



76,000 TEXANS ESTIMATED TO LOSE FOOD STAMPS UNDER FEDERAL BUDGET PROPOSAL

***Texas would be hardest hit of all states, shouldering around 30% of the cuts
Working families with children most likely to lose benefits***

*Congress will soon decide whether to eliminate food stamp benefits for about 255,000 low-income Americans, including about 76,000 Texans. The cuts are contained in the U.S. House of Representative's budget reconciliation bill passed on November 18. This bill would cut more than \$700 million in food stamp benefits over the next six years, making Texas the hardest hit among the states, with Texans shouldering approximately 30% of the food stamp cuts. Most of the families who would lose benefits are low-wage workers with children. By contrast, the Senate's version of the bill makes **no** cuts to the Food Stamp Program. A conference committee with both House and Senate members has been appointed to iron out the differences in the two bills, with an agreement expected as soon as next week. This policy analysis examines the proposed food stamp cuts and their impact on Texas.*

Proposed Cuts Would Hit Texas the Hardest

The House's proposal would deny food stamp benefits to about 255,000 low-income Americans. Our analysis of state food stamp data suggests that at least 76,000 low-income Texans would lose their benefits. Because of the way the cuts are designed—targeting legal immigrants and restricting states' flexibility to serve working families—only a handful of states, including Texas, will suffer the vast majority of the cuts. Texans losing food stamp benefits would equal about 30 percent of the total number of people nationwide who would be cut from the program. Most of the people who would lose their benefits are low-wage workers and their children.

The House bill makes two changes to the food stamp program. First, it sharply restricts the flexibility states now have to coordinate their welfare-to-work initiatives in an effort to reach more working families. This flexibility, known as "categorical eligibility," is an option given to states in 1996 that allows them to coordinate certain food stamp and TANF¹ eligibility rules. More than 40 states take advantage of this option, which enables them to declare certain people automatically (or "categorically") eligible for food stamps if they receive a TANF-funded benefit or service. Second, the House bill proposes to restrict eligibility for legal immigrants by raising the residency requirement – the amount of time a legal immigrant must reside legally in the United States before becoming eligible for food stamps – from five to seven years.

¹ TANF, Temporary Assistance for Needy Families, is the block grant that replaced the former entitlement program, Aid to Families with Dependent Children. States use TANF funds in a variety of ways to help low-income families with children achieve self-sufficiency.

The loss of categorical eligibility would cause at least 65,000 Texans to lose food stamps

Texas used the categorical eligibility provision to make three changes in its food stamp eligibility rules. First, the state raised the gross income limit for food stamps from 130% of the federal poverty level (\$20,376 per year for a family of three) to 165% of the federal poverty level (\$25,860 per year for a family of three). It is important to note that even after this change to the income limit, only families with net income (after applying deductions for housing and child-care) at or below the poverty line receive food stamp benefits. This change was intended to allow low-income working families who pay a high percentage of their income for housing or child care to receive food stamps. Second, Texas raised the limit on a family's vehicle value from \$4,650 to \$15,000 (for the first car only; additional cars are still subject to the \$4,650 limit) in recognition of the importance of a reliable car in getting to work and retaining employment. Third, the state raised the overall limit on the amount of liquid resources a family can have and still be eligible for food stamps from \$2,000 to \$5,000 and exempted certain resources like savings in the Texas Tomorrow Fund, which allows families to invest a portion of their earnings in a pre-paid college tuition account.

The purpose of the changes to the resource limits was to support working families and help them accumulate the necessary resources—such as a decent car or some savings for a home, education, or retirement—to achieve permanent independence from government benefits. By allowing families to build their own safety net while getting food stamp benefits, Texas' policies also help these families avoid government assistance in a period of crisis. Should the House cuts be enacted, Texas would no longer have this flexibility and thousands of low-income working families will be forced to choose between owning a reliable car and saving for the future, or meeting their short-term needs.

According to the Congressional Budget Office (CBO), the House provision restricting categorical eligibility would eliminate food stamp eligibility for 185,000 people nationwide in an average month and cut food stamp benefits by almost \$450 million over five years.² CPPP estimates that around 65,000 Texans would lose their food stamps, including 25,000 people who would not be able to meet the lower income test³ and an estimated 40,000 Texans whose resources (i.e., car or savings) would make them ineligible. This estimate is significantly higher than earlier state estimates, which did not include persons who would lose benefits due to excess resources. Our estimate of the number of Texans who would lose their benefits as a result of their resources is based on an analysis of food stamp denials from before and after Texas adopted the higher limits on cars and savings in 2002.⁴ Because there is little federal data on

² Congressional Budget Office, "Additional Information on CBO's Estimate for the Nutrition Provisions of H.R. 4241, the Deficit Reduction Act of 2005, as Passed by the House of Representatives on November 18, 2005," December 1, 2005. Attachment in letter from CBO to Congressman Bob Goodlatte, Chairman of the Committee on Agriculture, U.S. House of Representatives. Downloaded from <http://www.cbo.gov/ftpdocs/69xx/doc6910/NutritionLetter.pdf>.

³ Estimate based on data provided by the Texas Health and Human Services Commission, Center for Strategic Decision Support, Texas Works Reporting Team. As of March 8, 2005, there were 25,363 food stamp recipients in households with gross income above 130% of the federal poverty level.

⁴ Estimate based on data provided by the Texas Health and Human Services Commission, Center for Strategic Decision Support, Texas Works Reporting Team, December 6, 2005. Our analysis of these data show that after the new resource limits were put in place in 2002, the average monthly number of households denied food stamps due to excess resources dropped by almost 80%, from around 1,665 denials per month (the monthly average for July 2001 to March 2002) to 378 per month (the monthly average for June 2005 to November 2005). Based on these data, we estimate that, on average, 1,287 households have enrolled in food stamps each month—around 15,444 families per year—as a result of the higher resource limits and that the same number would lose their benefits should the proposed food

the resources of food stamp recipients, CBO may have underestimated the number of Americans who would lose food stamp benefits under the House bill.

Although more than 40 states have taken advantage of the flexibility of categorical eligibility to coordinate certain food stamp rules with TANF-funded services or programs, 11 states — Delaware, Maine, Maryland, Massachusetts, Michigan, North Dakota, Oregon, South Carolina, Texas, Washington, and Wisconsin — would bear a disproportionate share of the cuts. This is because these states have aligned their food stamp eligibility rules with a TANF-funded service for which a substantial share or all of the food stamp caseload is eligible.⁵ Among these 11 states Texas will be hardest hit because of the sheer size of its food stamp caseload, with 2.8 million recipients. Michigan has the next largest caseload with just over 1 million recipients.

More than 11,000 legal immigrants would also lose food stamps

The House budget reconciliation bill also would increase from five to seven the number of years *legal* immigrant families must reside in the United States before becoming eligible for food stamps. CBO estimates that 70,000 legal immigrants nationwide would lose their benefits by 2008. Using food stamp data on the number of legal immigrant adults currently on the food stamp program, the Center on Budget and Policy Priorities has allocated CBO's number across the states and estimates that more than 11,000 legal immigrants in Texas would lose food stamps once this change is fully implemented in 2008. Texas would suffer 16% of the total cuts, the second-highest cut after New York (19%). The proposed cut would roll back a 2002 restoration, endorsed by the Bush administration, which extended food stamp eligibility to legal immigrant adults who had been in the country for five years.

The large majority of people who would lose their food stamps for two years under this proposal are parents in low-wage working families with children. The provision would **not** require legal immigrant children to wait seven years to qualify for food stamps (children have no waiting period), but cutting off their parents' food stamps would sharply reduce the amount of food assistance these children's families receive, effectively reducing the food available for the children as well. This cut would also affect **U.S. citizen** children whose parents are legal immigrants.

Since the first restrictions on legal immigrants' eligibility for food stamps were enacted in 1996 as part of welfare reform, studies have consistently shown that the restrictions cause undue hardship for low-immigrant families and undermine the national goal of quickly integrating immigrants into American society. These studies also find that immigrant families with children have lower incomes and higher hardship levels than native-born families, despite high employment rates and two-parent family structure.⁶ The house proposal not only places thousands of immigrant families in Texas at risk for hunger, but also undermines the progress made in restoring food stamp benefits for this vulnerable population.

stamp cuts be enacted. To estimate the number of individuals in these families, we multiplied the number of affected households by 2.6, the size of an average food stamp household in Texas.

⁵Center on Budget and Policy Priorities, "House Reconciliation Bill Targets Food Stamp Program for Cuts," by Dorothy Rosenbaum, Stacy Dean, and Zoë Neuberger, revised December 6, 2005.

⁶ See "The Health and Well-being of Young Children of Immigrants," by Randy Capps, et. al., The Urban Institute, 2004 and "A Profile of Low-income Working Immigrant Families," by Randy Capps, et. al., The Urban Institute, June 2005, cited in CBPP's "House Reconciliation Bill Targets Food Stamp Program for Cuts."

Food Stamp Cuts Likely to Increase Hunger

At the same time that the House passed its budget reconciliation bill that would cut 255,000 low-income Americans from the Food Stamp Program, the U.S. Department of Agriculture announced that Texas leads the nation in the percentage of households at risk of going hungry (16 percent).⁷ Although Food Stamp participation in Texas has more than doubled since 2000 – growing from 1.3 million to 2.8 million recipients – only 43% of eligible Texans received benefits last year, which is one reason so many Texans are food insecure.⁸ Another likely reason that food insecurity has remained so high despite significant growth in the Food Stamp Program is that increases in the cost of living have continued to outpace the earnings of low-wage workers. The recent surge in heating costs is a good example, a problem that food stamps alone cannot solve. A loss of other work supports (such as health insurance or cash assistance) due to state budget cuts also has forced many low-income Texans to stretch their limited budgets even further, which may have increased food insecurity. Unfortunately, in addition to the food stamp cuts the House budget bill would exacerbate the challenges faced by low-income Americans by reducing funding for other critical programs and services that states rely on to meet the needs of their low-income residents, including Medicaid, child support, foster care and the Supplemental Security Income program. Taken together, a substantial share of the cuts in the House budget reconciliation legislation would fall on low-income families and individuals.

USDA's data on food insecurity and Texas' low food stamp participation rate underscore the importance of recent efforts by the state to increase enrollment through outreach, a simpler enrollment process, and the more realistic resource limits described above. The food stamp cuts proposed by the House would undermine these efforts and result in even greater food insecurity among low-income Texans.

Senate Bill Protects the Food Stamp Program

The House budget bill stands in stark contrast to the Senate's version of the reconciliation bill, which does *not* include any food stamp cuts. On a bipartisan basis, Senators voted not to include the Administration's food stamp cut proposal or to make other cuts in the program. The final outcome of the budget reconciliation process will be determined in a conference committee involving both Senate and House members; a conference report is expected next week. Both chambers will subsequently vote on the conference bill.

The Center for Public Policy Priorities is a nonprofit, nonpartisan research organization committed to improving conditions for low- and moderate-income Texans. To make a donation, sign up for free E-Mail Updates, or access the rest of our work, visit www.cppp.org.

⁷ Nord, Mark, Margaret Andrews, and Steven Carlson. *Household Food Security in the United States, 2004*, Economic Research Service, U.S. Department of Agriculture. Economic Research Report No. ERR11, October 2005. Available at <http://www.ers.usda.gov/publications/err11/>

⁸ Center for Public Policy Priorities, "Food Stamp Participation in Texas, 2004," July 19, 2004. Available at http://www.cppp.org/files/3/Food%20Stamp%20Participation%20By%20County_2004.pdf.