Center on Budget and Policy Priorities

820 First Street NE, Suite 510
Washington, DC 20002

Tel: 202-408-1080
Fax: 202-408-1056

center@cbpp.org
www.cbpp.org

Revised April 18, 2012

# SNAP IS EFFECTIVE AND EFFICIENT

By Dorothy Rosenbaum

The Supplemental Nutrition Assistance Program (SNAP — formerly the Food Stamp Program) is the cornerstone of the nation's safety net and nutrition assistance programs. It currently provides about 46 million participants in about 22 million low-income households with debit cards they can use to purchase food each month. Because eligibility generally is not restricted to specific subgroups of people, SNAP serves a wide range of low-income households, including families with children, elderly people, and people with disabilities. Participants include families with adults who work in low-wage jobs, unemployed workers, and people with fixed incomes, such as Social Security. About 75 percent of SNAP recipients live in households with children; more than one-quarter live in households with seniors or people with disabilities.

In recent years SNAP has achieved impressive results in meeting the needs of low-income Americans while maintaining strong program integrity and payment accuracy.

- **SNAP has responded effectively to the recession.** SNAP caseloads have increased significantly since late 2007, as the recession and lagging recovery battered the economic circumstances of millions of Americans and dramatically increased the number of low-income households who qualify and apply for help from the program. In addition, the 2009 Recovery Act increased SNAP benefits as a way of delivering economic stimulus. Policymakers deemed SNAP to be effective for this purpose because of its broad reach among low-income populations and its high efficiency. According to the National Academy of Science measures of poverty, which count SNAP as income, SNAP kept about 4 million people out of poverty in 2010 and lessened the severity of poverty for millions of others.

- **The recent growth in SNAP spending is *temporary*.** The Congressional Budget Office (CBO) predicts that SNAP spending will fall as a share of GDP in coming years as the economy recovers and the Recovery Act provisions end. By 2022 SNAP is expected to return nearly to pre-recession levels as a share of GDP. Over the long term, SNAP is not growing faster than the overall economy and thus is not contributing to the nation's long-term fiscal problems.

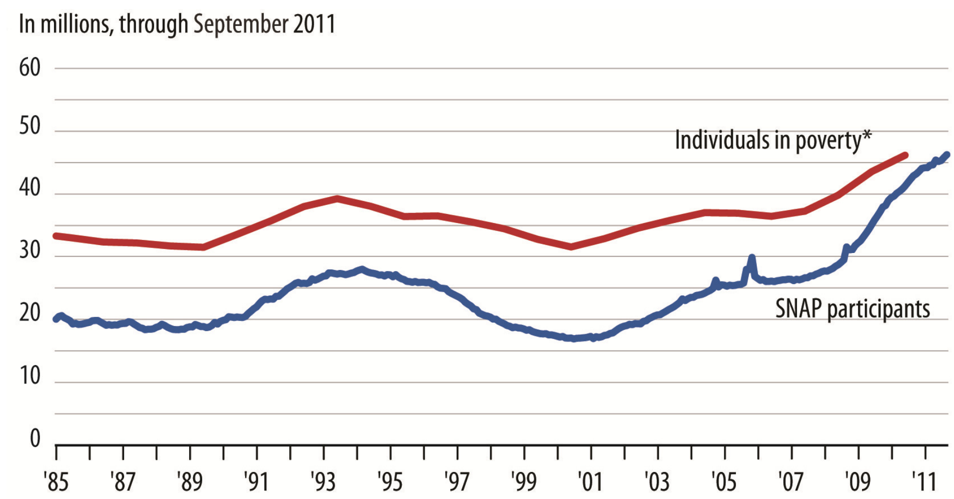
- **SNAP payment accuracy is at an all-time high.** SNAP has one of the most rigorous quality control systems of any public benefit program, and despite the recent growth in caseloads, the share of total SNAP payments that represent overpayments, underpayments, or payments to ineligible households reached a record low in fiscal year 2010.

## SNAP Has Responded Quickly and Effectively to Recession

After unemployment insurance, SNAP historically has been the most responsive federal program in assisting families and communities during economic downturns. This downturn has been no exception: national SNAP enrollment is at an all-time high (see Figure 1.)

Figure 1

**SNAP Caseloads Closely Track Changes in Poverty**




*Poverty numbers are annual estimates and not yet available after 2010. Spikes in SNAP participants are from disaster benefits (i.e., after hurricanes).

Sources: U.S. Department of Agriculture (SNAP Program Participants); U.S. Census Bureau (annual estimates of individuals in poverty)

- **Caseloads have increased in every state.** Some of the states that have been hit hardest by the recession have seen the largest caseload increases. For example Nevada, Florida, Idaho, and Utah, the four states with the largest growth in the number of unemployed workers between 2007 and 2011, also had the largest growth in the number of SNAP recipients.

- **The rapid caseload growth primarily reflects the fact that more households are becoming eligible because of the recession.** SNAP caseloads can grow for two reasons: because more households are qualifying for the program and enrolling or because a larger share of eligible households are signing up. Both of these occurred in recent years.

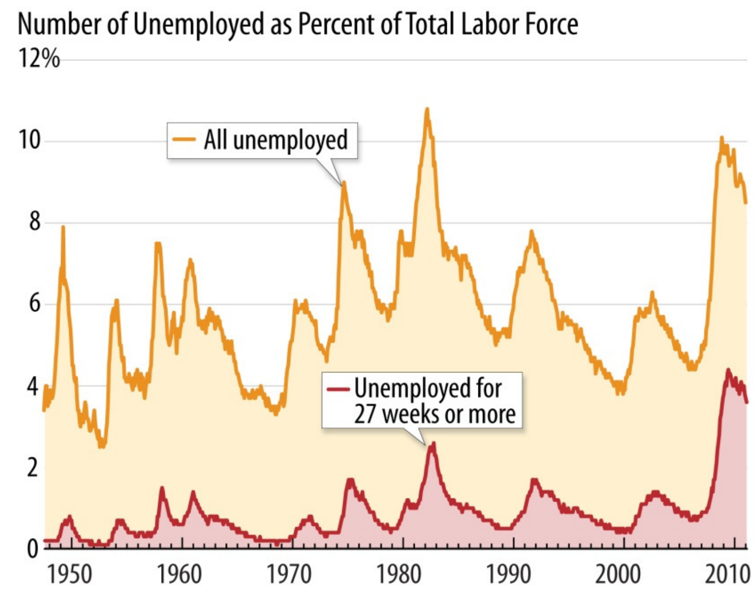
  - *The number of people eligible for SNAP increased.* Poverty increased substantially, from 12.5 percent in 2007 to 14.3 percent in 2009 and 15.1 percent in 2010, allowing more households to qualify for help from the program. In addition, many unemployed childless adults — who typically face a three-month time limit on SNAP benefits — became eligible during and after the recession because states can waive the limit during periods of high unemployment and because the Recovery Act suspended the time limit temporarily in 2009 and 2010.

  - *Participation among eligible households also increased.* The U.S. Department of Agriculture (USDA) estimates that the SNAP participation rate rose from 65 percent in 2007 to

72 percent in 2009, the most recent year available, accounting for about one-quarter of the increase in the number of SNAP participants over this period. Households that already were poor became poorer during the recession, making them more likely to seek assistance. In addition, states continued efforts begun before the recession to reach more eligible households, particularly working families and senior citizens, by simplifying SNAP policies and procedures.

- **Long-term unemployment has played an important role in increasing caseloads.** The record-setting SNAP participation levels are consistent with the extraordinarily deep and prolonged nature of the recession and the weak, lagging recovery. Long-term unemployment reached its highest levels on record in 2010 and has remained at these unprecedented levels ever since. (See Figure 2.) Today, 43 percent of all unemployed workers have been out of work for more than half a year; the previous post-World War II high was 26 percent in 1983.

Figure 2
**Long-Term Unemployment at Unprecedented Levels**




Source: Bureau of Labor Statistics

  - Workers who are unemployed for a long period are more likely to deplete their assets, exhaust unemployment insurance, and turn to SNAP for help, as it is one of the only safety net programs available for many long-term unemployed workers. Other safety net programs, such as cash assistance under the Temporary Assistance for Needy Families (TANF) and state General Assistance programs have, in most states, not been responsive to rising need during the recession.[1]

  - The Joint Economic Committee recently reported that more than one in five workers who had been unemployed for over six months received SNAP in 2010.

- **The Recovery Act's increase in SNAP benefits has eased hardship and boosted the economy.** SNAP has not only expanded dramatically to meet rising need during the recession, but has also delivered more than $26 billion (between April 2009 and September 2011) in additional SNAP benefits under the Recovery Act. The Recovery Act provided a temporary,

[1] See Liz Schott and Clare Chu, "General Assistance Programs: Safety Net Weakening Despite Increased Need," Center on Budget and Policy Priorities, November 11, 2011 and LaDonna Pavetti and Liz Schott, "TANF's Inadequate Response to Recession Highlights Weakness of Block Grant Structure," Center on Budget and Policy Priorities, July 14, 2011.

13.6 percent boost in the maximum SNAP benefit beginning in federal fiscal year 2009. Congress enacted this provision as a fast and effective economic stimulus measure to help push against the rising tide of hardship for low-income Americans. The increase is phasing down and is scheduled to end entirely on October 31, 2013.

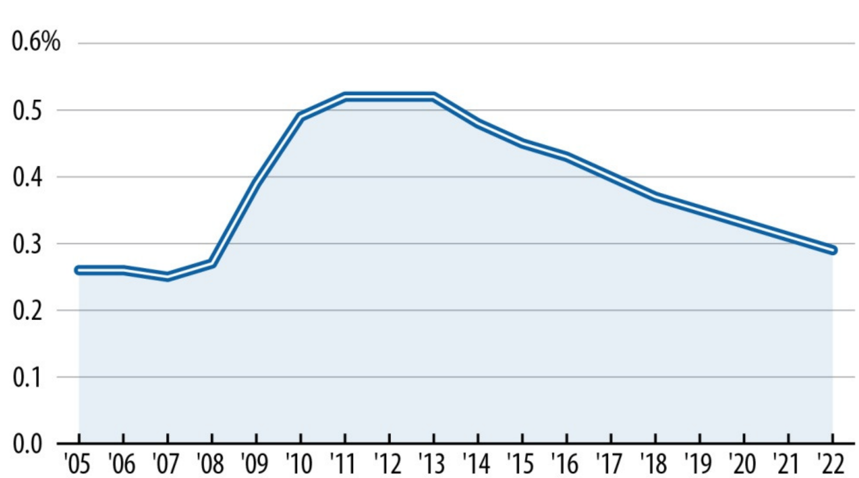
Economists consider SNAP one of the most effective forms of economic stimulus. Moody's Analytics estimates that in a weak economy, every dollar increase in SNAP benefits generates $1.71 in economic activity. Similarly, CBO rated an increase in SNAP benefits as one of the two most cost-effective of all spending and tax options it examined for boosting growth and jobs in a weak economy.

According to theNational Academy of Science poverty measures, which count SNAP as income, SNAP kept about 4 million people out of poverty in 2010 and lessened the severity of poverty for millions of others.[2]

- **SNAP is not contributing to the nation's long-term fiscal problems.** While SNAP spending has risen considerably since the recession hit, the increases are expected to be temporary. CBO predicts that SNAP enrollment will fall in coming years as the economy recovers. By 2022, SNAP spending will return nearly to pre-recession levels as a share of GDP. (See Figure 3.)

Figure 3

**CBO Projects SNAP Will Shrink as Share of GDP**




Source: Congressional Budget Office, January 2012 outlay and economic forecast.

Once the economy has fully recovered, SNAP costs are expected to rise only in response to growth in the size of the low-income population and increases in food prices. Unlike health care programs and Social Security, there are no demographic or programmatic pressures that will cause SNAP costs to grow faster than the overall economy. Thus, SNAP is not contributing to the nation's long-term fiscal problems.

[2] Kathleen Short, "The Research Supplemental Poverty Measure: 2010," U.S. Census Bureau, November 2011.

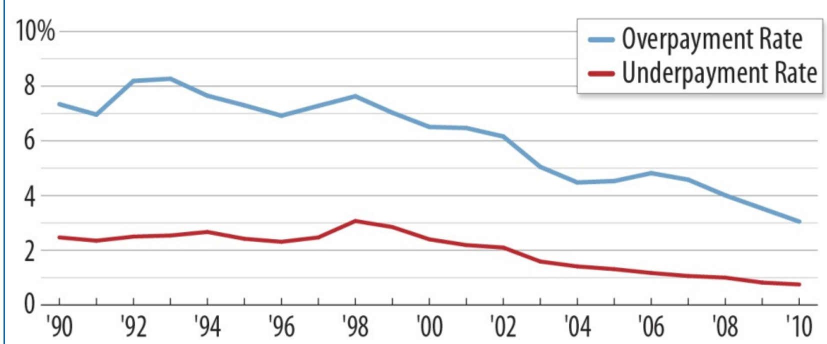
## SNAP Payment Error Rates at All-Time Lows

SNAP has one of the most rigorous payment error measurement systems of any public benefit program. Each year states pull a representative sample (totaling about 50,000 cases nationally) and thoroughly review the accuracy of their eligibility and benefit decisions. Federal officials re-review a subsample of the cases to ensure accuracy in the error rates. States are subject to fiscal penalties if their error rates are persistently higher than the national average.

Figure 4

**SNAP Error Rates Declining**

Fiscal Years 1990-2010




Source: Quality Control Branch, U.S. Food and Nutrition Service

Despite the recent rapid caseload growth, USDA reports that states achieved a record-low SNAP error rate in fiscal year 2010 (see Figure 4.) Only 3 percent of all SNAP benefits represented overpayments, meaning they either went to ineligible households or went to eligible households but in excessive amounts, and *more than 98 percent* of SNAP benefits were issued to eligible households.

In addition, the *combined* error rate — that is, the sum of overpayments and underpayments (see box) reached an all-time low in 2010 of just 3.81 percent. Prior to enactment of major reforms in the 2002 Farm Bill, states with combined error rates below 6 percent qualified for a bonus payment or enhanced funding in recognition of their exemplary performance; the average state has exceeded this standard for seven years running.

In comparison, the Internal Revenue Service (IRS) estimates a tax noncompliance rate of 16.9 percent in 2006 (the most recently studied year.) This represents $385 billion lost to the federal government in one year. Underreporting of business income alone cost the federal government $122 billion in 2006, and small businesses report less than half of their income.

## Efforts to Curb Other SNAP Abuses Are Extensive and Effective

USDA has cut "trafficking" — the sale of SNAP benefits for cash, which violates federal law — by three-quarters over the past 15 years. USDA has also permanently disqualified thousands of retail stores from the program for not following federal requirements. In fiscal year 2011, USDA convicted 179 retailers and recovered $26.5 million in fraudulent transactions. When cases of SNAP fraud are reported in the news, it is because the offenders have been *caught,* evidence that states and

USDA are aggressively combating fraud.

In addition, SNAP now comes in the form of an electronic debit card — like the ATM cards that most Americans carry in their wallets — which recipients can use in the supermarket checkout line *only* to purchase food. This has been a key tool to reduce trafficking. Sophisticated computer programs monitor SNAP transactions for patterns that may suggest abuse. Federal and state law enforcement agencies are then alerted and investigate. Retailers or SNAP recipients who defraud SNAP by trading their benefit cards for money or misrepresenting their circumstances face tough criminal penalties.

### Combined Error Rate Does Not Represent Excessive Federal Spending or Fraud

Some critics have attempted to portray SNAP's combined error rate as a measure of excessive federal SNAP expenditures due to errors. This is incorrect: the combined error rate includes both overpayments, which cost the federal government money, and underpayments, which "represent unintentional financial savings to the federal government," as the Government Accountability Office has noted.

- The overpayment error rate counts benefits issued to ineligible households or issued to eligible households in excess of what federal rules provide. The underpayment error rate measures errors in which eligible, participating households received smaller benefits than SNAP rules direct. The combined payment error rate is the *sum, not the net,* of the overpayment and underpayment error rates.

  In 2010, for example, the overpayment error rate was 3.05 percent and the underpayment rate was 0.75 percent. The combined error rate was thus 3.81 percent. But the *net loss* to the federal government from errors was only 2.3 percent.

- It is important to note that overpayments count toward a state's error rate *even when the state recoups the overpaid benefits from households*. In fiscal year 2010, states collected about $290 million in overissued benefits.

- Relatively few SNAP errors represent dishonesty or fraud by recipients. The overwhelming majority result from honest mistakes by recipients, eligibility workers, data entry clerks, or computer programmers. In recent years, states have reported that almost 60 percent of the dollar value of overpayments and more than 90 percent of the dollar value of underpayments were their fault, rather than recipients' fault. Much of the rest of overpayments resulted from innocent errors by households facing a program with complex rules.

- States and USDA also measure error rates for cases in which states denied or terminated benefits. (The underpayment error rate includes only cases where states gave some benefits, but not as much as the household should have received under program rules. It does not include actions that completely denied SNAP to eligible low-income households.) Nationally, in 8 percent of the instances in which households were denied or terminated from SNAP, the action was found to be in error. Since USDA does not calculate the amount of benefits that these improperly denied households would have received, this "negative error rate" is not directly comparable to the overpayment and underpayment error rates. Nonetheless, improper denials and terminations, like underpayments, result in significant (if unintended) savings to the program. In fact, the combined savings from underpayments and improper denials may actually exceed the loss resulting from overpayments of benefits.

## Conclusion

In recent years SNAP has succeeded in providing timely food assistance to eligible low-income households while maintaining strong program integrity and payment accuracy.

There nonetheless is room for improvement, both in reaching eligible households and in combating illegal activities on the part of retailers and households. States and USDA are working together to develop policies and procedures that will strengthen program integrity without making it more difficult for eligible households to participate.

For example, Utah has developed a tool that helps eligibility workers conduct data matches across a wide range of state and federal databases (such as Motor Vehicles, State Vital Statistics, Social Security Administration, Child Support, Unemployment Insurance, state tax records, consumer credit checks, and other commercial databases). These databases help states verify the income (and other eligibility factors) that the household reports and detect instances where households may not have reported accurately. Prior to the change, eligibility workers needed to query each database separately, which could involve separate links, user names, and passwords for each match. The new software, known as "eFind," pools all the matches together for the worker within seconds, reducing processing delays and facilitating cross-program sharing of information — as well as facilitating detection of fraud and errors. Because the state used federal funds to develop the tool, Utah has made it available as "shareware" to other states free of charge.

States and the federal government are developing similar improvements to implement the health care reform law. States and the Administration should look for ways to leverage improvements in health insurance eligibility systems for other programs, such as SNAP.