FSC'S LAW & ECONOMICS INSIGHTS

Issue 16-5 | Fisher, Sheehan & Colton, Public Finance and General Economics | Sep/Oct 2016

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Non-Utility Assistance Such as Food Stamps Improves Utility Bill Payment.

NOTE TO READERS

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Recent Research Demonstrates that Receipt of Food Stamps Improves Utility Bill Payment.

One of the primary ways for a public utility (electricity, natural gas or water) to reach hard-to-reach households, particularly those households that may be users, but not direct customers, is by promoting the participation in public benefit programs the assistance from which is based in whole or part on the size of utility bills. One such program, for example, is the federal Food Stamps program (now referred to as the Supplemental Nutrition Assistance Program, or SNAP).

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 up to a federal ceiling.

In brief, the excess shelter cost deduction for Food Stamps works 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), and minus the excess shelter cost deduction (for families with high shelter costs relative to their incomes). The "excess" shelter cost is the extent to which a family's shelter costs exceed 50% of the family's total adjusted income up to a maximum dollar ceiling established by federal regulation. "Shelter costs," for purposes of calculating the excess shelter deduction, include both rent/mortgage and utility costs.[1]

The assumption behind the distribution of Food Stamps is that the cost of food takes up a particular proportion of a household's available resources. If, due to substantial increases in utility bills, which include water and sewer prices as well as energy, actually 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. It is now commonly recognized that high home utility bills have substantive adverse impacts on a household's nutrition intake.

Under the Food Stamp excess shelter deduction, increases in home utility prices will 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 increases in utility costs (again, "utility" costs include water/sewer bills, but not cable, telephone or internet access). Ensuring that low-income families re-qualify themselves for Food Stamps, with an excess shelter cost deduction appropriately based on the increasing energy prices, would certainly help low-income families absorb spiraling energy costs in any state in the nation.

On a nationwide basis, the Excess Shelter Deduction provides additional financial resources to a significant number of low-income tenant households. According to the U.S. Department of Agriculture's (USDA) Food and Nutrition Service (FNS), in 2014, more than seven-of-ten Food Stamp recipients claimed an Excess Shelter Deduction. In 2014, 16.159 million (72.0%) of all Food Stamp recipients claimed the Excess Shelter Deduction. Few of those households were subject to the cap on the monthly deduction that could be claimed.

While USDA does not track the *cause* of shelter expenses leading to the claim of excess shelter deductions, the Table below documents the proportion of families claiming an Excess Shelter Deduction in the ten states with the lowest penetration of such deductions. The state with the lowest penetration (MS) had nearly half of its Food Stamp population claiming the deduction. The average deduction nationwide was $393 per month, against an average monthly shelter cost (including all utilities) of $748. In contrast to this average shelter cost, the average shelter cost of all Food Stamp recipients nationwide was $610 per month.

[1] "Utility" costs do not include telephone costs.

Excess Shelter Deductions for Food Stamp Recipients (2011 – 2014)										
	AR	GA	HI	KY	MS	NV	NM	NC	SC	TN
Households with shelter deduction	52.3%	58.9%	50.5%	57.4%	47.1%	58.9%	59.8%	59.7%	50.2%	54.1%
Households at shelter cap	5.6%	12.1%	4.6%	5.5%	5.3%	9.7%	12.8%	14.6%	7.6%	7.6%
Average monthly shelter expense	$364	$447	$388	$375	$344	$472	$457	$479	$366	$378
Average monthly shelter expense /a/	$517	$664	$558	$525	$478	$681	$597	$676	$554	$599
Avg shelter deduction /b/	$217	$344	$286	$270	$254	$321	$325	$353	$286	$302

NOTES:

/a/ Over households having shelter expenses.
/b/ Over households having a shelter deduction.

SOURCE:

USDA (December 2015), Characteristics of Food Stamp Households (2014), Table B-4 (annual).

Within the ten states with the lowest penetration of people claiming the Excess Shelter Deduction, as presented above, very few Food Stamp recipients reached the ceiling on the amount of excess shelter deductions that could be claimed. Of the ten, only Georgia, New Mexico and North Carolina had more than 12% of their recipients claiming the deduction reaching the maximum deduction. The remaining seven had fewer than 10% of their Food Stamp recipients claiming the deduction reaching the ceiling.

The ability of the Food Stamp Excess Shelter Deduction to deliver continuing utility-related assistance is substantial. For every $3 in reduced income used to determine Food Stamp benefits, households are projected to receive an additional $2 in increased Food Stamp benefits. One advantage of the Excess Shelter Deduction is that it makes no difference whether a household pays their utility bills directly to the vendor, or whether the bills are the responsibility of a landlord and included in rent.[2]

Receiving Food Stamps Reduce Utility Arrearages.

Research at the National Poverty Center, at the University of Michigan, documents that the receipt of Supplemental Nutrition Assistance Program (SNAP, formerly known as Food Stamps) helps low-income customers improve their utility bill payments.[3] The research of Shaeffer and Gutierrez was designed to examine the impact, if any, of SNAP assistance on the reduction of "material hardships," beyond food hardships, on households with and without children.

[2] Utility bills of homeowners are assumed to be paid directly by the homeowner to the utility vendor, whether that vendor by a gas, water or electric utility.
[3] H. Luke Shaefer and Italo A. Gutierrez, "The Supplemental Nutrition Assistance Program and Material Hardships among Low-Income Households with Children," Social Service Review 87, no. 4 (December 2013): 753-779.

Nonpayment of utility bills was one of the "material hardships" considered. The study reported that "we find a statistically significant and substantively large negative relationship between SNAP participation and both food insecurity and the ability of families to pay essential household expenses, particularly, housing expenses." According to the researchers, "SNAP participation may reduce other aspects of material hardship as well by allowing recipients to reallocate resources originally directed toward the purchase of food to other essential expenses such as housing and utility costs."

Their findings stated that "SNAP has a sizeable effect not just on the food security of households with children, but also on their non-food material well-being also." In particular, the study found that "statically significant negative relationship between SNAP participation and the risk that households will fall behind on their. . .utilities." The receipt of SNAP reduced the percentage of households with children not paying their utility bills by 46.8% (from 33.5% to 17.8%).

The University of Michigan did not focus exclusively on the receipt of Excess Shelter Deduction benefits. The study, instead, examined the receipt of SNAP assistance overall.

Utility Role in Promoting Food Stamps

Utility programs can play an important role not only in promoting the enrollment of low-income households in programs that provide such assistance, but in helping to inform households of the way to maximize their assistance. For example, two ways exist to claim the Excess Shelter Deduction within the Food Stamp program.

On the one hand, a household can provide documentation of action shelter expenses. To do so, the household must document both the level of each component of the shelter expense (e.g., rent, home heating, home electricity, home water/sewer) and the fact that the household actually paid the bills that were rendered.

In contrast, a household can claim the "standard utility allowance." Claiming the standard utility allowance allows the household to claim a pre-established dollar level as the household's utility expense. That SUA is used to establish the eligibility for the Excess Shelter Deduction without need for providing documentation of the actual underlying bills and payments.

Utilities that Promote Non-Utility Assistance

One of the best examples of how utilities can play an important structured role in helping households claim public assistance benefits for which they qualify is the Pennsylvania Customer Assistance and Referral Evaluation Services (CARES) program. According to the Pennsylvania PUC's Bureau of Consumer Services, CARES "is a social service and referral program for households encountering some form of extenuating circumstance or emergency that results in the household's inability to pay for utility service. Qualifying households may receive counselling or direct referrals to community resources. . ." "CARES staff," BCS states, "provide three primary services: case management; maintaining a network of service providers; and making referrals to services that can provide assistance. . .A utility CARES representative also performs the task of strengthening and maintaining a network of community organizations and governmental agencies that can provide services to the program clients." Two Pennsylvania utilities exemplify good practices within the CARES context: PECO Energy and Duquesne Light Company.

The goal of its CARES program, PECO says, is "to educate and inform PECO customers of available resources including energy and non-energy assistance, budget counseling, and housing assistance."[4] PECO's program evaluation reported that the Company has three CARES representatives and a supervisor who are responsible for implementing the program. "The CARES representatives are responsible for reaching out to CARES customers and assessing their needs. Based on the individual needs of each customer, the representatives provide referral and information services designed to assist customers with financial or personal hardships." The supervisor is responsible for managing and overseeing the CARES representatives.

According to the Company:

> CARES representatives are responsible for ensuring that CARES participants receive all assistance that they are eligible for. Representatives ask customers to provide pertinent information to help determine what programs the customer is eligible for. For example, if there is a medical concern, the representative will request a health usage form for the doctor to fill out. Or, if a customer has an extenuating circumstance, the representative will request documentation of that circumstance.

The PECO CARES program receives referrals not only from internal sources at the Company (e.g., Call Center, Customer Service employees), but also from local social services agencies, community-based organizations, city and county offices, and religious institutions, among others. Upon receiving a referral, PECO says, the Company's CARES staff members make the first contact with the household, first by telephone and, if no contact is made, then by mail. Each CARES staffmember maintains an active case file of between 20 and 40 cases each month.

The Company evaluation reports that "the CARES representatives estimated that customers remain on CARES for about two weeks on average. The amount of time spent with a CARES customer also varies widely. One CARES representative estimated that she averages ten minutes per customer, while another representative estimated twenty minutes per customer." The Company states that CARES representatives provide many types of referrals to customers. These include, but are not limited to welfare programs, medical assistance, cash assistance and social services, in addition to various internal company programs.

Each CARES participant, PECO states, makes two to four referrals per customer. The Company says that "in most cases, the customer is instructed to contact an agency on his or her own accord, but in some cases, representatives may contact the program or agency on behalf of the customer. CARES representatives reported that they are usually not able to assess whether customers follow up on the referrals, although there are exceptions. . ."

In a similar fashion, the Duquesne Light CARES program is designed to help "payment-troubled and special needs customers

[4] APPRISE, Inc. (October 2012). PECO Energy Universal Service Programs: Final Evaluation Report, at 51.

to obtain additional assistance."[5] The Duquesne Light CARES program maintains four employees, and, unlike PECO, is administered by an outside agency (the Holy Family Institute, HFI). Referrals to HFI generally come from the company, from other utilities, from community-based organizations, or from the PUC staff.

According to the Company, "CARES counselors work with customers to determine the causes of their bill payment problems and refer them to appropriate programs and services offered by social services agencies" as well as by the company itself. Unlike PECO, the Duquesne CARES staff "follows up with customers to determine whether the customers were able to obtain assistance."

The Duquesne Light CARES program appears to devote more staff time to each individual household than does the PECO CARES program. Duquesne's program evaluation reported that "an outreach workers or community agency works to link the customer to necessary social services programs that enhance the customer's ability to pay for electric service. The case managers help customers with grant applications when available. When a home visit is made, the outreach worker provides the customer with energy education and conservation tips." The program evaluation observed that "HFI reports that the home visits are valuable, as they provide the representative with better insight into the needs that families are facing. . .This allows the representative to better target the customer's needs."

Referrals made by the Duquesne Light CARES representatives include to low-income energy assistance, housing assistance, counseling, transportation assistance, food assistance, and employment assistance, in addition to internal Company programs.

Summary

Not all utility bill payment assistance needs to be delivered as direct financial aid that is devoted to the payment utility bills. Research at the University of Michigan has found, for example, that the receipt of federal SNAP (Supplemental Nutrition Assistance Program, formerly known as Food Stamps) helps low-income households reduce their unpaid utility bills. Some utilities have found it to be in their financial interest to maintain dedicated staff that will help their payment-troubled households find and access such non-utility assistance.

For more information regarding such programs, including the European and British utility programs known as "benefits check" programs, please write:

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[5] APPRISE, Inc. (July 2015). Duquesne Light Universal Services Programs: Final Evaluation Report, at 21.