

Food Stamp (or Supplemental Nutrition Assistance) Program

The economic recovery package includes \$20 billion for the Food Stamp Program (recently renamed the Supplemental Nutrition Assistance Program). Most of this amount (about \$19 billion) would be used to fund a 13.6 percent increase to maximum food stamp benefits, which would go into effect in April 2009. (The new level will stay in place in subsequent years until the program's regular annual inflation adjustments overtake the benefit increase.) All food stamp households — currently about 14 million households containing almost 32 million individuals — would benefit from the increase.

Food stamps are one of the most effective forms of economic stimulus because low-income individuals generally spend their available resources on meeting their daily needs, such as shelter, food, and transportation. Therefore, every dollar in food stamps that a low-income family receives enables the family to spend an additional dollar on food or other items. USDA research has found that \$1 in food stamps generates \$1.84 in total economic activity. Mark Zandi of Moody's Economy.com estimates a similar multiplier (\$1.73 for every additional \$1 in food stamp expenditures), the highest of the various spending and tax measures he evaluated.

The package also would provide \$290.5 million in administrative funds to states to implement the change and help manage rising caseloads during the recession (another \$4.5 million would go to USDA for administrative costs), suspend for 18 months the three-month time limit on assistance that many unemployed childless adults face, provide a comparable increase for the food assistance block grant for Puerto Rico and American Samoa, and provide \$5 million for the Food Distribution Program on Indian Reservations.

The attached table shows the estimated state-by-state impacts of three of the food stamp provisions: the 13.6 percent maximum benefit increase, the increase for the Puerto Rico/American Samoa block grant, and the state administrative funds. Because all food stamp recipients would benefit from the increase, the number of individuals is based on food stamp participation for December 2008, the most recent month for which data are available. If food stamp participation continues to rise, the number of people helped also will grow. The distribution of dollars is based on Congressional Budget Office cost estimates and 2006 food stamp administrative data. We assume that the bill will help households that receive the minimum benefit or participate in Combined Application Projects (CAPs). Each state's share of administrative funds is based on USDA's allocations available at <http://www.fns.usda.gov/snap/rules/Memo/2009/030609a.pdf>.

Sources: USDA, Economic Research Service, "Effects of Changes in Food Stamp Expenditures Across the U.S. Economy" by Kenneth Hanson and Elise Golan, August 2002. Mark Zandi, "The Economic Impact of the American Recovery and Reinvestment Act," January 21, 2009.