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## **DO BUDGET DATA SHOW THAT THE FOOD STAMP PROGRAM HAS BEEN TREATED MORE FAVORABLY THAN FARM PROGRAMS IN RECENT YEARS?**

By Dorothy Rosenbaum and Robert Greenstein

Since enactment of the 2002 farm bill, expenditures for farm programs have declined while food stamp expenditures have grown. Some farm-program advocates have cited these figures as evidence that the Food Stamp Program has been treated more favorably than farm programs and that farm programs therefore are the ones that deserve more favorable treatment when the 2007 farm bill is written. However, analysis of the recent Congressional treatment of these programs and of what the budget numbers related to these programs actually signify shows that these arguments are based on misuse or misunderstanding of the data.

That farm program costs have declined recently while food stamp expenditures have increased does *not* mean farm programs have been cut significantly or that the Food Stamp Program has been treated more favorably than farm programs. Neither of those developments has, in fact, occurred. To the contrary, over the past dozen years, it is the Food Stamp Program that has been cut substantially while farm programs escaped significant reductions.<sup>1</sup>

The Food Stamp Program and the commodity price support programs are both designed to respond automatically to economic circumstances. Food stamp expenditures increase during and after recessions when more people are poor and are having trouble making ends meet, and decrease when a strong economy results in low-income workers doing better. Farm price support payments increase to bolster farm income when farm prices sink to low levels, and decrease when farm prices are higher.

The fact that federal farm-price payments to farmers currently are relatively low, and are projected to remain relatively low in the years ahead, reflects the strength of the farm economy — and in particular, the fact that many crop prices are at or near all-time highs. Robust prices for agricultural commodities greatly reduce spending for farm price supports.

By contrast, food stamp costs have risen in the past few years because the need for food stamps has increased. The number of Americans living in poverty climbed for four straight years from 2001

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<sup>1</sup> The 1996 farm bill included cuts to farm programs, but as is discussed below, Congress provided “emergency” funding in subsequent years that largely reversed the effect of the cuts.

through 2004 and failed to decline in 2005, the latest year for which these data are available. In addition, the wages of low-wage workers have stagnated in this decade even as costs for housing, gasoline, and heating fuel have climbed, squeezing poor families' budgets. These developments have increased the number of Americans who are eligible for food stamps and the benefit amounts for which they qualify.

The budget trends for these programs since 2002 thus do not provide an appropriate basis for concluding that farm price support programs need more resources but the Food Stamp Program does not. No supporter of farm price supports would argue that the higher spending that would come from a fall in farm prices would justify cutting farm programs; the same logic applies to the Food Stamp Program.

Furthermore, food stamp benefits are quite low — they average about \$1 per person per meal — and the benefit levels for which most working-poor families qualify are *eroding in value with each passing year*. This is a result of deep food stamp cuts enacted in 1996, the majority of which remain in effect and push the value of food stamp benefits down further each year for most households. In contrast, although major reductions in farm price support payments were enacted in 1996, those cuts were almost entirely reversed.

## **Why Food Stamp Expenditures Have Risen Since 2002**

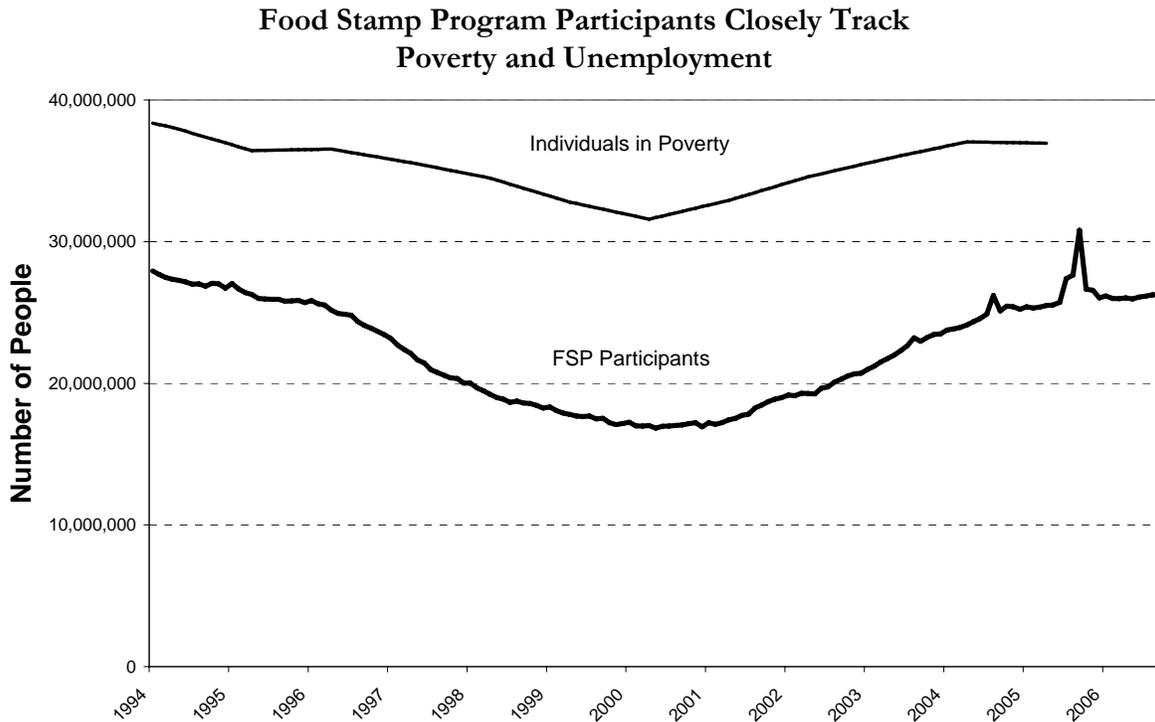
Some farm-state policymakers have argued that when Congress writes a new farm bill this year, no improvements in food stamps are needed because food stamp expenditures have increased since 2002 and have exceeded CBO projections. Improvements should be focused on other parts of the farm bill, the argument goes.

This argument is made without examination of the *causes* of the recent growth in food stamp participation and costs. Such an examination is essential to any meaningful discussion of these matters. The factors that resulted in an increase in food stamp expenditures since 2002 are as follows:

- **The current economic recovery has bypassed many low-income Americans.** Food stamp participation closely tracks changes in the number of Americans living in poverty (see Figure 1), and more than five years after the end of the 2001 recession, poverty remains high. As noted, poverty increased for four straight years through 2004 and failed to decline in 2005.

In addition, real wages (i.e., wages adjusted for inflation) for low-wage workers have been largely stagnant. In 2006, wages at the bottom of the wage scale (measured as the wages earned by workers at the tenth percentile of the wage distribution) were *below* 2001 levels, after adjusting for inflation. At the same time, the expenses that low-income households face for various necessities, particularly rent, heating fuel, and gasoline, have increased faster than general inflation. As a result, the income that many low-income households have available for food has declined relative to what they need just to keep pace with increases in the price of food. Not surprisingly, food insecurity rose every year from 2000 through 2004, before falling modestly in 2005. These factors make more households eligible for food stamps and increase the benefit amounts for which some households qualify.

FIGURE 1



Note: Recent spikes in food stamp participation resulted from USDA and states operating disaster food stamp programs following recent years' hurricanes.

- **Participation in the Food Stamp Program declined precipitously in the years *before* the 2002 farm bill, a development Congress and the Bush Administration sought to reverse in that legislation. The proportion of eligible households that receive food stamps has rebounded since 2002, but this increase merely represents a recovery of lost ground.** Food stamp participation plummeted between the mid-1990s and 2001; one of the reasons was that the percentage of eligible households that received food stamps fell sharply, especially among families with children, including working families. Congress and the Bush Administration sought to reverse this trend in 2002, and USDA data show they achieved some success. The percentage of eligible people who receive food stamps has returned to about 60 percent, and the percentage of eligible *working* families receiving stamps has returned to about 50 percent. (These data are for 2004, the latest year for which such data are available.) Even so, national food stamp participation remains below 1994 levels, and 40 percent of those who are eligible remain unserved.
- **Congress also acted in 2002 to ameliorate some of the deep cuts in food stamp eligibility it had made in 1996, a step that caused somewhat more people to become eligible for food stamps. But many of eligibility cuts enacted in 1996 remain in place, and food stamp eligibility rules remain far more restrictive than they were before 1996.** On a bipartisan basis and with strong support from the Bush Administration, food stamp eligibility was restored in 2002 to some legal immigrants, particularly children. At the same time, a

significant numbers of legal immigrants (such as working-poor parents) and other poor households disqualified by the 1996 legislation remain ineligible. (Congress also gave states an option in 2000 to stop disqualifying low-income households simply because they own a reliable car.)

- **The Food Stamp Program provided temporary assistance to hurricane victims.** Hurricanes Katrina, Rita, and Wilma had a substantial impact on food stamp costs and participation. Nearly two million additional households received temporary help from the Food Stamp Program in the wake of the hurricanes. Some hurricane victims who remain displaced and in poverty continue to rely on the program.

It may be noted that fraud and misadministration are *not* a contributing factor to increased Food Stamp Program expenditures, even in small part. Program integrity has improved dramatically in recent years. Food Stamp error rates now are at an all-time low.

### **What the Current CBO Projections Show**

CBO issued new food stamp projections in early March. These new projections show:

- **Growth in food stamp participation has leveled off and is expected to decline in the years ahead.** As seen in Figure 1, except for a spike in participation because of the hurricanes, recent food stamp participation increases have largely tracked increases in poverty, and participation has leveled off in the past two years. Both CBO and the Office of Management and Budget project that the number of people who receive food stamps will *decline* between 2007 and 2012.
- **Food price inflation accounts for virtually all of the expenditure growth that CBO projects for the next five years.** Food stamp benefits are based on the cost of a USDA market basket of food, known as the Thrifty Food Plan. The cost of the Thrifty Food Plan rises from year to year with food prices. Virtually all of the growth that CBO projects in food stamp costs over the next five years is the result of projected increases in food prices. CBO projects very little growth in costs other than that caused by food price inflation.

### **Need for Investment in Food Stamps**

Due to several factors, the need for investment to strengthen the Food Stamp Program remains considerable.

- **The Food Stamp Program still misses a large share of the needy, eligible households.** About 60 percent of eligible individuals participate in food stamps; the other 40 percent do not. Of particular concern, only about 50 percent of eligible low-income working families, and fewer than 30 percent of eligible low-income seniors, participate. Millions of people in working-poor families and many of the elderly poor are missing out on nutrition assistance that could help them obtain a modest, but nutritionally adequate, diet.

- **The low food stamp benefit level results in many people running out of food before the end of the month.** Food stamp benefits average just over \$1 per person per meal, and the purchasing power of most households' food stamp benefits erodes further each year due to the ongoing effects of across-the-board benefit cuts enacted in 1996.<sup>2</sup> In 2008, food stamp benefits for a typical working food stamp parent with two children will be more than \$450 a year lower than they would have been without the across-the-board benefit cuts of the 1996 law. This represents about one-and-a-half months worth of food stamp benefits for such a family.
- **Some needy low-income Americans are kept outside the Food Stamp Program.** Also as a result of the 1996 law, some legal immigrants such as working-poor parents, and some very poor adults who do not have children, are no longer eligible for food stamps. In addition, the Food Stamp Program's outmoded asset rules have restricted program eligibility for many low-income families with very modest savings. The food stamp asset limit — \$2,000 for most households (\$3,000 for households with an elderly or disabled member) — has been frozen for 21 years without any adjustment for inflation.

## **History Shows Farm Programs Have Fared Better than Food Stamps**

**The Food Stamp Program has been cut much more sharply than farm programs over the past dozen years.** In 1996, the Food Stamp Program was cut by almost \$28 billion over six years, according to Congressional Budget Office estimates, with the reductions reaching 20 percent by the sixth year. A large portion of these cuts came from across-the-board benefit reductions that remain in effect and, as noted, are deepening with each passing year. Food stamp eligibility also was severely curtailed for legal immigrants and unemployed childless adults. Since 1996, Congress has enacted several pieces of legislation that have moderated some of the food stamp cuts, but about two-thirds of the cuts enacted in 1996 remain in effect.

In contrast, consider what happened to the 1996 Farm Bill, known as the Freedom to Farm Act. When it was enacted, that Act was estimated to decrease federal farm price support spending by \$2 billion over seven years; CBO estimated it would increase spending almost \$5 billion in the first two years and then decrease spending almost \$7 billion from 1998 through 2002. The savings never materialized, however; Congress subsequently approved more than \$20 billion in additional spending in “emergency” legislation to address perceived problems in the 1996 Farm Bill and to reverse the bill's cuts in farm programs, as the high prices of 1995 and 1996 gave way to lower prices, especially by 1998.

For the 2002 farm bill, the budget resolution allocated funds to the Agriculture Committees, which allowed the Committees to make improvements to many programs under their jurisdiction. Food stamp improvements were included, but the vast burden of the additional funds went to farm programs, as discussed below.

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<sup>2</sup> The fact that food stamp benefits now purchase less food is a legacy of two provisions of the 1996 welfare law: a three percent cut to the maximum benefit level (which resulted in a reduction of more than three percent for most households) and a freeze in the food stamp standard deduction, which no longer keeps pace with the costs of other necessities that poor households incur. Due to the freeze in the standard deduction, which affects most food stamp households, the amount of food that poor households can purchase is continuing to decline each year.

To be sure, as part of the 2005 reconciliation process, the Agriculture Committees did achieve a net reduction of \$3.5 billion over ten years in programs within their jurisdiction, and food stamps were spared from those cuts. However, most agriculture analysts do not regard these as cuts to the core commodity support programs. A large share of the savings came from a timing shift rather than actual cuts — i.e., from a reduction in advance direct payments for certain commodities, which CBO characterized as “not eliminat[ing] any such payments, but [shifting] payments from 2007 to 2008, followed by similar shifts in payments for future years....”<sup>3</sup> Conservation programs were cut by \$1.4 billion over 10 years, and some savings also were obtained in agriculture research, rural development, and energy programs. Among traditional farm programs, only the assistance to cotton producers, known as “Step 2” payments, was reduced, for savings of about \$500 million over 10 years. The MILC program was extended, at a cost of almost \$1 billion.

**When adding funds, the Agriculture Committees have favored farm programs, not food stamps.** In 1998, Congress enacted the Agricultural Research, Extension, and Education Reform Act, which expanded agricultural research programs and made changes to crop insurance programs. That legislation contained measures to reduce expenditures in the Food Stamp Program, with much of the resulting savings being used to finance agricultural program expansions. (A portion of the food stamp savings was used to moderate a food stamp cut enacted in 1996.) According to CBO, Food Stamp Program expenditures were reduced *by a net of \$2.4 billion* over ten years while certain agricultural programs were expanded.

As noted above, Congress also passed \$20 billion in “emergency” farm legislation between the 1996 and 2002 Farm Bills. This process reached its culmination with passage of the 2002 farm bill, itself. That legislation increased projected expenditures for programs under the jurisdiction of the Agriculture Committees. The Food Stamp Program received nine percent of the increases in the 2002 farm bill. The commodity title received 70 percent.

## Conclusion

It is true that food stamp spending has increased more than was anticipated at the time the 2002 Farm Bill was enacted and that spending on farm price supports has declined. Examination of the causes of these spending patterns, however, reveals that they have been driven by *increases* in the need for food stamps over the last five years due to increased poverty and stagnant wages, and by *decreases* in the need for commodity price supports because of the strong farm economy and high commodity prices.

The budget trends for these programs since 2002 do not provide an appropriate basis for concluding that farm price support programs need more resources while the Food Stamp Program does not. The need for investments in the Food Stamp Program remains high: two-thirds of the deep food stamp cuts from the 1996 welfare law remain in effect, and they are causing food stamp benefits to continue to erode. In addition, food stamp benefit levels are only about \$1 per person per meal, and the program reaches only 60 percent of those who qualify for assistance.

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<sup>3</sup> See *Congressional Budget Office Cost Estimate of S. 1932, Deficit Reduction Act of 2005*, p. 5, available at <http://www.cbo.gov/ftpdocs/70xx/doc7028/s1932conf.pdf>