



Heat and Eat

Maximizing Food Stamp Benefits for Families Struggling with High Food and Fuel Costs

Overview

Nothing stimulates the economy like food stamps. Each dollar of federal food stamp benefits flowing into a local economy generates about double that in economic activity. In the stimulus debate, conservative as well as liberal economists, Chairman of the Federal Reserve Bernanke, recent Treasury Secretaries, and many more experts touted increased Food Stamp Program spending as, dollar-for-dollar, just about the most effective way to stimulate the economy. Food stamp benefits are one hundred percent federally funded, with states bearing about fifty percent of administrative costs. And, a California study revealed that a state's share of the administrative costs is mostly recouped from sales tax increases (i.e., food stamps allow recipients to free up some monies to purchase taxable necessities like clothes, detergent, personal hygiene items, etc.). Food stamps get more resources quickly into the hands of the people most likely to quickly turn around and spend money to buy food.

With the effects of the recession getting broader and deeper,¹ Congress is poised to pass the American Recovery and Reinvestment Act that will bring nutrition and income relief to millions of struggling families through increased food stamp benefits. By adopting policies that promote access to and increase benefits in the Food Stamp Program, the District can optimize the impact of the stimulus package and provide essential support to the growing number of families turning to the Food Stamp Program.²

One key policy that increasingly more states, including Massachusetts, Vermont, Maine, Washington and [New York](#), are implementing is a fuel assistance initiative ("Heat and Eat") to increase food stamp benefit levels for struggling families. Beginning in October of 2008, under New York's initiative, about 114,000 households received an annual nominal energy subsidy. These households then qualified for the maximum standard utility deduction and their food stamp benefits increased. As a result, millions of federal food stamps dollar

¹ In particular, families are struggling with high food and fuel costs. The cost of food at home rose by 7.5 percent from December 2007 to December 2008. In the same period, food costs for low-income families rose even faster – the Thrifty Food Plan cost (the USDA's market basket that underlies the Food Stamp Program and better represents what low-income people purchase) rose by 9.4 percent (<http://www.frac.org/pdf/thriftyfoodplanDEC08.pdf>). And while fuel prices have stabilized recently, from December 2007 to December 2008 the cost of household energy (including fuel oil, gas, and electricity) rose by 5.9 percent (<http://www.bls.gov/news.release/cpi.nr0.htm>).

² Participation in the District's Food Stamp Program increased by 14 percent increase from 85,563 persons in October 2007 to 97,815 in October 2008.



were pumped into the local economy for families to buy food: food stamp monthly benefits increased on average by \$131 for 90,000 households and by \$72 for 24,000 households. Likewise, Massachusetts recently provided nominal energy assistance payments to approximately 54,600 households. The resulting food stamp benefit increases will bring in an estimated additional \$34 million federal dollars annually.

By immediately implementing a "Heat and Eat" initiative, the District can help thousands of low-income families by increasing their food stamp benefit amounts and by bringing in a projected \$13 to 19 million in additional federal dollars to pay for these benefit increases. Moreover, "Heat and Eat" initiatives also streamline the in-take process and decrease error rates.

How Food Stamp benefits are calculated?

A household's food stamp allotment is based on a number of factors, including income and certain deductions such as child care and shelter costs (including utilities). Typically, in calculating a household's food stamp benefit, the household receives a standard utility allowance based on the kinds of utilities the household is responsible for.³ In general, the higher the utility allowance deducted, the higher the food stamp benefit a household receives.

If a food stamp household is receiving benefits from the District's Low-Income Energy Assistance Program (LIHEAP), both USDA guidance⁴ and the District's food stamp policy manual⁵ state that this household is entitled to the heating/cooling standard utility allowance when calculating that household's food stamp benefits. This can increase the household's food stamp benefit significantly and streamline the application process by not requiring a household to submit utility bills and not requiring the state to verify these bills.

To comply with this USDA regulation, the District Department of Energy's (DDOE) LIHEAP and Department of Human Services' (DHS) IMA should share data on a regular basis. LIHEAP and IMA should coordinate periodic data matching where IMA would share the names of all food stamp households and LIHEAP would share the names of all LIHEAP

³ There are four levels of utility allowance in the District: Heating and Cooling Standard Utility Allowance (\$276 in FY 2009); Limited Utility Allowance (\$179 in FY 2009); One Utility Allowance (\$52 in FY 2009); Telephone Standard (\$22 in FY 2009).

⁴ USDA Quality Control Handbook 310, Section 1, Section 1160, page 11-15: "If the State agency does not mandate the use of the SUA, an individual household is entitled to use a SUA if: The household receives or expects to receive a LIHEAA payment for its current residence..."

⁵ Income Maintenance Administration Policy Manual. Part VI. Chapter 6: Income Disregards and Deductions. Page 4. "Households that are responsible for a heating or cooling cost that is separate and apart from their rent or mortgage are entitled to the HCSUA. This includes: households that receive energy assistance under the Low Income Energy Assistance Program (LIHEAP), even if LIHEAP has covered the full heating cost..."



households. Matches would be reviewed to determine if LIHEAP households are receiving the maximum SUA for calculation of food stamp benefits. (A similar type of data matching is already conducted between IMA and D.C. Public Schools to certify the children of food stamp households as eligible for free school meals.) IMA and LIHEAP are now refining this data coordination.

How "Heat and Eat" works?

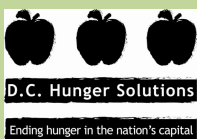
Implementing a "Heat and Eat" initiative requires that the state energy assistance agency give targeted food stamp households a nominal energy assistance benefit of at least \$1 so as to trigger a higher food stamp benefit.⁶ Provision of this minimal \$1 payment would automatically allow these food stamp households to receive the maximum standard utility allowance for food stamp benefit calculation purposes, resulting in many households receiving a higher food stamp monthly benefit level. These increased food stamp benefit levels would be 100 percent federally funded.

To implement "Heat and Eat" in the District, IMA and DDOE should coordinate efforts to ensure that all food stamp households who are not homeless receive a nominal LIHEAP benefit within a certain time of receiving food stamps.⁷ IMA would need to send LIHEAP on a periodic basis (e.g., monthly) the names and addresses of all new food stamp households. These households would all be enrolled for a nominal energy assistance benefit. Food Stamp in-take workers would then automatically give all food stamp households (except the homeless) the maximum SUA. (USDA guidance allows the state agency to use the maximum heating/cooling standard utility allowance for food stamp purposes if there is an "anticipated receipt" of LIHEAP benefits).

A key step forward would be to draft an interagency agreement memorializing this "Heat and Eat" initiative with procedures and roles of each agency. (This agreement would likely satisfy the "anticipated receipt" of benefits provision.) USDA, Food and Nutrition Services approval is not required. A sample agreement between Washington State's Department of Community, Trade and Economic Development (which houses the energy assistance

⁶ While some households may already be benefiting from the maximum standard utility allowance, the costs of giving all food stamp households a nominal LIHEAP benefit of \$1 would likely be less than \$50,000 each year. In fiscal year 07, 44,000 households received benefits from food stamps and while the numbers are growing and could bring a few more thousand households in the Food Stamp Program in fiscal year 09, giving another household a LIHEAP benefit has very small marginal costs compared to the amount of food stamp benefits gained.

⁷ USDA Quality Control Handbook 310, Section 1, Section 1160, page 11-16: "... an individual household is entitled to use a SUA if .. the household receives or expects to receive a LIHEAA payment for its current residence"





program) and Department of Social and Health Services (which houses the Food Stamp Program) is attached.

Why should the District adopt "Heat and Eat"?

Through "Heat and Eat," the District will:

- ***Draw down federal funding to stimulate the local economy***

Food stamp benefits are one hundred percent federally funded, with states bearing about fifty percent of administrative costs. Increasing food stamp benefits will therefore both draw down greater federal funding and provide an immediate economic stimulus to the economy. Implementing "Heat and Eat" in the District of Columbia could increase the food stamp benefit for approximately 27,000 households who are currently not receiving any standard utility allowance.⁸ This could draw down roughly between \$13 million and \$19 million in federally-funded benefits for food stamp households.⁹

- ***Expand food stamp benefits so that low-income seniors and families with children can purchase food***

As of fiscal year 2007, approximately 27,000 households out of 44,000 in the District did not receive the maximum heating/cooling standard utility allowance. In many instances, households may not be able to document their utility costs when they file their food stamp applications. For instance, Massachusetts found that residents of public and subsidized housing were often charged for excess utility costs, had service charges on air conditioning units, or paid separate heat costs, but did not claim these charges and hence did not receive their full food stamp benefit. In other cases, households may be participating in the state energy assistance program, but they may fail to report that information for food stamp purposes or the state in-take worker may fail to capture that information.

By providing even a minimal energy assistance payment to these households, many of which include low-income seniors, persons with disabilities, and families with children,

⁸ According to USDA's "Characteristics" report, in fiscal year 2007. 27,000 households were not receiving any standard utility allowance. Wolkowitz, Kari. Characteristics of Food Stamp Households: Fiscal Year 2007. USDA Food and Nutrition Services, September 2007. p. 78.

<http://www.fns.usda.gov/oane/menu/Published/snap/FILES/Participation/2007Characteristics.pdf>

⁹ D.C. Hunger Solutions has a data request pending for District data on the number of households receiving the maximum standard utility allowance and also not receiving the maximum food stamp allotment. The rough estimate provided here on the amount of federal funding that would come into the District is based on approximations from the Massachusetts Law Reform Institute. In their calculations, household food stamp benefits increased on the low-end around \$42/month. This would bring an additional \$13 million in federal food stamp dollars to the 27,000 households in the District not receiving any standard utility allowance. A likely average household increase of \$58/month or \$700/year would bring in \$19 million.



these households would automatically receive the highest standard utility allowance. The Massachusetts Law Reform Institute has estimated that these households' food stamp allotments (paid for with federal entitlement funds) would go up by as much as \$58 per month.

- ***Ensure Effective Use of Limited LIHEAP funds***

The District's LIHEAP is not an entitlement program and hence has limited funding available to provide energy assistance to households. By using LIHEAP funds to ensure a higher food stamp benefit for those households also participating in the Food Stamp Program, the District could maximize its LIHEAP dollars by leveraging more federal food stamp dollars for needy households. An investment of approximately \$50,000 in a minimal LIHEAP payment to each food stamp household would likely yield over \$13 million in anticipated returns in increased food stamp benefits.

In addition, each state agency that administers LIHEAP (the District Department of the Environment in D.C., or DDOE) is required to do outreach as part of its state plan.¹⁰ "Heat and Eat" would enable DDOE to easily and effectively do targeted outreach. When food stamp customers receive their minimal energy assistance payment, they often receive other information, including notices about utility discounts and LIHEAP eligibility. "Heat and Eat" may therefore enable more low-income customers to be connected to other, more substantial energy assistance programs.

- ***Reduce food stamp utility-related error rates***

"Heat and Eat" can assist the District food stamp office in reducing error rates related to the calculation of a household's utility expenses. Verifying utility expenses is not only time consuming for both in-take workers (who have to verify and collect the bills) and food stamp customers (who have to locate bills and answer questions during the food stamp interview), but also error-prone. For instance, since the District has four separate standard utility allowance levels, a determination must be made as to which of the four levels an applicant household should receive.

Households mistakenly may not receive the correct heating/cooling standard utility allowance deduction because they do not report that they are paying for qualifying heating or cooling costs or do not have adequate documentation. Efforts are underway by IMA and LIHEAP to develop a systematic process to determine whether an applicant household is receiving a LIHEAP benefit for food stamp eligibility purposes.

¹⁰ Section 2605 Application and Requirements. Low-Income Home Energy Assistance Act of 1981. <http://www.acf.hhs.gov/programs/ocs/liheap/guidance/statute/statute.html#sec2605>. Date accessed: September 29, 2008.



However, to eliminate the chance for any error related to the SUA calculation, the District's LIHEAP agency should provide a minimal energy assistance payment to all food stamp households. All food stamp households would then be automatically deemed eligible for the maximum SUA deduction for food stamp benefit calculation purposes, eliminating the chance for any errors related to the SUA calculation.

Conclusion

"Heat and Eat" will maximize the impact of the food stamp provisions contained in the American Recovery and Reinvestment Act. In this time of growing economic need, the District must expeditiously implement a "Heat and Eat" initiative where all food stamp households receive a nominal LIHEAP benefit and hence automatically deduct the maximum heating/cooling standard utility allowance for food stamp calculation purposes. Through this initiative, the District can increase food stamp benefit levels for low-income families as much as \$58 each month, leveraging approximately \$13 to 19 million in additional federal funds, and reduce error rates.