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FOOD STAMPS AND ENERGY PRICE FLY-UPS

As low-income advocates consider the impacts of sharply increasing natural gas and fuel oil prices on low-income consumers, they should consider the implications that these energy price increases have for the calculation of Food Stamps as well.

Food Stamp Benefits and High Energy Costs

One part of the calculation of a family's Food Stamp benefits is a determination of whether the family is entitled to an "excess shelter cost deduction." To the extent that a family has excess shelter costs, the amount of the excess is, under a prescribed formula, deducted from the family's income for purposes of determining an appropriate monthly Food Stamp allotment.

"Shelter costs," as with most such calculations, include both rent/mortgage and utility costs. The increase in natural gas and fuel oil prices will thus have one of two impacts on Food Stamp families:

- Some families that had not previously qualified for an excess shelter cost deduction now will qualify; and

- Some families that had previously qualified for an excess shelter cost deduction will now qualify for a bigger deduction.

In either case, the family would be entitled to a larger allotment of Food Stamps as a result of the fly-up in energy costs. Ensuring that low-income families requalify themselves for Food Stamps, with an excess shelter cost deduction appropriately based on the dramatically increased energy prices, would certainly help low- income families absorb the energy cost spike.

In brief, the excess shelter cost deduction for Food Stamps work like this. The amount of Food Stamps a family receives is based on the family's "countable income." Countable income includes pre-tax earnings and welfare benefits, minus an earnings deduction (for families with earnings), minus a child care deduction (for families with out-of-pocket child care expenses), minus the excess shelter cost deduction (for families with high shelter costs relative to their incomes).

The calculation of the shelter costs can take one of two forms for purposes of Food Stamps. A state may either take a family's actual energy costs into account, or, in the alternative, it may add a "standard utility allowance" to a family's rent and use the result (i.e., rent plus utility allowance) to determine the family's shelter deduction. (If, however, a family's actual utility costs are greater than the standard deduction, the family can document its actual utility costs and those greater costs will be added to their rent.)

The "excess" shelter cost is the extent to which the shelter costs exceed 50% of the family's total adjusted income up to a maximum dollar amount established by federal regulation.

As can be seen, the assumption behind the distribution of Food Stamps is that the costs of food take up a particular proportion of a household's available income. If, due to the substantial increases in energy prices, however, that available income is much less, the cost of food will take up a much greater portion of the available income, thus making it more likely that inadequate nutrition will result. A recent survey of Iowa LIHEAP recipients by the Iowa Department of Human Rights found that one common result of unaffordable home energy is hunger and malnutrition.

The Legal Issues

According to FSC, there are really two Food Stamp-related issues raised by high energy prices. First, there is the issue of excess shelter cost deductions. The relevant regulation is 7 CFR 273.9(d)(5)(ii). This regulation provides that monthly shelter costs in excess of 50 percent of the household's income (after all other deductions) are to be deducted from income. The deduction is up to a maximum prescribed by USDA. If a household is elderly or disabled (as defined by federal regulation), the maximum doesn't apply. The issue for local advocates is to go to state Food Stamp administrators and ask for a systematic reevaluation of shelter costs in light of increased home energy costs.

The second issue is raised by section (d)(6). A state has the option of providing a "standard utility allowance." Section (d)(6)(vi), however, provides that "the state agency *shall* review and adjust the standard utility allowance annually to reflect changes in the cost of utilities." (note the mandatory "shall"). States have some discretion in the methodologies they use. Section (d)(6)(vi) provides that "the state may use data gathered through quality control sampling, surveys of utility company rates, or other methods for updating the standard utility allowance(s)." Moreover, Section (d)(6)(iv) provides simply that "state agencies shall develop methodologies, subject to FNS approval, to be followed in establishing their standard utility allowances. The standard allowance(s) developed by the State agency shall be submitted to FNS for approval."

The Needed Advocacy

The role for persons concerned about low-income energy affordability is to request (and review) both: (1) the methodology used for setting the standard utility allowance; and (2) the most recent annual update (to determine whether that update took into account the high home heating fuel prices).

The Massachusetts Law Reform Institute is leading the effort to have Standard Utility Allowances appropriately set given recent fuel oil, natural gas and propane price fly-ups in New England. However, the Mid-Atlantic states (New York, Penn, NJ, Maryland, Delaware, DC) saw fuel oil price increases of 90 - 130% from 1999 to 2000. Virginia and North Carolina saw fuel oil price increases of 60 - 90% during that time period. And a swath of states starting with Kentucky and heading north and west through the Dakotas (KY, OH, IN, MI, WI, IA, MN, ND, SD) saw increases of 30 to 60% from 1999 to 2000. Any or all of those states merit review.

In addition, natural gas prices are going up in these states, as well as the price of electricity produced with natural gas.

The Massachusetts Documentation

FSC supported the Mass Law Reform effort by documenting the price increases for fuel oil, propane and natural gas in Massachusetts from 1999 to 2000.

FSC reported that prices for No. 2 fuel oil are substantially higher in Year 2000 than they were at comparable points in time during 1999. The most recent data published by the U.S. Department of Energy, Energy Information Administration (DOE/EIA), for example, reports that the price for fuel oil in Massachusetts (in cents per gallon) was nearly 45% higher in July 2000 than it was at the comparable point in time in 1999 (112.3□/gallon vs. 77.6□/gallon).

Moreover, FSC said, price spikes are particularly acute during the winter heating months. For example, in the Year 2000, during the winter heating months of January and February, when most fuel oil consumption occurs, the price increases were significantly higher than even those increases reported for July 2000.

Even more importantly than the monthly price for fuel oil in Massachusetts, FSC said, is the weekly price for fuel oil during the winter heating season. This is the time period in which most fuel oil is consumed by low-income households, and, as a result, high prices will have the greatest impact on low-income energy bills and low-income household budgets. The U.S. Department of Energy, Energy Information Administration, publishes the *Weekly Petroleum Status Report* during the winter heating months. The reports begin with the first week in October and continue through the last week of March of any given heating season. For the 2000/2001 heating season, data has been published for the weeks through October 23, 2000. For those weeks, a comparison of the Year 2000 fuel oil prices to the equivalent weeks in 1999 is as follows:

Residential Heating Oil Prices
(Massachusetts)
(Cents per Gallon)

First week October:
1999: 98.0□
2000: 143.5□

Third week October:
1999: 97.9□
2000: 152.6□

Last week October:
1999: 99.8□
2000: 149.2□

The price increases should be expected to become greater as winter temperatures create a greater need for the heating fuel product along with scarcer supplies. At its worst, FSC said, prices increased from 98.0□/gallon on October 4, 1999 to 203.7□/gallon on February 7, 2000, a matter of 16 weeks. The same price cycle is likely to occur in the 2000/2001 heating season, except that the "starting point" is more than 45□/gallon higher (143.5□/gallon vs. 98.0□/gallon).

Persons interested in obtaining a copy of the documentation prepared for Mass Law Reform Institute by FSC can write:

publications@fsconline.com

Persons interested in obtaining help with documenting and presenting requests for appropriate responsive actions to state and regional Food Stamp officials may contact the following e-mail address to request assistance:

roger@fsconline.com

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