MANAGING SNAP (FOOD STAMPS) EFFICIENTLY (PROPEL)

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◉ PROJECT AT A GLANCE

PARTNER TYPE	PROJECT TYPE	PROJECT STATUS
FIN-TECH	EXPERIMENT	COMPLETED

There are over 45.8 million people (roughly 1 in 7 individuals in the US) who benefit from the Supplemental Nutrition Assistance Program (SNAP). This is a critical program in the United States as 50% of Americans will be eligible for SNAP at some point during their lifetime. The program helps low-income families by giving them a monthly food allowance of $250 on average per household.

These benefits are administered on a monthly basis. This design has negative consequences on behavior as it creates a "windfall" effect, leading people to temporarily disregard their future expenses. Especially after a period of scarcity, the deposit of a monthly lump sum can lead to overspending and misappropriate spending. For example, in Peru, when the government assistance moved from twice-a-month to monthly payments, they saw a 70%

increase in the purchase of alcohol and sweets. (Note: In the U.S. SNAP benefits cannot be used for alcohol, but only for groceries.) This monthly lump sum creates what we call a "feed and famine" cycle, where according to the USDA, many families run out of their SNAP benefits mid-month. Studies have shown caloric intake decreases through the benefit month, contradicting claims that bulk buying is offsetting the front-loaded spending.

To understand how we can help SNAP recipients budget their benefits more effectively, we partnered with Propel, the fin-tech startup in New York behind "Fresh EBT," a mobile app where SNAP food stamp recipients can check their balance and transaction history. SNAP recipients typically have to save receipts or call a phone line to find their balances, but with Fresh EBT, they can check their balances instantly, see recent transactions, find stores that accept EBT, make a shopping list, and access other useful resources.

Behavioral diagnosis

Common Cents partnered with Propel to create a database that analyzes users' spending patterns. Through this work, we analyzed over 20,000 users and over 260,000 transactions. We conducted in-depth interviews with Propel employees, as well as industry experts in the field. Additionally, we conducted qualitative interviews with a number of SNAP recipients.

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Key insights

This deep data analysis allowed us to get meaningful insights into the spending behavior of SNAP recipients, including:

- **Small and frequent dollar purchases are the norm.**
  Most purchases made are small dollar purchases, with the average purchase totaling $30.94. Close to 20% of purchases were less than $20. In addition, the average SNAP recipient makes 11 purchase trips, 2-3 of them on the day of the SNAP benefit deposit.

- **SNAP benefits deplete quickly.**
  Our analysis depicts a grimmer picture than the USDA reports, as the average SNAP recipient spends 80% their benefits in the first nine days. By day 21, the average SNAP recipient has spent their entire SNAP balance.

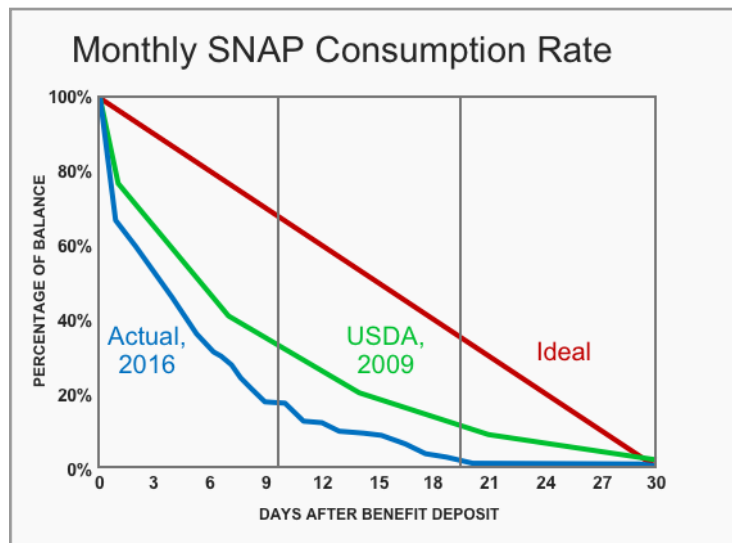# AVERAGE SNAP RECIPIENT SPENDS 80% THEIR BENEFITS IN THE FIRST NINE DAYS.

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Figure [4]: Monthly SNAP consumption rate (Ideal, USDA, and Actual Comparison)

Many of these insights were shared publicly through our "Fixing the SNAP (Food Stamp) System, from application to spend: Learnings from the Field" webinar.

Experiment

From our behavioral diagnosis, we decided that we needed to focus on helping SNAP recipients smooth their consumption throughout the month. As such, we needed to directly combat the "windfall" effect. Thus, we created a two-condition experiment. In our control condition, we showed SNAP recipients their monthly SNAP balance (Propel's standard screen). In our experiment condition, we showed SNAP recipients a weekly budget, anchoring them to a weekly spendable amount.

To ensure that our experiment does not have the unintended consequence of encouraging people to eat lower quality foods for the sake of spending less, we ran weekly surveys about food consumption across all conditions.
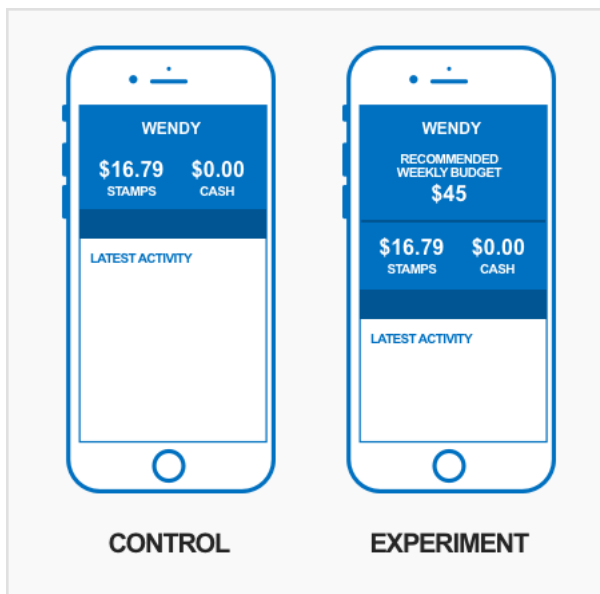
Figure [5]: Simplified mocks of user-interface changes in the Propel experiment.

Results

We analyzed three months of user spending data. What did we find? Our experimental condition helped users extend their monthly food stamp balance by roughly **two more days**. In the control condition, families spent 80% of their balance after 9 days, while families in the experiment condition reached 80% of their balance after 11 days. For a family depending on SNAP to put food on the table, this can equal about 6 extra meals that month, just from this simple intervention of changing *how* we display a person's SNAP balance.
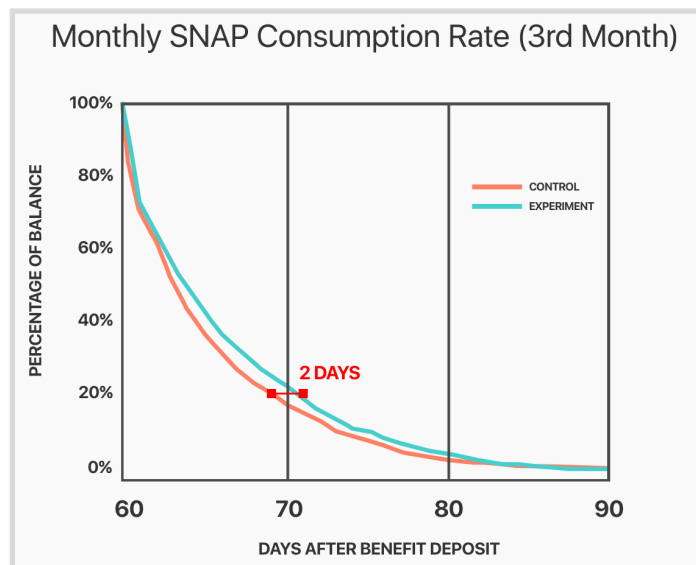

Figure [6]: SNAP consumption rate of experimental and control group

In addition to measuring consumption behaviors, we asked users to self-report their weekly consumption behavior. We asked users the following questions:

- How healthy or unhealthy were your grocery purchases over the past 7 days?
- Over the past 7 days, how many days did you drink soda?
- Over the past 7 days, how many days did eat candy or chips?
- Over the past 7 days, how many days did you eat fruits or vegetables?

Results from our weekly health surveys showed **no difference in the healthiness of consumption** patterns between the control and experiment conditions, contradicting concerns that families would trade off food quality as a result of better budgeting.

Weekly Health Survey Results

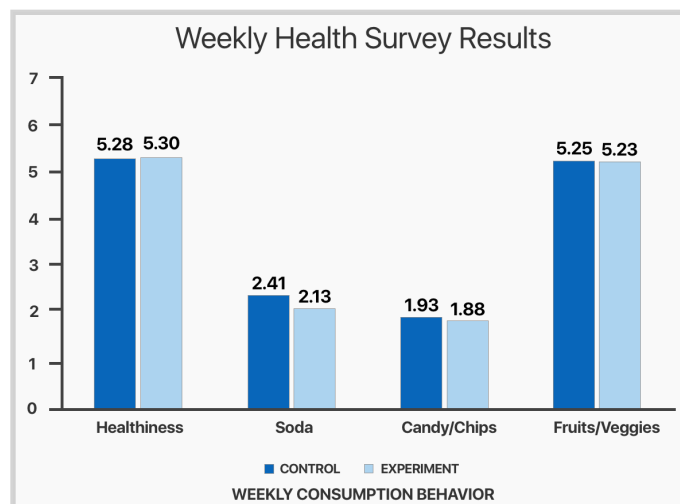|	Control	Experiment
Healthiness	5.28	5.30
Soda	2.41	2.13
Candy/Chips	1.93	1.88
Fruits/Veggies	5.25	5.23

WEEKLY CONSUMPTION BEHAVIOR

Figure [7]: Overall averages from weekly nutrition survey

The implications of this research are vast. Budgeting is difficult, especially for people who live in scarcity. Our experiment proves that simple interventions, like giving SNAP recipeints useful guidelines, can go a long way. What will happen if instead of providing budgeting guidelines, we help these families by distributing SNAP benefits on a weekly or bi-weekly basis?

Based on the success of this pilot, Propel is in the process of rolling out a version of this intervention, utilizing the behavioral findings of this experiment, to its entire consumer base. To date, Propel is the largest servicer of SNAP recipients nationwide. In addition, we hope policy makers see these results and try to help people budget by giving SNAP recipients a weekly budgetm printing the budget on the EBT card, or by simply making more frequent distributions throughout the month.