



## The 2007 Farm Bill is an Opportunity to Stop the Erosion of Federal Food Stamp Benefits

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### OVERVIEW

One of the most important issues Congress will address in this year's Farm Bill is the future of the Food Stamp Program. Roughly 2.3 million Texans, and 26 million Americans overall, rely on Food Stamps to help them purchase a nutritionally adequate diet.

Unfortunately, Food Stamps are worth only about \$1.04 per meal for the average recipient. Moreover, because the benefits don't keep pace with the cost of living, the amount of food recipients can purchase is steadily declining. As a result, households are increasingly likely to run out of food before the end of the month, or are forced to purchase cheaper, less healthy food. This affects the health and productivity of Food Stamp recipients, as well as the ability of children on Food Stamps to succeed in school.

The inability to afford a healthy diet also increases the risk of obesity and diet-related illnesses among low-income Texans, which affects their quality of life and costs Texas taxpayers billions of dollars per year. The Texas Department of State Health Services projects that by 2040, annual overweight- and obesity-related costs could be as high as \$39 billion.<sup>1</sup> The Comptroller of Public Accounts estimates that obesity cost Texas businesses an estimated \$3.3 billion in 2005, and could cost employers \$15.8 billion annually by 2025 if the trend continues unchecked.<sup>2</sup>

When Congress reauthorizes the Food Stamp Program in the 2007 Farm Bill, it should increase the value of Food Stamp benefits with the goal of ensuring that low-income families have the ability to afford a healthy diet. At a minimum, Congress must stop the erosion in the value of Food Stamp benefits. This would improve the health of low-income Texans, reduce the state's cost of caring for people with diet-related illnesses, and provide a significant boost to the state's economy by increasing overall food purchases.

#### The Impact of Food Stamp Benefit Erosion on Texas

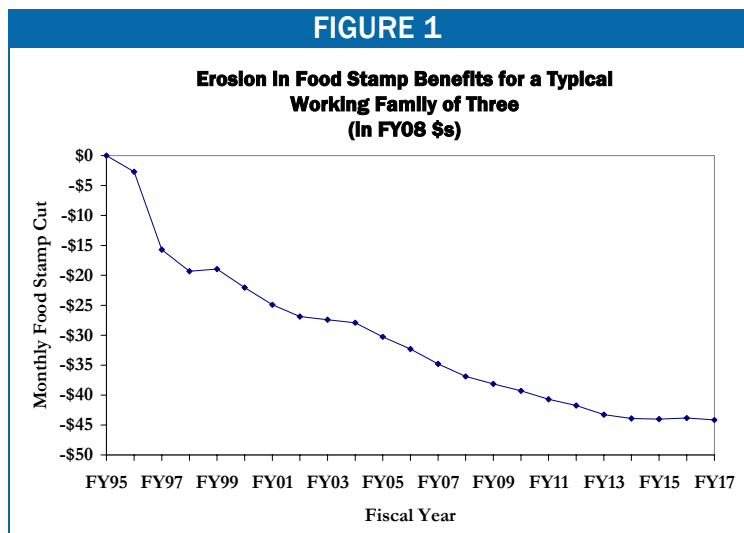
- In 2008, a typical working parent with two children will receive roughly \$450 less in Food Stamp benefits because of benefit cuts made in 1996.
- Food Stamps are worth only about \$1.04 per meal for the average recipient.
- When Food Stamp benefits run out, families must turn to less expensive and less healthy food, increasing their risk of diet-related illnesses. In 2001, Texas spent \$10.5 billion treating persons with obesity and obesity-related illnesses.
- The declining value of Food Stamps means that Texas will lose \$248.4 million in economic activity next year.

<sup>1</sup> Texas Department of State Health Services The Burden of Overweight and Obesity in Texas, 2000-2040. 2003.

<sup>2</sup> Texas Comptroller of Public Accounts, Special Report, "Counting Costs and Calories: Measuring the Cost of Obesity to Texas Employers," March 2007.

## BACKGROUND ON THE FOOD STAMP PROGRAM

The Food Stamp Program is nation's first line of defense against hunger and poor nutrition. The program is largely responsible for this country's significant progress against hunger and malnutrition in recent decades. In the late 1960s, medical research exposed the fact that American children suffered and died from diseases related to severe malnutrition, diseases that were believed to affect only children living in third-world countries. By 1979, physicians found that severe malnutrition had become rare. They attributed this dramatic improvement to the Food Stamp Program.<sup>3</sup>



Food Stamps generally go to households that include children, elderly people, or people with disabilities. Two-fifths of Food Stamp households are headed by a worker. Families must have income below 130% of the federal poverty level to qualify (\$1,799 per month for a family of three in 2007). The maximum benefit is \$408 per month for a family of three with no income, which works out to a little more than \$1 per meal.<sup>4</sup>

Food Stamps also help lift families out of poverty. When combined with the federal Earned Income Tax Credit, Food Stamps enable a family supported by a full-time, minimum-wage worker to reach the poverty line, helping the family make ends meet each month.

The *National Journal* recently listed the Food Stamp Program as one of government's top-10 successes, citing its high efficiency, low rate of fraud and error, and ability to help the victims of the 2005 hurricanes.<sup>5</sup> In Texas, more than 300,000 victims of Hurricanes Katrina and Rita received Food Stamps in the first week following the storms. The *National Journal* called the Food Stamp Program a "case study in effective government aid."<sup>6</sup>

## WHY FOOD STAMP BENEFITS ARE ERODING — AND HOW TEXAS IS AFFECTED

Food Stamp rules allow applicants to subtract a "standard deduction" from their income to reflect the cost of non-food necessities such as housing, clothes, transportation, and school supplies. The standard deduction represents the portion of household income that is not available to purchase food because it must be used for other basic expenses. Food Stamp benefit levels are based on a household's income minus the

<sup>3</sup> Testimony of Dr. Aaron Shirley, Project Director, Jackson-Hines Comprehensive Health Center, Jackson, Mississippi and Leslie Dunbar, Executive Director, Field Foundation, at "Hunger in America: Ten Years Later", Hearing before the United States Senate, Subcommittee on Nutrition of the Committee on Agriculture, Nutrition and Forestry, Monday April 30, 1979.

<sup>4</sup> For more information about the Food Stamp Program in Texas, see CPPP's, "The Texas Food Stamp Program," August 2006, [http://www.cppp.org/...](http://www.cppp.org/)

<sup>5</sup> Beginning in the early 1990s, states began replacing Food Stamp paper coupons with "electronic benefits transfer" (EBT) cards. EBT is largely credited with reducing fraud and abuse in the Food Stamp Program. Between 1999 and 2005, Texas received more than \$150 million in federal bonus money for achieving high payment accuracy in the program.

<sup>6</sup> Carl M. Cannon and Jerry Hagstrom, "10 Successes, 10 Challenges", *National Journal* (January 20, 2007), pp18-39.

standard deduction and other deductions; households with lower incomes after these deductions receive a larger Food Stamp benefit because they have less money available to purchase food.<sup>7</sup>

Until 1996, the standard deduction went up each year to account for basic living increases due to inflation. In 1996, however, Congress froze the value of the standard deduction at \$134, a freeze that remains in effect today. If the standard deduction had continued to keep pace with inflation, it would be \$184 this fiscal year, \$205 in fiscal year 2012, and \$229 in fiscal year 2017.<sup>8</sup>

As a result of the freeze, combined with an across-the-board reduction in benefits also made in 1996, the Food Stamp benefit for a typical working parent with two children in Texas is about \$37 per month (\$450 per year) less than it would have been before the cuts. (See Figure 1.)<sup>9</sup> By 2012, these cuts will cost the family about \$350 in Food Stamp benefits over the course of the year, measured in 2008 dollars. Under current rules, this lost ground will never be recovered, and the cut will get deeper with each passing year.<sup>10</sup>

In all, Texas residents will lose \$135 million in Food Stamp benefits in FY2008 due to the freeze in the standard deduction (See Appendix). Over the course of the next 10 years, \$1.8 billion will be unavailable for needy Texans to buy groceries.

This lost income harms not only the households who need Food Stamps to put food on the table every day, but it weakens the Texas economy by reducing low-income households' food purchasing power. According to the United States Department of Agriculture (USDA), which administers the Food Stamp Program, the Food Stamp Program "serves as an economic stimulus, creating an economic boost that ripples throughout the economy when new Food Stamp benefits are redeemed. By generating business at local grocery stores, new Food Stamp benefits trigger labor and production demand, ultimately increasing household income and triggering additional spending."<sup>11</sup> USDA estimates that every \$5 in Food Stamp benefits generates \$9.20 in local economic activity.<sup>12</sup> Based on that estimate, the \$135 million that Texas residents will lose

<b>The Difference \$37 Can Make</b>	
Apples (1 lb)	\$1.49
Bananas (1 lb)	\$0.49
Cheddar Cheese (8 oz)	\$2.00
Eggs (1 doz, large)	\$1.39
Flour (5 lb)	\$1.95
Smuckers Grape Jam (32 oz)	\$2.59
Lettuce (1 lb)	\$1.99
Milk (1 gal)	\$3.69
Pasta (16 oz)	\$1.60
Pasta Sauce (26 oz)	\$2.19
Peanut butter (28 oz)	\$3.49
Roma tomatoes (1 lb)	\$1.49
Wheat bread (1 loaf)	\$1.79
Russet HPotatoes (5 lb bag)H	\$
HCarrots (1 lb bag) H	\$
48 oz. HOrange Juice ConcentrateH	\$2.19
Frozen Corn (1 lb)	\$1.59
Instant Oatmeal, (10 ct)	\$2.99
<b>TOTAL</b>	<b>\$36.90</b>

<sup>7</sup> The methodology for determining the amount of the grant is found in 7 U.S.C. §2017(a) and 7 C.F.R. §273.10. The standard deduction is established in 7 U.S.C. §2014(e). The 2002 Farm Bill changed the standard deduction so that it once again rises with inflation for households with four or more members. However, for households of one, two, or three members the deduction remains frozen at \$134, the 1996 level.

<sup>8</sup> These and all other calculations of the numbers of people affected and the dollar amount of the impact of the freezing of the standard benefit are from "Families' Food Stamp Benefits Purchase Less Food Each Year," by Dorothy Rosenbaum, Center on Budget and Policy Priorities, March 2007, <http://www.cbpp.org/3-6-07fa.htm>. These standard deduction amounts are based on inflation projections from the Congressional Budget Office.

<sup>9</sup> Ibid. About \$24 is attributable to the freeze in the standard deduction, and the remaining \$13 is due to the across-the-board reduction in benefits.

<sup>10</sup> As a result of the 2002 Farm Bill, larger households (with four or more members) are no longer losing ground, although most of them continue to have their benefits calculated using a standard deduction that is lower than it would have been under the pre-1996 rules.

<sup>11</sup> USDA website, at <http://www.fns.usda.gov/fsp/outreach/business-case.htm>.

<sup>12</sup> "The Benefits of Increasing Food Stamp Program Participation in Your State," USDA, 2005, [http://www.fns.usda.gov/fsp/outreach/pdfs/bc\\_facts.pdf](http://www.fns.usda.gov/fsp/outreach/pdfs/bc_facts.pdf).

next year because of the standard deduction freeze will result in a loss of \$248.4 million in economic activity in Texas.

In short, the erosion of Food Stamps doesn't just hurt poor children, elderly people, and working-poor families. It also hurts local businesses, farmers, and everyone else in Texas who depends on a strong economy.

## **MANY TEXANS NEED HELP OBTAINING AN ADEQUATE DIET**

While the severe malnutrition documented in the United States in the 1960s is now rare, about 35 million Americans — including *nearly one in four American children* — do not always have access to sufficient food.<sup>13</sup> USDA calls this condition “food insecurity,” or “limited or uncertain access to nutritionally adequate food for an active and healthy life for all family members.”

Texas has the third-highest rate of food insecurity in the country: more than 1.3 million households in Texas are food insecure – 16% of the population.<sup>14</sup> Food insecurity afflicts low-income working families and senior citizens living on fixed incomes. It is more common in households with young children, which are more than twice as likely to lack food than households without children.

Food insecurity impedes people of all ages from having healthy and productive lives. However, poor nutrition can have devastating effects, particularly for pregnant women, in early childhood, and in old age. Infants and toddlers in food-insecure families are 90 percent more likely to be in fair or poor health, and 30 percent more likely to require hospitalization, than other children. In older children, food insecurity contributes to poor physical health, lower school achievement in reading and math, and behavioral and emotional problems, including a higher risk of suicide in adolescent girls.<sup>15</sup> Among the elderly, it exacerbates chronic health problems and speeds the onset of degenerative diseases.

Conversely, families who receive Food Stamps are less likely to be food insecure, which in turn means their children are less likely to suffer from anemia or malnutrition (or child abuse) and tend to do better in reading and math. In older children, particularly girls, Food Stamps have been shown to decrease the risk of obesity.<sup>16</sup>

Food insecurity remains a serious problem because of the rising cost of living and the growth of poverty. Costs for housing, utilities, gas, transportation, and other necessities have climbed, but most working families' wages have remained stagnant. When budgets are tight, food is usually the first place where families cut back.

Since Food Stamp benefits are small and steadily shrinking, even Food Stamps are no guarantee that a household will be able to afford sufficient food; two-thirds of Texas families who are food insecure receive Food Stamps. Food Stamps often do not last a household through the month, and this situation is getting

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<sup>13</sup> “Household Food Security in the United States,” 2005, By Mark Nord, Margaret Andrews, and Steven Carlson, United States Department of Agriculture, Economic Research Service, 2006, <http://www.ers.usda.gov/Publications/ERR29/ERR29.pdf>.

<sup>14</sup> Ibid at Table 7.

<sup>15</sup> Testimony of [Deborah Frank](#), M.D. Director, Grow Clinic for Children, Boston Medical Center, before the Committee on the Budget, U.S. House of Representatives, February 15, 2007, [http://budget.house.gov/hearings/2007/08frank\\_testimony.pdf](http://budget.house.gov/hearings/2007/08frank_testimony.pdf). See also, “Food Stamps as Medicine: A New Perspective on Children’s Health,” February 2007, available at: <http://dcc2.bumc.bu.edu/csnappublic/Food%20Stamps-Medicine%202-12-07.pdf>.

<sup>16</sup> Ibid, at pp 6-7.

worse each year as the purchasing power of the benefit continues to decline. As an Ohio Food Stamp recipient recently told a congressional hearing:

*In the months when my Food Stamp benefits are lower, I run out of Food Stamps before the end of the month and I'm always watching the calendar for the first of the month to come so I'll have access to my new benefits and we can eat again.*<sup>17</sup>

In an interview conducted by CPPP with a Central Texas family about the tough choices low-income families face, the mother echoed these concerns:

*Well, we thought we managed the Food Stamps well enough to last the whole month. But we've probably got \$13 left on the card and we're running out of meat.*<sup>18</sup>

## **CONGRESS CAN AND SHOULD IMPROVE THE VALUE OF FOOD STAMP BENEFITS**

In this year's Farm Bill, there are a number of steps Congress can take to strengthen the Food Stamp Program and thereby reduce hunger and food insecurity in Texas and the United States. These steps include restoring Food Stamp eligibility to groups that have been excluded from the program, allowing people with modest retirement savings to receive Food Stamps to help them meet daily food expenses, and allowing working families to deduct the full cost of their child care in determining their Food Stamp benefit levels.

One of the most important improvements Congress can make this year is to restore the food purchasing power of the Food Stamp benefit. More than 10 years after enactment of the 1996 law, the cuts in Food Stamp benefits contained in that law continue to deepen with each passing year and to affect most Food Stamp households, including most of the working poor and the elderly poor. Each year, Food Stamp households are able to purchase less food than the year before. Congress should undo these cuts. At a minimum, Congress should prevent the further erosion of Food Stamps' purchasing power. Failing to stop this erosion now leads to deeper and deeper cuts as time goes by. Only by stabilizing the benefit now can participants even maintain this year's Food Stamp purchasing power.

It is unlikely that there will be enough resources in the 2007 Farm Bill to restore the standard deduction to its pre-1996 level, which would mean raising the deduction to \$188 in 2008 and setting it to adjust annually for inflation in the future.<sup>19</sup> This change alone would cost about \$9 billion over five years.

Accordingly, we recommend simply maintaining the value of the standard deduction at its current level, which would cost substantially less. Congress can do this by simply reinstating its earlier policy of adjusting the standard deduction annually for inflation, beginning in 2008.<sup>20</sup> That would cost about \$1.3 billion over

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<sup>17</sup> Testimony of Rhonda Stewart before the U.S. Senate Committee on Agriculture, Nutrition and Forestry, January 31, 2007, <http://agriculture.senate.gov/Hearings/hearings.cfm?hearingid=2511&witnessId=6029>.

<sup>18</sup> "Tough Choices: Making It Work When Work Doesn't Pay, Narratives From Texas Working Families," Center for Public Policy Priorities, Austin, Texas, 2005, [http://www.cppp.org/files/8/tough\\_choices\\_final.pdf](http://www.cppp.org/files/8/tough_choices_final.pdf).

<sup>19</sup> This would recover much but not all of the ground lost as a result of the 1996 Food Stamp cuts because it would not undo the effects of the 1996 cut in the size of the maximum Food Stamp benefit.

<sup>20</sup> Benefits for households of four or more would not be affected by this change, since their standard deduction already rises with inflation each year. (See footnote 2.)

five years.<sup>21</sup> Families would not regain any of the ground lost since 1996, but the real value of their Food Stamp benefits would stop deteriorating.

## **CONCLUSION**

The Food Stamp Program has been a resounding success – supporting low-income families and bolstering state economies. Its proven efficiency and effectiveness make it a prudent use of taxpayer dollars, which is why polls show a large majority of Americans strongly support it. However, the erosion of the benefit level is making it increasingly difficult for Food Stamp recipients to obtain an adequate diet. In addition to any other improvements Congress may make to the program in the new Farm Bill, it is vital that Congress prevent this erosion from continuing. Such a step would help low-income Texans and the Texas economy.

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<sup>21</sup> “Families’ Food Stamp Benefits Purchase Less Food Each Year,” by Dorothy Rosenbaum, Center on Budget and Policy Priorities, March 2007, <http://www.cbpp.org/3-6-07fa.htm>.