

---

January 26, 2008

## DISPELLING CONFUSION ON FOOD STAMPS, TAX REBATES, AND THE STIMULUS PACKAGE

### Speaker's Statement on Food Stamps at National Press Club Was Mistaken

House Speaker Nancy Pelosi made tough choices in the stimulus package, securing a tax rebate that includes most low-income working families while dropping provisions for temporary increases in unemployment and food stamp benefits. Unfortunately, in defending those choices at the National Press Club on Friday, she mistakenly provided an inaccurate description of the food stamp provision that was dropped.

The Speaker said: "What was bandied about was a 10 percent increase in food stamps. Do you know what that translates into for a person on food stamps? Ten cents a day. Ten cents a day. I thought it was more important to put a check for \$1,000 in the hands of the mom in that family."<sup>1</sup>

These food stamp figures, however, are not correct. For a mother and two children — such as a mother working at the minimum wage — the 10 percent food stamp increase under discussion would have provided an increase of \$352 to \$396 in food stamps. The 10 percent increase would have provided families of three with \$44 more per month in food stamps (an increase of well over \$1 a day), and this increase would have been in effect from April or May through December (i.e., for eight or nine months).

(The Speaker's mistake was understandable; food stamp benefits are sometimes described as averaging \$1 per person per meal, and 10 percent of \$1 is 10 cents. But the \$1 figure refers to the level of food stamp benefits per person *per meal*, not per person per day. In addition, the proposal that was under discussion would increase the *maximum* food stamp benefit by 10 percent, which translates into an increase of about 15 percent in the *average* benefit.)

This \$350-\$400 increase would be a useful complement to the \$900 rebate that this mother would receive from the tax rebate — especially since her rebate would be *several hundred dollars smaller* than the rebates that would go to families at higher income levels.

---

<sup>1</sup> David M. Herszenhorn, "Congress Moving for Swift Passage of Stimulus," *New York Times*, Jan. 26, 2008.

The food stamp provision also would serve as a useful complement to the tax rebates in other ways. As Congressional Budget Office Director Peter Orszag has explained, the food stamp and unemployment insurance provisions under consideration would inject stimulus into the economy considerably faster than the tax rebates or other options under consideration. The increased food stamp and UI benefits could begin reaching people in 60 days; in some states, the food stamp increase could begin reaching people in 30 days. In contrast, the first tax rebate checks would not reach anyone until late May, and many families would not receive the rebates until July or even August.

In fact, the food stamp and UI provisions are the only provisions that CBO has found to be *both* highly effective as stimulus *and* fast-acting. If one of the goals of the stimulus package is to act quickly to avert a serious recession, then provisions that are both effective and fast acting ought be accorded some priority. For these reasons, Goldman Sachs counseled on Friday that the food stamp and UI provisions have “strong policy justifications.”<sup>2</sup> In addition, an analysis issued last week by Moody’s Economy.com finds that the food stamp and UI proposals would be the two most cost-effective of all stimulus options — that is, these are the measures that would produce the largest increases in economic activity per dollar of cost.

The food stamp provision would complement the tax rebate in another significant way as well. Low- and moderate-income elderly and disabled individuals and couples would not receive the rebate. (People with modest incomes could qualify only if they have at least \$3000 in *earnings*.) About 2 million low-income elderly individuals who live on meager fixed incomes and would be left out of the rebate would receive the food stamp increase, were it to be included in the final package.

---

<sup>2</sup> Goldman Sachs, “Refilling the Punch Bowl: The Prospects for Fiscal Stimulus,” Jan. 25, 2008.