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Michelle Bazie Contact
202-408-1080, bazie@cbpp.org

820 First Street, NE
Suite 510
Washington, DC 20002

Tel: 202-408-1080
Fax: 202-408-1056

center@cbpp.org
www.cbpp.org

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ADMINISTRATION PREVENTING STATES FROM ADJUSTING FOOD STAMP BENEFITS TO REFLECT IMPACT OF HIGHER HOME HEATING COSTS ON FOOD BUDGETS

The Administration announced yesterday that it will not allow states to update their food stamp benefit levels now to reflect the higher home heating costs that will leave low-income households with less money for food this winter, a new Center analysis explains. As a result, states will effectively be forced to base this winter's food stamp benefit levels on *last* winter's heating bills.

"The Administration's decision violates the clear intent of the federal law that established the Food Stamp Program, which says that food stamp benefits must take households' utility costs into account," stated Robert Greenstein, the Center's executive director and former head of USDA's Food and Nutrition Service, which oversees the Food Stamp Program.

"This unfortunate and very disturbing decision will force many low-income families to choose between providing enough food for themselves and their children and enough heat for their homes," he added.

Food Stamp Benefits Will Not Reflect This Winter's Higher Energy Costs

The level of food stamp benefits a household receives is based on the amount of money it is assumed to have available to purchase food. States calculate this amount by subtracting certain costs from the household's income, including housing and utility costs that exceed a certain percentage of the household's income. Instead of gathering information on each household's actual utility costs, nearly every state sets a "Standard Utility Allowance" for all food stamp households in order to simplify program administration. All state Standard Utility Allowances must be approved by USDA.

In the past two months, five states — Kansas, Maine, New York, South Carolina, and Virginia — have asked USDA for permission to adjust their Standard Utility Allowance to reflect increases in heating costs the Department of Energy has projected for this winter. Typically, states base their Standard Utility Allowance on actual statewide utility costs in the recent past. This approach is reasonable under normal circumstances, but this year it would result in this winter's allowance being based on last winter's much-lower utility costs. The Administration announced on December 13 that it was denying the five states' requests.

The impact of this decision will extend far beyond these five states. A number of other states had indicated that if the Administration approved the request, they would raise their Standard Utility Allowance as well. That would have provided needed relief to hundreds of thousands of low-income families: a number of studies demonstrate that the cost of heating their homes in cold-weather months forces many poor families to cut back on food expenditures.

Administration Justifications Unconvincing

While Administration officials have offered several explanations of the decision, “none of them holds up under scrutiny,” Greenstein stated. For example:

- The Administration says that states can make future adjustments to their Standard Utility Allowance based on this year’s actual utility costs. However, it makes little sense to tell families who are struggling to get by *this* winter because of high energy costs that they could receive larger food stamp benefits *next* winter, long after this assistance is needed (and at a time when energy costs may be lower than they are this winter).
- The Administration says that higher home heating bills should be offset not by larger food stamp benefits but by providing \$1 billion in increased funding for the Low-Income Home Energy Assistance Program (LIHEAP), as the House budget reconciliation bill (which also contains cuts to food stamps and other low-income programs) would do. However, even if this additional LIHEAP funding is provided, it would, at best, be sufficient only to protect *current* LIHEAP recipients from the effects of increased home heating prices. LIHEAP serves only a fraction of those eligible for it because of funding limitations. Census data show that fewer than one-fourth of food stamp households receive any energy assistance.
- The Administration says that food stamp households facing very high heating bills have the option of reporting this fact to their caseworker, which could qualify them for larger food stamp benefits. However, this option does not exist in the 38 states that have taken advantage of a 2002 law, supported by the Administration, that allows states to base benefits on the Standard Utility Allowance even if a household’s actual bills far exceed it.
- The Administration says it did not anticipate this year’s home heating increases when it set its food stamp budget projections last February. That, however, is not how the Food Stamp Program works. Each year’s initial food stamp budget is simply an estimate; spending adjusts upward or downward over the course of the year to reflect the effects of a variety of economic factors — such as changes in poverty, unemployment, and home energy prices — on the need for food assistance.

“The Administration has the ability — and indeed the imperative — to allow states to reflect higher home heating costs in food stamp benefit levels,” stated Stacy Dean, director of food stamp policy at the Center and an author of the report, “New Bush Administration Decision Makes States Base Food Stamp Benefit Levels for This Winter on Last Year’s Heating Costs.” “The Administration’s current policy is unjustified,” she added.

Greenstein noted that the Administration decision appears to be budget-driven. “But the amount of money this decision saves is tiny compared to cost of other moves by the Administration and congressional leaders,” he stated. “The \$95 billion in mostly upper-income tax cuts recently passed by the House, two upper-income tax cuts that are slated to take effect next January, and the Administration’s opposition to Senate measures that would curb overpayments to Medicare managed care plans — each of these costs many times more than could be saved by squeezing low-income families’ food budgets.”

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