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## THE FOOD STAMP PROGRAM

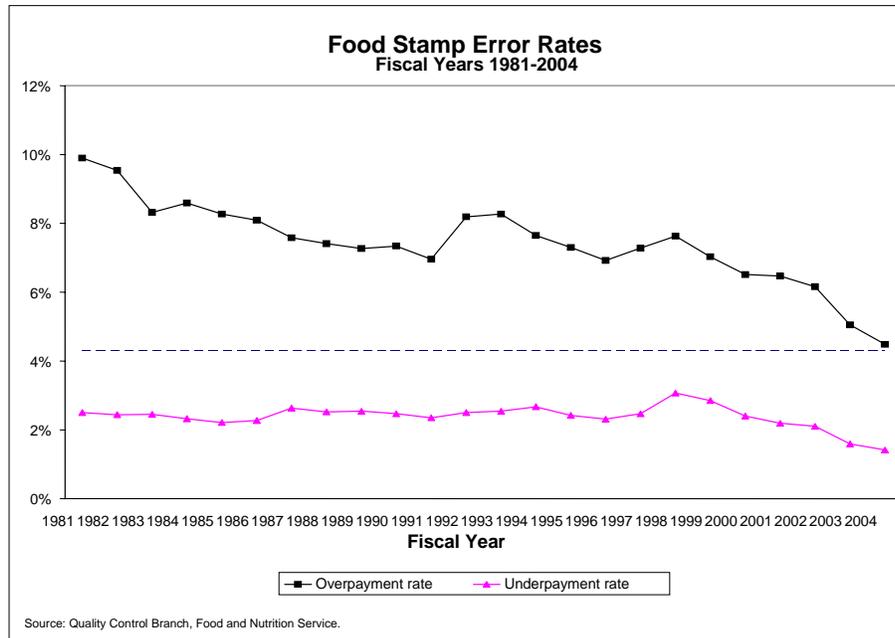
### Working Smarter for Working Families

by Dorothy Rosenbaum and David Super

The Food Stamp Program has been streamlined and modernized and carries new protections against fraud. For many families, food stamps are a work support that provides a bridge from welfare and poverty to work and self-sufficiency. Food stamps also are a vital part of America's response to economic slowdowns.

#### Food Stamps — Effective and Efficient

- The Food Stamp Program isn't what it used to be. In fact, food stamps aren't even *stamps* anymore. Food stamps now come in the form of an electronic debit card — like the ATM cards most Americans carry in their wallets.
- The food stamp debit cards are used in the supermarket checkout line *only* to purchase food. This has been a key tool to reduce food stamp fraud.
- Over *ninety-eight* percent of food stamp benefits are issued to eligible persons — like low-income families, senior citizens, and people with disabilities.
- The Food Stamp Program has a very sophisticated system for monitoring whether people who get food stamps are eligible and have gotten the proper amount. In fact, food stamp overpayment and underpayment error rates have fallen for *seven* consecutive years, consistently setting new all-time lows.
- Overpayments are counted in a state's error rate *whether or not the overpaid benefits are collected back from households*. In fiscal year 2002, states collected over \$200 million in overissued benefits. New collection techniques, such as intercepting wage earners' income tax refunds, are expected to increase collections further.
- Retailers or clients who defraud the Food Stamp Program by trading food stamps for money or misrepresenting their circumstances face tough criminal penalties.



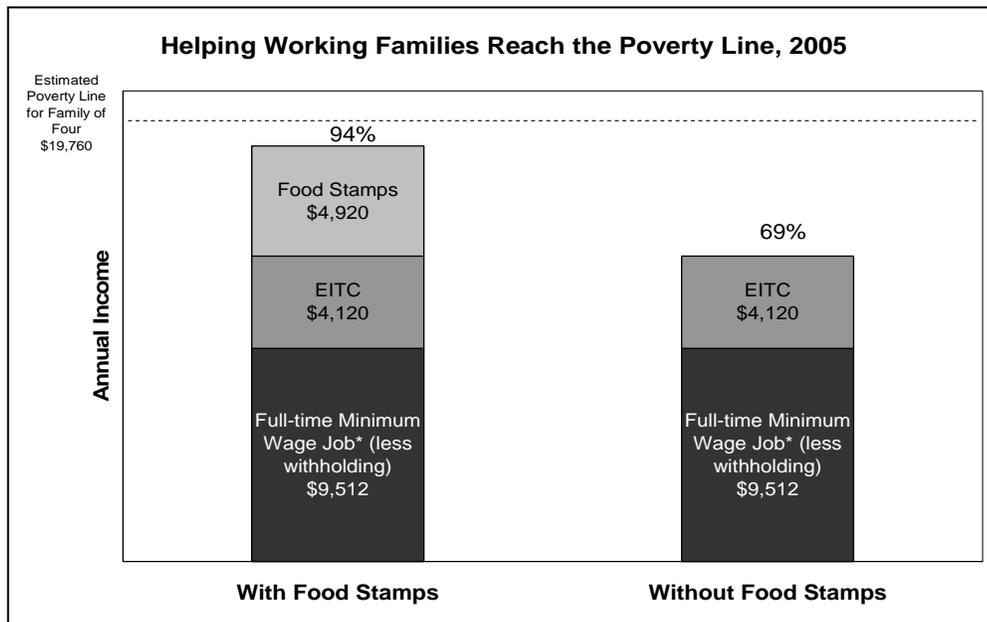
- The Food Stamp Program is efficiently targeted to reach the people that have the most difficulty affording an adequate diet: over 95 percent of food stamp benefits go to households with income below the federal poverty level. Virtually all of the remainder goes to the elderly and people with disabilities.

## Food Stamps — Support Work and Welfare Reform

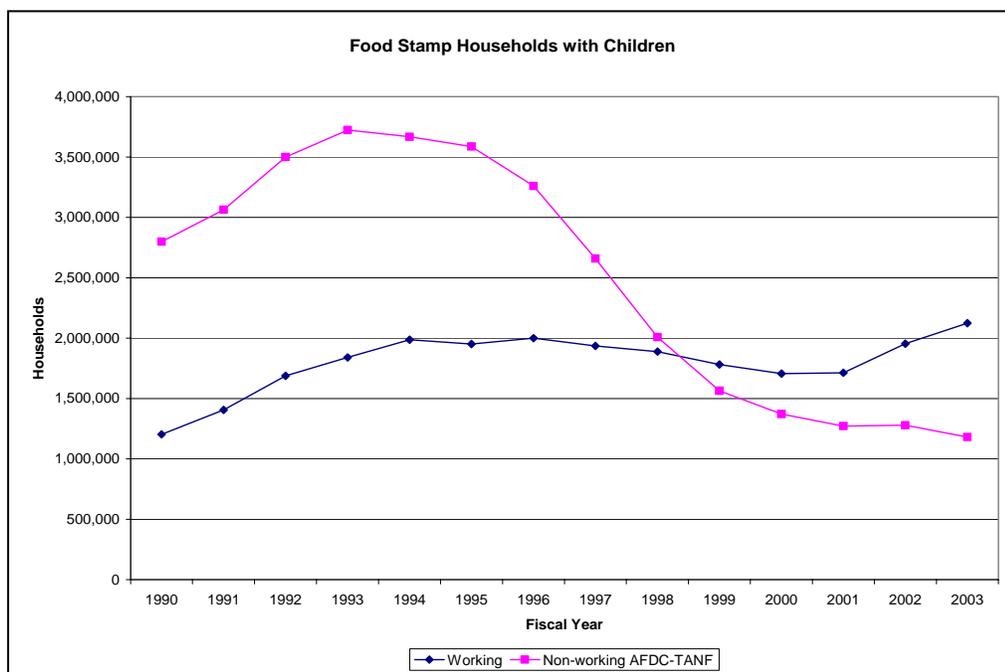
- **Food stamps help low-wage workers make ends meet.** Food stamps provide ongoing help to many low-wage workers who lack the skills and job opportunities to allow them to make ends meet without food stamps. Leaders from across the political spectrum have agreed that a family supported by a full-time, year-round minimum wage worker should not have to live in poverty. Food stamps are essential to coming close to meeting this goal. The annual earnings of a full-time minimum wage worker bring the take-home pay of a family of four to just under *half* the poverty line. Even with the earned income tax credit (EITC), the family will still be at only about 70 percent of the poverty line. Only if the family also receives food stamps can it approach the poverty line.

Moreover, unlike the EITC, which typically comes as a single lump-sum refund, food stamps come to families throughout the year and thus are available to help them meet their monthly expenses.

- **Food stamps help TANF “leavers.”** Food stamps help ensure that families are financially better off working than on welfare. Studies of families leaving TANF for employment have found that many work close to full time at very low wages. A typical welfare leaver (working 35 hours per week at \$6.50 per hour) is eligible for about \$200 a month in food stamps for a family of three. This can make the difference between independence and returning to welfare.



- More food stamp families work than receive TANF.** Food stamp program data indicate that the number of households with children that are working is on the rise and exceeds the number that receive TANF-funded cash assistance. Among food stamp families with children that included an able-bodied, non-elderly adult, some 43 percent had earnings in any given month in 2003 (a year when long-term unemployment was still high following the 2001 recession). Many of the others either have recently lost a job or are about to start a new job.
- Work effort among food stamp recipients is high.** Over half of all food stamp recipients are children and another quarter are elderly or disabled. Among the remaining quarter of food stamp recipients — those who could reasonably be expected to work — close to half were



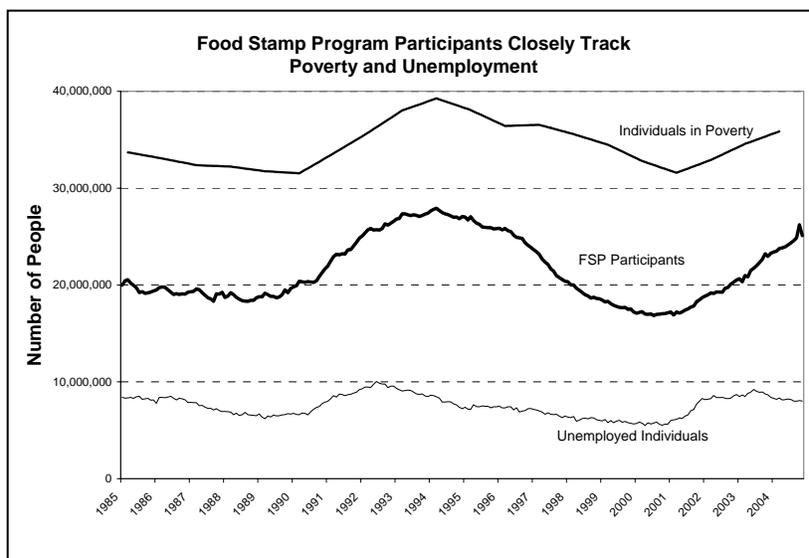
working in 2002. Most of those who were not working were participating in the Food Stamp Employment and Training program or were subject to work requirements in another program, usually TANF. Only 5 percent of all food stamp recipients were neither working nor subject to a work requirement. Almost half of that group were caring for a young child. In addition, because these data are based on a “snapshot” of the food stamp caseload in a typical month, it cannot tell us who just recently lost a job or who is about to start a job or training program in the near future.

- **The Food Stamp Program helps “make work pay.”** For every additional dollar a food stamp recipient earns, her or his benefits decline by just 24 to 36 cents. Families that receive food stamps thus have strong incentives to work longer hours or to search for better-paying employment because they will be better off. Most other programs, including states’ TANF cash assistance programs, reduce benefits by a larger amount when earnings rise. When states do have more generous disregards for earnings, these disregards are usually temporary, lasting for only a limited number of months. Low-wage working families can receive food stamps as an ongoing work support. In addition, households remain eligible for food stamps until their income reaches 130 percent of the poverty line, so modest earnings will not disqualify a household.
- **The Food Stamp Program supports TANF work requirements.** States are prohibited from increasing food stamp benefits when a household’s income drops due to a TANF sanction. In addition, the 1996 welfare law granted states new authority to sanction food stamp recipients who are expected to work and do not comply with states’ TANF rules.
- **The Food Stamp Program has its own work requirements.** States have broad authority to require food stamp recipients to look for work, to work off their benefits through workfare programs, to attend job skills classes, or to engage in other employment and training activities. Only a few groups are exempt from these requirements, such as parents caring for small children and persons with disabilities.
- **The Food Stamp Program’s service to working families has improved.** USDA research has found that the Food Stamp Program serves *only about half* of eligible low-income working families. In recent years, Congress, states, advocates, and the Administration have made it a top priority to retool the program to reach more low-income working families. The food stamp provisions of the 2002 Farm Bill offered states an array of new options to simplify the program and make it more accessible to eligible working families. The new options also permit many states to better package child care, food stamps, and Medicaid to low-wage working families in streamlined form.
- **The Food Stamp Program promotes responsibility among noncustodial parents.** The program rewards poor noncustodial parents who pay child support by allowing them to deduct those payments before their food stamp benefits are calculated. In other words, a noncustodial father who pays child support for a child who does not live with him can deduct those payments because the child support payments are not available to purchase food for his current family. In addition, states may require food stamp recipients who are custodial or noncustodial parents to comply with child support enforcement.

## Food Stamps — Good for the Economy

- Food stamps — paired with unemployment insurance — are a vital part of America's front-line defense against recession. Food stamps let the families of laid-off workers who fall into poverty continue to afford food until they can get on their feet again. That helps protect the jobs of workers who produce, distribute, and sell food. Food stamps are effective economic stimulus. A USDA study finds that every \$5 of food stamps generate almost \$10 in total economic activity.<sup>1</sup>

- Food stamp participation closely follows the economic cycle. The number of people getting food stamps fell by over 40 percent in the late 1990s, largely because of the strong economy. When the economy again weakened, the Food Stamp Program was there — almost 8 million more people get food stamps now than did when the last recession began in early 2001.



- The net result is that over the past ten years, food stamp spending has grown at an average annual rate that is about the same as the rate of inflation. Between 1995 and 2005, food stamp spending grew at an average annual rate of 2.6 percent. Over that same period the rate of food price inflation (as measured by the Consumer Price Index) was 2.6 percent. The Congressional Budget Office (CBO) currently forecasts that over the next 10 years, from 2005 to 2015, the average annual growth rate in food stamp costs will be only about 2 percent a year, less than the projected rate of food price inflation.
- Even with the increases in food stamp participation since 2000, the Food Stamp Program has not contributed significantly to the return to deficit spending. Between 2000 and 2005, increases in food stamp spending accounted for less than 1 percent of the swing from surpluses to deficits that occurred over those years.<sup>2</sup>

<sup>1</sup> Hanson, Kenneth and Elise Golan, *Effects of Changes in Food Stamp Expenditures Across the U.S. Economy*, Food Assistance and Nutrition Research Report Number 26-6, August 2002.

<sup>2</sup> This calculation compares the change in food stamp spending over the 2000 to 2005 period as a share of the Gross Domestic Product (GDP) to the change in the surplus/deficits as a share of GDP over the same period. See CBPP: *Cuts to Low-income Programs May Far Exceed the Contribution of These Programs to Deficit's Return*, available at, <http://www.cbpp.org/2-4-05bud.pdf>.