

This report compares spending patterns across consumption categories for Supplemental Nutrition Assistance Program (SNAP)¹ households, eligible nonparticipating households, and ineligible households with incomes between 130 and 300 percent of poverty. It also estimates how small increases in income are allocated across consumption categories, analyzes how SNAP eligibility might change under an expenditure-based poverty threshold, and explores the use of savings and credit across the three participation and eligibility groups.

Analyzing how households distribute their resources across goods and services could help determine whether current poverty measures and income thresholds for assistance programs are still meaningful.

The analysis uses the interview component of the 2005 Consumer Expenditure Survey (CES) to examine the expenditure patterns of low-income households in 2005. The CES is nationally representative and provides information on the buying habits of American consumers (families and singles) and their demographic characteristics.

Findings: General Characteristics

Low-income consumers spend less than one-quarter of their income on food. SNAP households spend 24 percent of their income on food (22 percent at home and 2 percent away from home), while eligible families spend 22 percent of their income on food (18 percent at home and 4 percent away from home). Low-income ineligible households spend 18 percent of their income on food. In contrast, SNAP, eligible non-SNAP, and ineligible

households spend 43 percent, 40 percent, and 38 percent of their incomes, respectively, on housing.

Demographic characteristics affect spending patterns. All categories of households spend larger shares of income on food at home – and, to a lesser extent, housing and health care – as they age. Expenditure shares decrease with age for food away from home, apparel, transportation, and other purchases. Households with children spend larger shares of income on food at home and apparel, and smaller shares of income on food away from home. Finally, households living in more populated areas spend more on housing and less on transportation.

Given a small increase in income, households allocate more to some expenditure categories than to others. Across all household groups, a \$1 increase in income leads to an approximate 7 to 8 cent increase on spending for food at home and an additional 2-3 cents for food away from home. This is less than the additional amount allocated to housing and transportation but more than that spent on apparel or health. As income goes up, SNAP households increase spending by a greater amount on apparel, transportation, and other goods and services than eligible nonparticipants do.

Significant percentages of SNAP participants and eligible nonparticipants can be classified as both income- and expenditure-poor. Some policymakers and researchers are concerned that income is too unstable over time to accurately describe an individual's well-being. They recommend using expenditures that are less likely to fluctuate.

For this analysis, expenditure-based poverty is defined as 60 percent of median expenditures, controlling for unit size. More than half of the SNAP participants and 40 percent of the eligible nonparticipants would be considered poor when

¹ On October 1, 2008, the Food Stamp Program changed its name to the Supplemental Nutrition Assistance Program (SNAP).

either household income or expenditures are taken into account. Changing to an expenditure-based eligibility measure would cause 17 percent of all low-income consumer units to gain SNAP eligibility and 14 percent of all SNAP recipients to lose eligibility.

SNAP participants are less likely to have checking and savings accounts than eligible nonparticipants. Conversely, low-income ineligible are more likely to have checking and savings accounts than either of the SNAP-eligible groups. SNAP participants also carry the lowest mean and median account balances, at \$2,637 and \$75, respectively.

Over 25 percent of SNAP participants, compared to more than 35 percent of ineligible nonparticipants, carry some sort of debt balance (e.g., credit cards, debt through banks, school loans, or health care not covered by insurance). SNAP participants have the highest mean amount owed while low-income ineligible households have the lowest.

For More Information

Castner, L, and Mabli, J. (2010). *Low-Income Household Spending Patterns and Measures of Poverty*. The report was prepared by Mathematica Policy Research, Inc., for the Food and Nutrition Service. This report is available online at www.fns.usda.gov/ora

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