

Do SNAP Changes Impact Work Incentives?



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Under the ongoing federal public health emergency (PHE), the SNAP income phase-out has been suspended and all households that qualify receive an extra benefit (1) in the amount needed to bring them up to the maximum benefit for their household size or (2) \$95 per month, whichever is greater (combined, known as emergency allotments). The table displays the impact of the emergency allotments, which doubled the average benefit compared to May 2019.

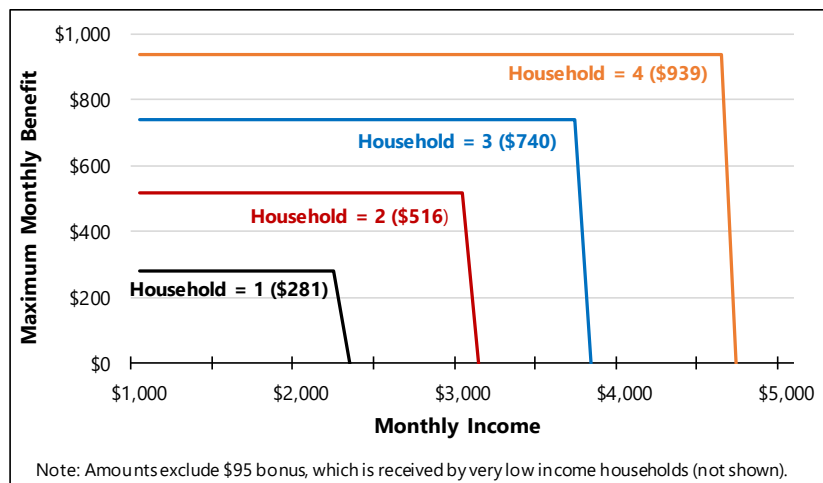
SNAP Benefits to Pennsylvania Residents			
	May-19	May-22	Change
Persons (000s)	1,741	1,843	101
Households (HH, 000s)	938	979	42
Persons Per Household	1.86	1.88	
Monthly Total (\$ millions)	\$218	\$456	\$238
Avg HH Monthly Benefit	\$233	\$465	\$233
Max Monthly Benefit for HH of 2	\$353	\$554	\$201
Max Monthly Benefit for HH of 4	\$642	\$930	\$288

Source: U.S. Department of Agriculture.

On September 22, 2022, the Department of Human Services (DHS) announced that SNAP benefits will expand to households up to 200% of the federal poverty income guidelines (FPIG), up from 160% previously. For federal fiscal year (FFY) 2022-23, 200% FPIG is a monthly income of \$3,052 for a household of 2 (\$36,624 annual) and \$4,626 for a household of 4 (\$55,512 annual). DHS estimates that 174,000

new households will qualify for SNAP due to the higher income limit, and under the ongoing federal PHE, they would qualify for the maximum benefit. The department estimates that the average new household that qualifies has 2.4 members. Effective October 1, under the ongoing federal PHE, new households with 2 members and monthly/annual income below \$3,052/\$36,624 qualify for \$516/\$6,192 of benefits per month/annum. Households with 3 members and monthly/annual income below \$3,840/\$46,080 qualify for \$740/\$8,880 per month/annum.

Research finds that a key feature of successful safety net programs is an income phase-out because it avoids an “all or nothing” benefits cliff for recipients. A vertical cliff provides a strong disincentive for household members to seek employment, work more hours or accept promotions due to the potential loss of benefits. The graph displays the cliff for households under the federal PHE and higher income thresholds. A household loses all benefits if income exceeds the threshold



by one dollar. Due to this design, emergency allotments give the largest benefit increase to households with highest incomes just below the threshold. For a household of 4, the monthly SNAP benefit (\$939) is largely equal to income earned by a member who works 20 hours per week at \$15 per hour (\$1,200 per month, \$1,052 after state-local income and employee payroll taxes). Households could gain significant benefits if members work less to move below the threshold. While emergency allotments provide relief, they will also likely reduce the supply of labor, which is reinforced by expansion of the income thresholds.