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Commentary: Nutrition Title of Farm Bill Agreement Drops Draconian Cuts and Represents Reasonable Compromise

By Robert Greenstein

The proposed farm bill conference agreement announced today represents a relatively favorable outcome for SNAP and most of the millions of low-income Americans who rely on it, especially in light of what might have occurred or what may occur if Congress rejects this agreement and leaves it to the next Congress to write its own farm bill.

To be sure, the conference agreement does include $8.6 billion in SNAP cuts over the next decade. Yet it stands in sharp contrast to the nearly $40 billion in SNAP cuts in the House-passed bill of September, which contained an array of draconian provisions and would have thrown 3.8 million people off SNAP in 2014, according to the Congressional Budget Office (CBO). The conference agreement includes none of the draconian House provisions — and it removes virtually no low-income households from SNAP.

The SNAP cut that remains is a provision to tighten an element of the SNAP benefit calculation that some states have converted into what most people would view as a loophole. Specifically, some states are stretching the benefit formula in a way that enables them not only to simplify paperwork for many SNAP households, but also to boost SNAP benefits for some SNAP households by assuming those households pay several hundred dollars a month in utility costs that they do *not* actually incur. Congress did not intend for states to stretch the benefit rules this way, and longstanding SNAP supporters like myself find it difficult to defend. Moreover, a future Administration could close off this use of the rules administratively, without any congressional action.

Two-thirds of states do not use the current rules this way, and *no* SNAP beneficiaries in these states are expected to lose any benefits under this provision. Across the other one-third of states, CBO estimates that 88 to 89 percent of beneficiaries would remain untouched, while 11 to 12 percent would remain eligible for SNAP but face a benefit reduction because their state has used this practice to boost their benefits above what they would otherwise be.

Nationally, 4 percent of beneficiaries would face a benefit cut, CBO projects. Over the coming

decade, total SNAP benefits would be 1.3 percent lower as a result. The 850,000 households that would lose benefits would, however, face a significant benefit reduction — costing them an average of $90 a month.

The final package also includes a number of other provisions designed to strengthen SNAP and to address features of the program that affect an infinitesimal number of households but can be used to stoke public hostility toward the program. For example, the agreement bars big lottery winners from receiving SNAP and clarifies that recipients may not deduct medical marijuana expenses to claim a larger SNAP benefit. The agreement also includes provisions designed to provide SNAP households with more access to healthy food outlets such as farmers' markets, to ensure that retailers that participate in the program offer a healthy variety of foods for sale, and to tighten retailer compliance with SNAP rules. In addition, the proposed agreement would establish up to ten demonstration projects to test ways to provide more effective employment and training services for SNAP participants, which could provide useful information on how to better enable participants to secure and retain jobs.

Agreement Eliminates Draconian House Provisions

The House SNAP bill contained a slew of harsh SNAP provisions, which would have tossed an estimated 3.8 million people off the program. It would have:

- Limited SNAP benefits to three months out of every three years for people aged 18-50 who aren't raising children and who live in high-unemployment areas and can't find at least half-time work. (Current law already cuts off benefits after three months for such individuals if they live in areas that do *not* have high unemployment.) This provision would cut off benefits to impoverished individuals in nearly all states.
- Given states large financial rewards for cutting their SNAP caseloads by tossing parents and their children off the program if they can't find at least half-time employment, even if the state fails to offer them a slot in a training or work program and they can't find a job.
- Eliminated what's known as the "categorical eligibility" option, thereby making substantial numbers of low-income working families with children and near-poor seniors in over 40 states ineligible for any assistance.
- Let states subject every SNAP applicant and recipient to drug testing.
- Barred people from SNAP *for life* if they're convicted of a violent crime at any point in their lives, so that a youth convicted of a single such crime who pays his debt to society and is a good citizen for decades would still be barred even if he is poor in old age 50 years later.

The proposed conference agreement drops the first four of these provisions entirely and sharply pares back the fifth provision so that it has virtually no impact on the SNAP eligibility of formerly incarcerated individuals who are now law-abiding citizens, which is why the number of low-income households knocked off the program would drop from the House bill's 3.8 million in 2014 to virtually zero.

The Controversial Provision

SNAP benefits go to households based on their ability to purchase adequate food; the lower an eligible household's disposable income, the higher its benefit. To determine a household's disposable income (technically, its "net income"), SNAP allows deductions from gross income for certain essential household expenses. One of the most important is the shelter deduction, which is available to households that spend more than half of their income (after other deductions) on rent or mortgage payments and utility expenses.

This deduction is designed to ensure that households facing high housing and utility costs that consume most of their disposable income receive sufficient SNAP benefits to enable them to purchase an adequate diet.

In SNAP's early years, applicants seeking to have their utility costs taken into account in calculating their shelter deduction had to produce copies of months of utility bills, which caseworkers would pore over and average in order to estimate a household's monthly utility costs. The process proved highly burdensome for state agencies and low-income households alike, and the program several decades ago adopted a simpler approach.

Each state now sets a "Standard Utility Allowance" (or SUA) that reflects typical utility costs for those low-income households in the state that incur heating (and/or cooling) costs apart from their rent. (If the landlord pays these costs directly, they are reflected in the household's rental charge itself, which is already fully counted in computing a household's shelter deduction.) Thus, if a household shows that it incurs out-of-pocket heating or cooling costs, the state agency adds the household's rent and the state's SUA to determine the household's total monthly shelter costs and computes whether they exceed 50 percent of the household's income. (Technically, states also establish SUAs for households that do not incur heating or cooling costs but pay other utility bills, but those SUAs are much lower. Many states also establish different SUAs for different regions of the state.)

Congress subsequently added a second simplification. Instead of requiring a household to furnish heating bills to show that it (rather than the landlord) pays those costs, a state can use a household's receipt of assistance under the Low Income Home Energy Assistance Program (LIHEAP) to show that a household incurs these costs and thus qualifies for the SUA.

LIHEAP is a modest discretionary program, with just $3.4 billion in funding in 2014, and states target their LIHEAP funds on low-income households that have trouble affording their home energy bills. LIHEAP assistance typically defrays only a modest portion of a household's utility expenses. For these reasons, receipt of LIHEAP should be sound evidence that a household pays heating or cooling costs, and connecting LIHEAP and SNAP in this way reduces paperwork and administrative burdens as well as costs for both state agencies administering SNAP and SNAP beneficiaries.

A few years ago, however, the landscape shifted. A few states began to provide a nominal LIHEAP benefit (just 10 cents a year in one state, and $1 a year in some others) to SNAP

households that don't otherwise receive a LIHEAP benefit, including many households that do *not* incur heating or cooling costs. These states did so to simplify verification requirements for the shelter deduction and to qualify more households for the SUA, enabling a considerable number of households that don't incur heating or cooling costs to gain credit, in the SNAP benefit calculation, for utility costs they don't actually pay and consequently to receive larger SNAP benefits. Sixteen states and Washington, D.C. have adopted this procedure.

How the New Agreement Addresses the Matter

Both the House and Senate sought to address this practice. The Senate farm bill required that a SNAP household must receive no less than $10 a year in LIHEAP benefits to get the SUA automatically (that is, without producing heating or cooling bills). LIHEAP funds are very limited, and Senate proponents believed that a state that sought to provide a $10 LIHEAP benefit to substantial numbers of SNAP households that don't incur heating or cooling costs would not have sufficient LIHEAP funds left to provide adequate benefits to poor people who really need LIHEAP assistance. As a result, the framers of the Senate bill expected this measure to curb the use of this practice.

CBO, however, concluded that while the Senate provision would substantially curtail state use of the practice, some states nevertheless would provide a $10 LIHEAP benefit to significant numbers of SNAP households that don't incur heating or cooling costs. The proposed conference agreement addresses this issue by adopting the House version of the provision, which requires that a household's LIHEAP benefit be at least $20 a year for the household to get the SUA automatically. Any household that does not receive an annual LIHEAP benefit of at least $20 will still get the SUA if it shows that it incurs heating and cooling costs (such as by producing a heating bill); this is the practice that SNAP already follows in most states for households that incur heating or cooling costs but do not receive a LIHEAP benefit. (LIHEAP is not an entitlement program, and many low-income households that qualify for it don't receive any LIHEAP assistance.)

The 4 percent of SNAP recipients this provision would affect are the 850,000 households, with 1.7 million people, who are now getting a nominal LIHEAP benefit from their state to qualify them for the SUA but who CBO believes will no longer qualify for the SUA if they have to show they actually pay heating or cooling costs.

These households wouldn't be affected all at once; states could phase in this change. The new rules would start to apply in March to *new* applicants. For *current recipients,* states would defer application of the new rules until the time that they reapply for SNAP, as all households periodically must do, so that states could accurately determine whether the household incurs utility costs or received a LIHEAP payment of at least $20. States would have the option to further defer application of the new rules to these recipients for five additional months. The result would be that states could phase in the application of the benefit reduction to affected households between the summer of 2014 and the summer of 2015.

My Bottom Line

It's difficult to defend the practice of giving people higher benefits for supposedly paying bills they don't, in fact, pay. Having said that, it's also the case that the basic SNAP benefit is too low, as evidenced by the hardship that has emerged since the November 1 end of the temporary SNAP benefit increase that the 2009 Recovery Act provided. And the 4 percent of households whose benefits would fall as a result of curtailing this practice are low-income households, not affluent ones.

Optimally, policymakers would curtail this practice and use the proceeds to raise SNAP's basic benefit level (though raising it by a meaningful amount would cost far more than $8 billion over ten years). Or, policymakers could use the proceeds to strengthen another part of SNAP's benefit structure, such as by lifting the cap on the maximum shelter deduction that a household is allowed. Eliminating the cap would enable households that pay an exorbitant share of their income for rent and utilities to deduct the full amount by which those costs exceed 50 percent of their disposable income.

Unfortunately, such changes aren't politically feasible now, and they likely won't be for the foreseeable future, given Congress' political make-up.

Meanwhile, tens of millions of low-income Americans who receive SNAP face the continuing threat that, in an adverse political environment, Congress could pass a farm bill that throws substantial numbers of them off the program and places barriers to SNAP in the way of many others. That threat will loom particularly large if Congress rejects this conference agreement and the next Congress starts over to write a new farm/SNAP bill under unified Republican control. Moreover, if Congress doesn't address the weakness in the SUA rules, SNAP's opponents surely will use it to tarnish the program in the public mind as they lay the groundwork for more radical and damaging changes to the program.

SNAP is one of the nation's most critical programs for the most vulnerable members of our society. It is a lifeline for tens of millions of people. For SNAP's long-term survival and continued public backing, its supporters need to keep it clean and free of abuse. That includes addressing significant misuses of the program, if and when they appear.

For me, here's the bottom line:

The proposed conference agreement drops the draconian House provisions, and its one SNAP cut curbs a dubious practice that SNAP's congressional champions didn't envision or intend. There's no denying that the 4 percent of beneficiaries who would be affected are low-income people who would face a significant benefit reduction. But congressional rejection of the agreement because of this provision would risk future harm to far larger numbers of low-income people who rely on SNAP.

Defeating the agreement almost certainly would merely postpone the tightening of the SUA provision; now that the loophole has come to light, it won't withstand public scrutiny, and it will be closed sooner or later anyway, with its closing widely viewed as a reasonable reform. Meanwhile, congressional rejection of the proposed conference agreement would likely push the farm bill and SNAP reauthorization into the next Congress — thereby rolling the dice for the more than 45 million people who constitute the other 96 percent of SNAP recipients.