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RECENT FOOD STAMP DEVELOPMENTS: A MIXED BAG OF NEWS

New data from USDA show Texas has seventh worst Food Stamp participation rate;
Food Stamp vehicle exemption likely to pass before Congress adjourns

A report released last month for the U.S. Department of Agriculture by Mathematica Policy Research, Inc. shows that the participation rate among eligible Texans in the Food Stamp Program dropped from 72 percent in 1994 to 56 percent in 1997. On a happier note, on October 5th, during the final moments of end-year budget negotiations by Congress, the Agriculture Appropriations conference committee approved the funding necessary to implement two key provisions of the Kennedy-Specter Hunger Relief Act: to raise the vehicle allowance when setting resource limits for Food Stamp households and increase the benefit allotment for families with children with high housing costs. This Policy Page summarizes these developments and the next steps state policymakers can take to increase Food Stamp participation among eligible families.

*****New Food Stamp allotments for October 1, 2000 through September 30, 2001 – see below*****

PARTICIPATION RATE FALLS WELL BELOW NATIONAL AVERAGE

One important measure of a program's performance is its ability to reach its target population. Unfortunately, according to a recent U.S. Department of Agriculture (USDA) report, *Reaching Those in Need: Food Stamp Participation in the States*, all but four states and the District of Columbia are doing a worse job today serving families eligible for Food Stamps than in 1994. Texas tied for 7th place with four other states (MN, FL, NH, CA) that served only 56 percent of the eligible population in 1997 (the latest year for which data are available), well below the national average of 62 percent. According to the report, the participation rate in Texas fell 15 percentage points between 1994 and 1997, with 72 percent of the eligible population receiving benefits in 1994.¹ Texas tied for third place with Wisconsin for the highest drop in the participation rate from 1994 to 1997. Participation nationally fell from 71 percent to 62 percent.

The good news for Texas is that the Food Stamp Program is not doing as poor a job reaching its target population as the Texas Department of Human Services (DHS) itself has estimated. In preparing its biennial budget request prior to each legislative session, DHS must project what percentage of eligible families it serves. DHS estimated it served only 47 percent in 1997, down from 63 percent in 1994. In its budget request for 2002-2003, the department estimates it will serve only 31 percent of eligible families in

2000. The disparity between DHS' and USDA's numbers is a result of the different methodologies and data sources used to derive the estimates. DHS' method uses data from the Census Bureau and the Texas State Data Center to estimate how many Texans are income-eligible for Food Stamps (e.g., have incomes below 130 percent of the federal poverty level), but does not adjust these numbers for other variables that affect eligibility such as a family's resource. While this method may lead to overestimates of the eligible population, USDA's model, which factors in per capita income, probably results in underestimates in a state like Texas. With an ever-widening income gap in the last five years, the number and rate of Texans in poverty has remained relatively constant (and presumably, the number of Food Stamp-eligible Texans has not changed much) even as personal income on average has risen. In other words, for every Michael Dell, there are many more Texans flipping burgers at McDonalds. The real number of eligible Texans probably lies somewhere between the two estimates.

In support of the argument that higher per capita income does not necessarily mean significantly fewer families eligible for Food Stamps are the latest data on poverty from the Census Bureau (released September 26). Despite small improvements in the poverty rate, 3 million Texans are still living at or below poverty, down from 3.3 million in 1995. While the number of people living in poverty fell only 8 percent between 1995 and 1999, Food Stamp Program caseloads fell over that same period by nearly 45 percent (from 2.6 million persons to 1.4 million). In other words, participation in the Food Stamp Program dropped five times as fast as the number of poor Texans declined between 1995

¹ The difference between the change from 1994 to 1997 is due to rounding.

and 1999. Also during 1999, USDA reported that 12.9 percent of Texas households were hungry or on the edge of hunger, estimated by CPPP to be over 2 million Texans.

USDA's report cites several factors as possible reasons behind the decline in Food Stamp participation among eligible households—including an improved economy and welfare reform initiatives—but falls short of assigning responsibility to any one major factor. The report does instruct state policymakers to be concerned less about the reduced caseloads and more about how their state achieved the reductions. For example, if economic growth or successful welfare reform policies have helped people move off welfare and into above-poverty level jobs, then the need for Food Stamps may have decreased. Further, although many of these people may still be eligible for benefits, the amount of benefits for which workers at higher wage jobs qualify may be too low to make them worth getting. In Texas, however, the initial findings of welfare reform research suggest that the majority of former welfare recipients who are working have not found above-poverty-level jobs. One DHS study surveyed former TANF recipients and found that the average wage of former TANF clients currently employed is \$6.28 per hour, and they work an average of 34 hours per week. At these wages, a typical family of three (the average Food Stamp household includes one parent raising two children) would make only \$11,100 per year—an income well below the poverty level—and could potentially still qualify for \$240 per month in Food Stamps.²

DHS' research on the earnings of former welfare recipients taken together with the disparity between the rates of change in Food Stamp caseloads and the number of individuals in poverty underscore a worrisome gap in service to needy people. Given the high level of food insecurity documented by USDA, these issues merit immediate attention from policymakers at the state and federal level.

HRA PROVISIONS MAKE THE FINAL CUT

And now for the good news. Anti-hunger advocates in Texas and nationwide celebrated this week when they learned that two key provisions of the Hunger Relief Act (HRA) would be included in Congress' year-end budget deals. Barring any unforeseen emergencies that jeopardize the funding required for these measures, Congress plans to enact a more realistic vehicle allowance policy for Food Stamps and increase benefit allotments for families with dependent children who have high housing costs.

New vehicle allowance policy: States will now have the option to use their TANF vehicle resource policy in their Food Stamp program. Under current federal law, families who own a vehicle worth more than \$4,650 may be disqualified from receiving Food Stamps. This limit has risen only \$150 since 1977. Because states have complete flexibility to set resource policies for their TANF programs, 30 states

have enacted a higher vehicle allowance for TANF, and 21 states exempt the value of one vehicle entirely. Unfortunately, Texas is not among those 30 states that have put in place a higher vehicle allowance and uses the stricter Food Stamp vehicle limit of \$4,650 for both its TANF and Food Stamp programs. This means that Texas needs to first modify its TANF vehicle resource policy to exempt the value of one vehicle (or, at least raise the allowance) in order to take advantage of the HRA provision.

New shelter deduction policy: This provision raises the shelter deduction cap to \$340 per month over four years and then indexes it to inflation. In order to allow Food Stamp benefit allotments to more accurately reflect actual household need, families are allowed to deduct housing costs from their income. Under current law, however, the amount that may be deducted is capped at \$275 (\$300 starting in fiscal 2001), leaving many families with children forced to choose between heating and eating.

NEXT STEPS FOR POLICYMAKERS

The 2001 legislative session will present lawmakers with several opportunities to modify policies to make Food Stamp more accessible to families who need them. Specific recommendations for change are included in the Senate Human Services' committee's interim report (released last month) and are as follows:

- ◆ **Modify the TANF vehicle resource policy** to exempt the value of one vehicle entirely, and exercise any federal option to apply the same policy to families seeking Food Stamps.
- ◆ **Allow phone-in recertification for Food Stamp recipients** who are working or in job training and require only one face-to-face interview annually.
- ◆ **Form an office standards working group at DHS** made up of agency staff (including local eligibility workers), legislative staff, and advocates to examine the enrollment and review processes for Food Stamp, Medicaid, and TANF and recommend improvements to these processes.

FISCAL 2001 FOOD STAMP INCOME LIMITS*

Number in household	Gross monthly income limits	Net monthly income limits
1	\$905	\$696
2	\$1,219	\$938
3	\$1,533	\$1,180
4	\$1,848	\$1,421
5	\$2,162	\$1,663
Each additional person	\$315	\$242

*In effect October 1, 2000 through September 30, 2001

- ◆ For assistance calculating eligibility and benefit levels, visit <http://www.foodusa.org/>.
- ◆ See <http://www.cppp.org/products/alertsflyers/foodflyers/fs-income99.pdf> to download a flyer with fiscal 2001 income guidelines.

² This amount was calculated using a sample computation method on DHS' web site (<http://www.dhs.state.tx.us/programs/TexasWorks/foodstamp.html#household>)