

## Policy Brief

November 2015

### Supplemental Nutrition and Indiana's SNAP Asset Limits

**The Supplemental Nutrition Assistance Program (SNAP) is the new name for The Food Stamp Program.** SNAP is a core component of America's nutrition assistance safety net for 46.5 million Americans and about 900,000 Hoosiers. SNAP benefits are funded entirely by the federal government and states are responsible for paying half of the administrative costs.

**To be eligible for SNAP:** A household's monthly income must not exceed 130 percent of the poverty line or \$2,177 for a three-person family in fiscal year 2015, and; a household may not exceed \$2,250 in countable resources such as a bank account, or \$3,250 in countable resources if at least one person is age 60 or older, or is disabled. Supplemental Security Income (SSI) or Temporary Assistance for Needy Families (TANF) resources are not accounted towards the asset limit. Most retirement (pension) plans are also excluded.<sup>1</sup>

**Individual and household SNAP program participation rates decreased in Indiana between federal fiscal year (FFY) 2013 and fiscal year 2014 by 3.6% and 2.6%, respectively.**<sup>2</sup> During this time span, federal SNAP payments decreased by 10.2%. In FFY 2014, 892,699 individuals – 14% of Indiana residents – received SNAP benefits during the typical month. The average monthly benefit for an individual was \$122 and \$270 for a household, equaling just \$1.36 per meal per individual.<sup>3</sup> To put this in perspective, the average cost of a meal in Indiana was estimated to be \$2.46 in 2013.<sup>4</sup>

**Indiana's SNAP program administration costs increased by about 8% between FY 2013 and 2014, highlighting the need to rein in costs through legislative reform.**<sup>5</sup> Despite increasing administrative costs, Indiana is more efficient at processing claims than the nation as a whole, with the average cost per case being \$21.55 for Indiana and \$27.73 per case for the United States.

**SNAP benefit fraud is minimal in Indiana.**<sup>6</sup> Of Indiana's 205 fraud investigations in FY 2014, investigators found only 49 cases of fraud. The total cost of fraud was \$102,825, which is a miniscule percentage of Indiana's \$1.3 billion SNAP benefit issuance.

### Why Support SNAP?

**Despite a strengthening economy, Indiana's low income families are struggling financially.** According to the 2014 American Community Survey, Indiana's median household income (\$49,446) lags behind the national median by about \$16,500.<sup>7</sup> In 2014, 15.2% of all Hoosiers had incomes below the federal poverty level – a 4.4 percentage point decrease

<sup>1</sup> U.S. Department of Agriculture: <http://1.usa.gov/1kBg9P>

<sup>2</sup> U.S. Department of Agriculture. *Supplemental Nutrition Assistance Program State Activity Report Fiscal Year 2014*: <http://1.usa.gov/1W5cx4C>

<sup>3</sup> Cost per meal is based on three meals per day during a 30 day month.

<sup>4</sup> Feeding America. Food Insecurity Rates: <http://bit.ly/1PA1n3C>

<sup>5</sup> U.S. Department of Agriculture. *Supplemental Nutrition Assistance Program State Activity Report Fiscal Year 2014*.

<sup>6</sup> *Ibid*

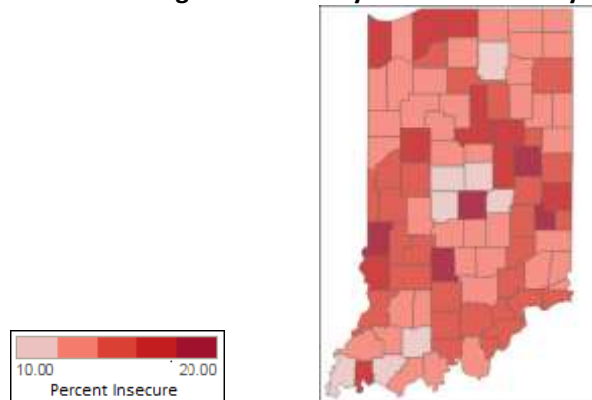
<sup>7</sup> U.S. Census Bureau. American FactFinder. <http://1.usa.gov/1GJrVNH>

from the previous year – and 21.5% of children lived in poverty – a 3.1 percentage point decrease from the previous year. Even though the official poverty statistics are improving, 2,219,443 Indiana residents still live below self-sufficiency (34.7%); that is, below 200 percent of the federal poverty level. In fact, there were lower percentages of Hoosiers living below poverty (13.1%) and self-sufficiency (31.0%) at the height of the Great Recession in 2008 than there were in 2014. And it is not as though people below the poverty line or who make less than a self-sufficient wage are not working. According the Working Poor Families Project, 52% of families below 100% of the poverty line worked in 2013 and 73% of families below 200% of the poverty worked in that same year.<sup>8</sup>

**Food insecurity is correlated with poverty and race.** The United States Department of Agriculture defines food insecurity as households being “uncertain of having, or unable to acquire, enough food to meet the needs of all their members because they had insufficient money or other resources for food.”<sup>9</sup> Leading causes of food insecurity include: inadequate education, low wages and minimal assets, insufficient access to health care, and unsafe living conditions.<sup>10</sup> Food insecurity disparately affects people of color, with 13% of the white population and about 25% of black and Hispanic population facing food insecurity.<sup>11</sup>

**Food insecurity is endemic in Indiana.** In 2013, 1,012,970 Hoosiers were food insecure, equaling 15.4% of the population.<sup>12</sup> To meet Indiana’s food needs, an additional \$441 million is needed in public and private expenditures. The figure below shows the severity of food insecurity in Indiana by county. The scale to the left of the figure is at intervals of 2%, with 10% indicating one-in-ten residents faces food insecurity.

**Figure 1. Intensity of Food Insecurity in Indiana Counties**



**Food insecurity negatively impacts health and the economy.** Food insecurity is particularly harmful to children. It is correlated with childhood obesity, mental health issues, poor educational outcomes, and lower lifetime earnings.<sup>13</sup> For adults, food insecurity is associated with poor physical and mental health, increased workforce absenteeism, lower productivity, and higher levels of job turnover.<sup>14</sup> Hunger and food insecurity costs the United States at least \$167.5 billion in 2010.<sup>15</sup>

<sup>8</sup> Working Poor Families Project data generated by Population Reference Bureau, analysis of 2013 American Community Survey

<sup>9</sup> U.S. Department of Agriculture. Economic Research Service: <http://1.usa.gov/1rSxRbl>

<sup>10</sup> Chilton, M. and Rose, D. (2009). A Rights-Based Approach to Food Insecurity in the United States. *American Journal of Public Health*, 99(7), 1203-1211. <http://1.usa.gov/1M8g65s>

<sup>11</sup> Elsheikh, E. and Bourhoum, N. *Structural Racialization and Food Insecurity in the United States*: <http://bit.ly/1jAEQai>

<sup>12</sup> Feeding America. Food Insecurity Rates: <http://bit.ly/1PA1n3C>

<sup>13</sup> Cook, J. and Jeng, K. *Child Food Insecurity: The Economic Impact on Our Nation*: <http://bit.ly/1ZXcSG4>

<sup>14</sup> RTI International. *Current and Prospective Scope of Hunger and Food Security in America*: <http://bit.ly/1HGEdVB>

<sup>15</sup> Shepard, D., Setren, E., and Cooper, D. *Hunger in America: Suffering We All Pay For*: <http://ampr.gs/1RnNpiY>

**SNAP reduces household and child food insecurity.** Receiving SNAP benefits for six months was found to reduce the percentage of households that were food insecure by 4.6 percentage points.<sup>16</sup> For children, SNAP participation was associated with an 8.5 percentage point decrease in food insecurity.

**SNAP alleviates poverty, reduces obesity, and improves nutritional intake.** “In [federal] FY2011, 13 percent of participating households moved above the poverty line when SNAP benefits were included in gross income, and 15 percent of the poorest SNAP households moved out of extreme poverty.”<sup>17</sup> Compared to similar people who did not receive SNAP benefits, SNAP recipients were found to have lower risk of being overweight and lower BMIs. According to a study in Illinois, young children participating in SNAP had lower rates of nutritional deficiency than similarly situated non-participants.<sup>18</sup>

## Why Eliminate SNAP Asset Limits?

**Asset limits disincentivize saving for families near the asset limit cutoff.** By eliminating the asset limit, Indiana encourages savings and is better able to help families develop good saving behavior. Asset limits force families to spend down longer-term savings in order to continue to receive SNAP benefits, which creates a cycle of reliance on those benefits.

**Asset development is critical for self-sufficiency and upward economic mobility.** As people save, they are able to put their savings to productive use over time, through purchasing capital goods or investing. Mandating people spend down their savings or liquidate their assets to deal with routine expenses during a financial setback is at odds with conventional economic thinking. By allowing prospective SNAP beneficiaries to keep their hard-earned assets during downtimes, we foster an economic environment in which low income families can pass down wealth to their children, thereby narrowing the intergenerational wealth gap between well-off and low income families.

**Cases in which SNAP applications were denied due to excessive assets are limited.** According to Indiana’s Legislative Services Agency, only 0.23% of SNAP applications – 897 out of 382,000 applications – were denied due to assets in excess of state limits between December 2013 and November 2014.<sup>19</sup> These statistics are not unique to Indiana. In Idaho, about 0.50% of SNAP applications were denied due to excessive assets, and 0.11% to 0.13% of applications were denied each month in Maryland due to assets exceeding the state’s limit.<sup>20</sup>

*“Eliminating the asset test simplifies the SNAP eligibility process, reduces State workloads, and reduces errors associated with collecting detailed asset and vehicle information.”<sup>21</sup>*

-Mathematica Policy Research -

<sup>16</sup> U.S. Department of Agriculture. *Measuring the Effect of Supplemental Nutrition Assistance Program on Food Security*: <http://1.usa.gov/1XjQRiu>

<sup>17</sup> Food Research and Action Center. *SNAP and Public Health: The Role of the Supplemental Nutrition Assistance Program in Improving the Health and Well-Being of Americans*: <http://bit.ly/1MHNvAq>

<sup>18</sup> U.S. Department of Agriculture. *Effects of WIC and Food Stamp Program Participation on Child Outcomes*: <http://1.usa.gov/1XjSexK>

<sup>19</sup> Indiana Legislative Services Agency. Fiscal Impact Statement Senate Bill 549.

<sup>20</sup> CFED. Resource Guide: Lifting Assets Limits in Public Benefit Programs: <http://bit.ly/1NnvzvD>

<sup>21</sup> Laird, E. and Trippe, C. *Programs Conferring Categorical Eligibility for SNAP: State Policies and the Number and Characteristics of Households Affected*: <http://bit.ly/1GpyCUN>

<sup>22</sup> Black, R. *Asset Limits in Public Assistance - The Case for Reform*: <http://bit.ly/132CAfB>

<sup>23</sup> Sprague, A. and Black, R. *State Asset Limit Reforms and Implications for Federal Policy*: <http://bit.ly/1hQfRwk>

<sup>24</sup> PR Newswire. “Department of Human Services Eliminates SNAP Asset Test.” <http://prn.to/1W5mGOK>

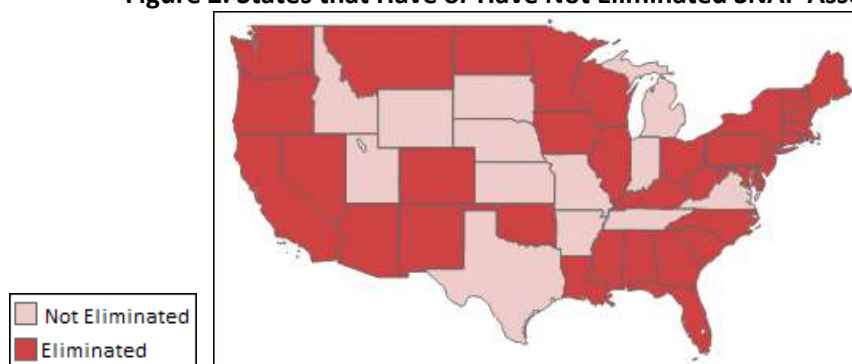
**Eliminating asset limits can reduce administrative costs.**<sup>22 23 24</sup> Eliminating asset limits is a step in the right direction to ensure efficiencies for taxpayers through administrative savings while maximizing programmatic resources. Eliminating asset limits will reduce the administrative burden of verifying reported assets, allowing case workers to pay greater attention to other aspects of their job. States that have eliminated asset limit tests have seen improved administrative efficiency post elimination.

- **Colorado:** “The state forecasted that eliminating the TANF asset test would result in additional benefits for 44 families, at a cost of around \$123,000. However, these costs would be offset by greater administrative efficiency; eliminating the asset test would save caseworkers ten to 15 minutes per ‘case interaction,’ or up to 90 minutes for the five or six interactions that typically occur.”
- **Illinois:** “Illinois reported that eliminating the SNAP asset test ‘greatly simplified the work for staff and reduced the amount of verifications the applicant is required to provide.’”
- **Iowa:** “Iowa found that the direct state costs, including the state share of additional staff and administrative costs would total \$702,202; meanwhile, the additional SNAP benefits plus revenue from additional state employment were expected to amount to \$12.3 million. The Department also estimated that the policy changes would result in \$20.6 million in increased economic activity within the state.”
- **Ohio:** “Moving to expanded categorical eligibility...allows more time to process other information regarding the assistance group and allows benefits to approved in a more efficient manner.”
- **Pennsylvania:** “The anticipated state savings from eliminating the asset test are \$3.5 million annually. This will also remove unnecessary administrative burdens and costs to the commonwealth, as well as increased errors that could potentially result in federal sanctions for the state.”

## What Can Be Done?

**Indiana would not be alone if it eliminated the SNAP asset limit test.**<sup>25</sup> In fact, Indiana would join the majority of the country. Forty-two states (including Washington D.C.) have raised or eliminated the SNAP asset limit, and 37 states have eliminated SNAP asset tests altogether. States and the federal government share authority to set or eliminate SNAP asset limits, making it possible for the Indiana General Assembly to pass legislation eliminating the administratively burdensome and costly asset limit tests.

**Figure 2. States that Have or Have Not Eliminated SNAP Asset Limits**



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<sup>25</sup> CFED. Asset Limits in Public Benefit Programs: <http://bit.ly/1GSZciC>