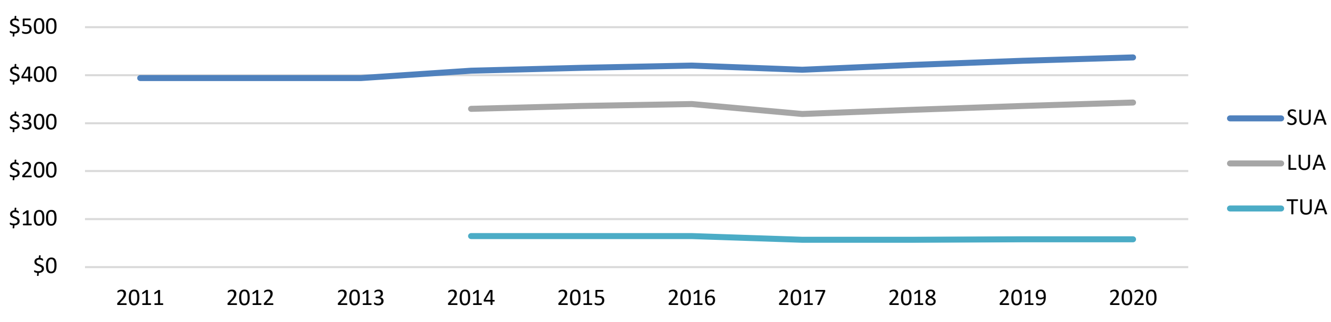
- Standard Utility Allowance (SUA) for households:
  - With utility expenses that include heating or cooling costs;
  - Who receive a Low Income Home Energy Assistance Program (LIHEAP) benefit of more than $20; or
  - Do not qualify for LIHEAP due solely to immigration status.
- Limited Utility Allowance (LUA) for households with two utility expenses that do not qualify for SUA
- Telephone Utility Allowance (TUA) for households with phone service as the only utility expense
- Zero Utility Allowance (ZUA) for households without utility expenses[1]

Washington's current utility allowance methodology was developed in 2011, replacing an outdated market basket survey calculation. Current methodology is based on information from:

- US Census Bureau – American Community Survey (ACS)for heating and cooling use;
- Office of Financial Management for WA population growth;
- Energy Information Association; and
- Actual costs per utility from local providers.

This methodology accurately represents utility expenses for Washingtonians and is adjusted annually based on Consumer Price Index (CPI). **Chart 1**[2] shows the gradual increase in utility allowances since 2011.

Chart 1: CPI Annual Increase of Utility Allowances



[1] ZUA will not be impacted by proposed rules as they do not receive a utility deduction

[2] LUA and TUA allowances were not used 2011-2013

USDA contends the degree of flexibility in current regulations causes inequities from state to state and a standardized SUA methodology would make the program more equitable. In August 2017, USDA published a study[3] that reviewed states' SUA methodologies from 2014 and found many states' SUAs are overinflated. The over inflation led to higher than average benefits, and some states' SUAs underestimate how much households actually pay in utilities, resulting in lower benefits. There was greater variation in state-established SUA values than in actual utility expenditures. State SUA amounts ranged from $278[4] to $826[5] in FY 2019.

Proposed Standardized Methodology

The proposed standardization would set the SUA at the 80th percentile of utility costs for low-income households per state. USDA evaluated several options to determine which methodology and sources could more accurately reflect utility costs for low-income households, be applied nationally, and allow for annual adjustments. The report recommends using a combination of the American Community Survey (ACS) and the Residential Energy Consumption Survey (RECS) to develop base-year SUAs:

The American Community Survey (ACS) has a large sample size which allows for developing estimates in every state. However, it relies on self-reported information on utility costs, which may be overstated. The ACS does not distinguish between end uses for utilities (i.e., electricity for heating versus cooking) – information that is needed in order to develop SUAs that reflect different household circumstances.

The Residential Energy Consumption Survey (RECS) is the most accurate source of information on utility expenses paid by low-income households and includes information on end use. However, state-level estimates are available for only 16 states with estimates for the remaining states aggregated into 11 multi-state regions. Washington falls in a category with Oregon, Alaska and Hawaii. RECS is also conducted only once every four years with an additional 3-4 years lag time before the data is published.

FNS recommends using ACS as the primary data source to develop the base-year SUAs while incorporating RECS to create parameters for adjusting the ACS data. Because of the lag time between the collection of data in ACS and RECS and its availability for analysis, FNS will use a three-year average of the **Consumer Price Index (CPI)** to adjust the utility expense data annually for inflation. FNS will conduct all calculations and will not codify data sources so they can change if better sources become available. Current ACS and RECS-based estimates fall below state SUA amounts in all states for FY 2019[6]**.**

Under the proposed rule, states can continue to use their own methodologies to determine the limited utility allowance (LUA) as long as it does not exceed 70 percent of the state's SUA amount. FNS will replace the telephone utility allowance (TUA) with a broader telecommunications standard to include the cost of basic internet service. FNS will calculate the telecommunications maximum amount annually based on nationally available low-cost plans for one telephone line and basic internet access. The national TUA standard is estimated $55 in FY 2020. States will still need to calculate their own telecommunications figures each year, with final figures subject to the cap as well as FNS approval.

Chart 2 illustrates how proposed ACS methodology will impact Washington state if implemented based on FY 2019 utility allowances compared with utility allowances using proposed methodology, including reductions for:

- SUA – from $430 to $213
- LUA – from $336 to $149 (70 percent of proposed SUA)
- TUA – from $58 to $55

[3] Methods to Standardize State Standard Utility Allowances
[4] States with SUAs under $300 include Mississippi, Arkansas, Arizona and Nevada
[5] States with SUAs $800 or more include New York, Vermont and Alaska
[6] USDA – FNS – FY2019 SUA

Chart 2: Washington State FY ’19 Utility Allowance compared with Proposed 2014 ACS/RECS Utility Allowances

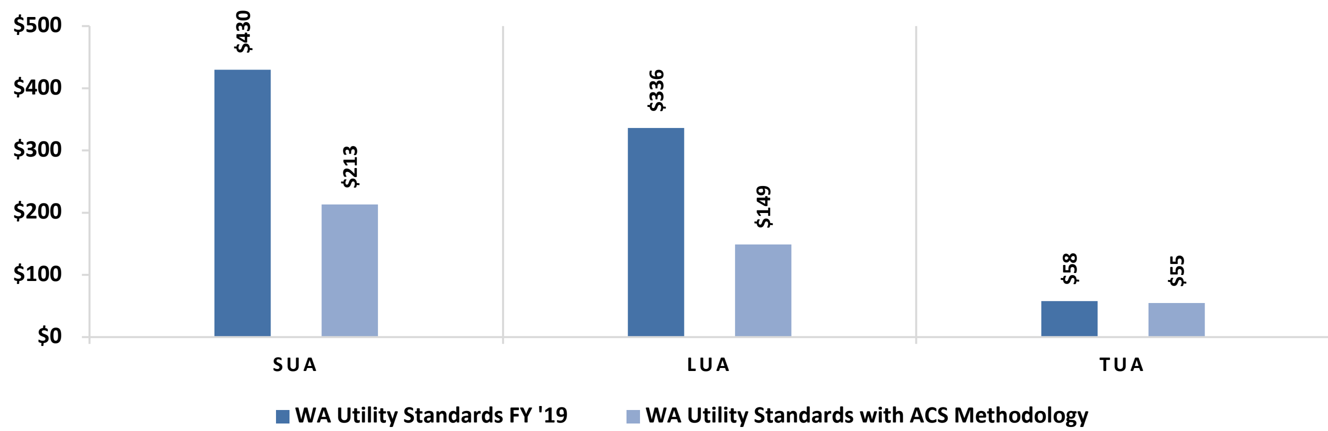
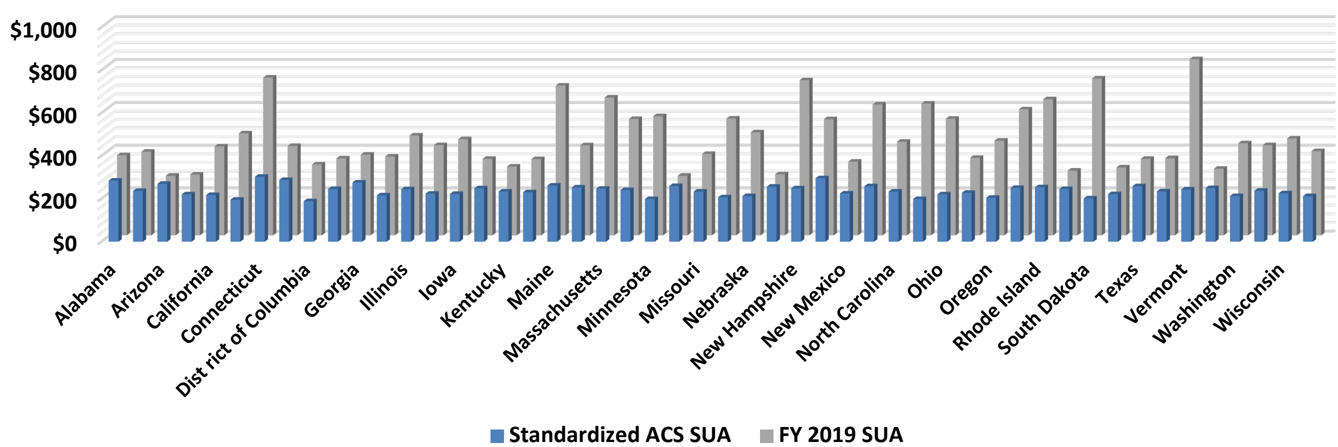


Chart 3 compares FY 2019 SUA standards per state[7] with proposed SUA standards based on ACS/RECS methodology. Proposed methodology results in a reduction for every state.

Chart 3: FY 2019 SUA vs ACS/RECS Methodology SUA



CONSIDERATIONS

Imposing Standardized Utility Allowance

Of the 479,587 Washington SNAP households in August 2019, 377,551 received a utility allowance. If FNS implements standardized methodology based on 2014 ACS/RECS as recommended, Washington will see an estimated monthly reduction in benefits by $16,406,323[8] to SNAP households (**Table 1**).

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[7] Hawaii has no SUA and is excluded from this chart. Used lowest SUA for states who vary SUA based on geographic area and household size (Virginia, Tennessee, New York, North Carolina, Alaska, and Arizona).

[8] August 2019 caseload data from Automated Client Eligibility System (ACES) Date Warehouse

Table 1: Impact of FNS Proposed Utility Allowance on SNAP/FAP Allotment August 2019

Utility Allowance	# of Households	% of Households	Current Allotment	Proposed Allotment	Change in Allotment
SUA	351,076	73.2%	$70,902,956	$54,502,177	-$16,400,779
LUA	1,426	.3%	$437,756	$431,643	-$6,113
TUA	25,049	5.2%	$6,529,148	$6,529,717	$569[9]
ZUA	102,036	21.3%	$23,066,481	$23,066,481	$0
TOTAL	**479,587**	**100%**	**$100,936,341**	**$84,530,018**	**-$16,406,323**

SNAP recipients include[10]:

- 4,472 Pregnant Recipients
- 13,286 Infant Recipients (under 1 year old)
- 78,441 Recipients Age 1-5
- 162,236 School-Age Children (under 18 years old)
- 125,800 Elderly (Age 60+) Recipients
- 109,553 Recipients With Employment

Under proposed rules, households including these recipients could see a reduction in an average of $47 monthly. The reduction in federal benefit may cause increased need for support in other areas, such as WIC and food pantries.

No Longer Mandating SUA

State agencies can choose to mandate use of standard utility allowances for households with qualifying expenses. Washington currently opts for mandatory utility allowances which reduces workload and administrative costs. The proposed rule does not eliminate this option. An alternative to blanket reduction in benefits for SNAP participants is to use actual costs in determining SNAP eligibility and benefit amount. This option requires households to provide verification of utility expenses, leading to increased workload, impacts on Information Technology Services (ITS) and additional administrative costs.

ITS Impacts

This option requires automation updates to the Automated Client Eligibility System (ACES) and Washington Connection including but not limited to:

- Creating new or modifying existing data elements including parameter changes.
- Creating new or modifying existing eligibility-processing rules.
- Updating client letters to support the changes in policy.

ITS will need time to: (a) Gather requirements for automated changes; (b) Develop programming solution(s); (c) Develop test plan(s) and conduct testing; (d) Promote changes; and (e) Update manuals or handbook materials.

Additionally, ITS is undergoing ACES modernization (Re-Hosting Project) limiting the department's ability to implement automation changes, that include a database change, between January 2020 to July 2020.

[9] To provide estimates of the current and proposed allotments by allowance group, EMAPS simulated the FSFI (food eligibility) calculator on actual ACES caseload data (all SNAP cases from August 2019). This simulation produced overall results (across all allowance groups) that were within 2/10ths of 1 percent of the actual total allotment for SFY 2019. Notably, it appears that changing the TUA allotment from $58 to $55 as proposed had little impact on benefits. When simulating the FSFI calculator on real world cases, it appears that there was actually a small positive impact between the current and proposed TUA allotments. There are multiple variables at play that can impact the allotment an AU receives, which most likely played a role in causing these particular benefits to actually increase. Nevertheless, the effect of the proposed changes among TUA cases would be very small relative to the corresponding allotments.

[10] October 2019 caseload data from Automated Client Eligibility System (ACES) Date Warehouse

Workload Impacts
An estimated 377,551 households receiving a utility allowance will need to provide verification of utility expenses, impacting application processing times and increasing churn at application and review for pending verification. Estimated workload impact to determining eligibility or re-determining eligibility based on proposal is 52 FTEs:

- Ongoing request of verification of utility expenses at application: 1,625 hour or 16 FTEs annually;
- Ongoing request of verification of utility expenses at MCR or recertification: 2,028 hours or 19 FTEs annually; and
- Ongoing increased case touch time of 1,096 hours or 17 FTEs annually.

Additional operational impacts include expending staff time to update existing training and provide clarified processes for field staff.

RECOMMENDATIONS

Standardization of state utility allowance deductions based on ACS or RECS methodology significantly reduces SNAP benefit issuance amounts nationwide and eliminates states' flexibility to set utility standards. State flexibility is necessary to meet the unique needs of our population and local utility expenses. Food Programs and Policy (FPP) recommends responding to FNS opposing the proposed rule. If USDA requires the standardization of utility allowances as proposed in this rule, FPP recommends the option for SNAP families to opt out of the mandated SUA and avoid benefit reduction by providing verification of actual utility expenses.

USDA FNS must receive written comments on or before December 2, 2019.