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FOOD STAMP DEMAND ON THE RISE, BUT OVER 3 MILLION ELIGIBLE TEXANS STILL DO NOT GET BENEFITS

Food Stamps help low-income families and bolster state economy during recession

When the Texas legislature convenes in January, it faces a budget shortfall that could threaten programs and services for low-income families that rely on General Revenue (state money) for funding. During tough economic times Food Stamps, which are 100 percent federally funded, can help offset limited state funds. Food Stamps provide relief to families who have lost their jobs and help stabilize the state's economy by bolstering spending among low-income families. Although rising unemployment in Texas has caused Food Stamp caseloads to grow significantly over the last 18 months, Texas still reaches only 33 percent of those eligible to receive these benefits. In an effort to increase participation among eligible families, the Texas Department of Human Services (DHS) operates an outreach campaign and has simplified enrollment procedures. Given the impending budget crisis and poor economic forecast, continued efforts to improve the effectiveness of the Food Stamp Program in reaching its target population are critical. These efforts must include providing adequate staff to DHS to handle the increase in demand for Food Stamps. This Policy Page examines recent trends in the Food Stamp Program, the economic impact of improving program access and participation, and the effect caseload growth will have on the state budget. County estimates of the number of Texans eligible for Food Stamps and the potential benefit revenue Texas would receive if more eligible families participated are also included.

TRENDS IN FOOD STAMP PARTICIPATION RATES, 1996-2002

Two out of three people eligible for Food Stamp Program benefits in Texas are not receiving them—a participation rate that has worsened in recent years. In 1996, the Texas Department of Human Services (DHS) estimated that it reached 54 percent of those eligible to receive Food Stamps. By fiscal 2002, the agency estimated that it reached only 33 percent. During this period, enrollment in the program declined by 885,000 people.

Food Stamp caseloads typically mirror changes in the economy. Researchers have found that caseloads tend to increase by three to four percent for every one-percent increase in unemployment.¹ During an economic expansion the opposite occurs, and enrollment falls. Caseloads in Texas and nationwide peaked in 1994, with 2.8 million Texans receiving benefits, and then began a steady decline in response to an improving economy. Following the implementation of state welfare reform in 1996, however, caseloads started dropping more dramatically, far outpacing any decline in poverty or unemployment. From 1996 to 1998, Food Stamp enrollment dropped 34 percentage points, as opposed to the 12 percent drop that occurred between 1994 and

1996. Caseloads fell another 15 percentage points from 1998 to 1999, before the decline started to level off.

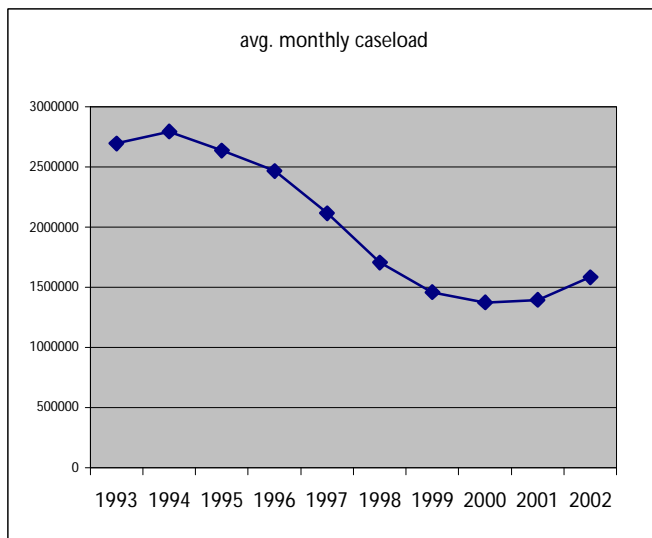
While some of the decline in enrollment during this period was a result of the economic boom of the late 1990s and changes in eligibility under the 1996 welfare reform law, other factors also played a part. National research suggests that confusion over Food Stamp rules among families leaving welfare was responsible for many eligible families losing their benefits, while more complicated enrollment procedures and paperwork requirements also played a role. Nationwide, it is estimated that more than half of the decline in Food Stamp cases from 1995 to 1999 occurred because fewer eligible individuals participated.²

In May of 2001, as economic conditions worsened, caseloads started to climb steadily again, growing 2 percent between 2000 and 2001. By the end of fiscal 2002, average monthly caseloads had grown to 1.6 million, a 14 percent increase over 2001.³ While much of the recent growth in caseloads is attributable to a weaker economy, a portion is a result of improvements in program access implemented following the 2001 legislative session, as well as successful public awareness efforts.

¹ USDA Economic Research Service (ERS), *How Unemployment Affects the Food Stamp Program*. "Issues in Food Assistance series." September 2002.

² Urban Institute, *Short Takes on Welfare Policy - Are Shrinking Caseloads Always a Good Thing?* June 13, 2002.

³ These figures represent average monthly caseloads published in DHS annual reports.



IMPACT OF FOOD STAMPS ON THE ECONOMY

Food Stamps not only help low-income families keep food on their tables, they also fuel the state and local economies. When Food Stamp caseload declines outpace economic gains, as they did during the late 1990s, low-income communities in particular suffer. When eligible families no longer get Food Stamps, they not only decrease spending on food, but also on other goods such as housing, clothing, and health care, which in turn affects economic output in those sectors. In addition, surveys of emergency food providers in the private sector have found that the decline in Food Stamp participation has led to an increase in demand for their services, which they cannot always meet.⁴

The steep decline in Food Stamp enrollment from 1996 to 2002 resulted in a cumulative loss statewide of over \$4.5 *billion* in federal funds, with losses as high as \$1 billion in Harris County, \$547 million in Dallas County, and \$387 million in Bexar County.⁵ While a portion of the lost revenue is a result of families leaving the program because they no longer needed Food Stamps, much of the loss is attributable to fewer eligible families participating.

While the state and local economies may have been able to absorb this loss of revenue during the economic boom of the late 1990s, in the current economic downturn Food Stamps are more important than ever—particularly in Texas, a state with limited unemployment benefits. As of October, Texas' unemployment rate was 6.1 percent, with 662,400 unemployed people actively looking for work. Although this number should decline during the holidays when more seasonal jobs become available, it will shoot up again in January when temporary workers are laid off, and state economists predict that the unemployment rate won't drop more than half of a percentage point by 2005.

Although caseloads have risen significantly in response to the economic downturn, the percentage of eligible families who participate has remained the same. According to DHS estimates, almost 4.8 million Texans are eligible for Food Stamps; yet fewer than 1.6 million received these benefits in 2002. The value of benefits issued in 2002 was \$1.5 billion. If Texas had reached at least 54 percent of those eligible for Food Stamps in 2002 (the 1996 participation rate), we estimate that the increase in participation would have drawn down \$946 million more in federal Food Stamp benefit revenue. The chart below illustrates the possible financial impact of reaching the 54 percent participation rate in the 10 counties with the

	FY 1996		FY 2002					
					Cumulative loss of Food Stamp revenue, 1996-2002 (\$million)	Number potentially eligible for Food Stamps	% of eligible population who receives Food Stamps	Additional revenue if 54% reached in 2002 (\$million)
	Food Stamps		Food Stamps					
County	Participants	Value (\$million)	Participants	Value (\$million)				
Harris	359,310	\$339.4	176,493	\$176.4	\$1,061.9	642,646	27%	\$170.5
Dallas	198,142	\$184.8	106,581	\$108.2	\$547.5	381,952	28%	\$101.2
Bexar	201,446	\$174.5	123,438	\$114.6	\$387.6	274,854	45%	\$23.2
Tarrant	98,309	\$88.7	61,953	\$61.9	\$223.2	194,470	32%	\$43.0
Travis	53,735	\$49.2	38,632	\$39.7	\$105.3	125,902	31%	\$30.2
Lubbock	32,150	\$27.8	23,197	\$21.3	\$51.1	51,794	45%	\$4.4
Jefferson	37,520	\$34.5	25,546	\$25.0	\$63.8	50,024	51%	\$1.4
McLennan	26,668	\$23.6	17,420	\$16.1	\$54.1	44,991	39%	\$6.4
Brazos	11,783	\$10.4	8,455	\$8.2	\$19.4	43,728	19%	\$14.8
Galveston	27,305	\$26.3	14,977	\$15.0	\$72.2	39,987	37%	\$6.6

⁴ *Hunger In America 2001*, America's Second Harvest, October 2001.

⁵ Cumulative loss of annual revenue from Food Stamp benefits using fiscal 1996 as the base year.

largest number of potentially eligible residents (among those counties that do not already meet the 54 percent rate).⁶

To view these estimates for your county, go to www.cppp.org.

Note: Because factors beyond income (such as citizenship and resources) affect a person's eligibility for Food Stamps, it is difficult to estimate precisely the potentially eligible Food Stamp population. Because Food Stamps are available to people with income up to 130 percent of the Federal Poverty Line (FPL), we use the number of individuals below 125 percent of poverty (according to the 2000 Census) as an approximation of the *income*-eligible population in each county.

FOOD STAMPS AND THE STATE BUDGET⁷

In its Legislative Appropriations Request (LAR) to the 78th legislature (to cover its fiscal 2004-2005 budget), DHS projects that Food Stamp enrollment will grow to over 2 million recipients by fiscal 2005, a 29 percent increase in the fiscal 2002 caseload. The total value of Food Stamp benefits distributed is expected to reach over \$2 billion by fiscal 2005, a 35 increase over the fiscal 2002 amount. Even with this increase in enrollment, DHS predicts that it will still reach only 37 percent of the eligible population by fiscal 2005.

Unlike other federal benefits for low-income families such as Medicaid and child care, Food Stamps are 100 percent federally funded and do not require any state match. However, the state is required to pay for 50 percent of the cost of administering the Food Stamp Program, and significant caseload growth usually means more eligibility workers are needed. Because of this, the projected budget shortfall in state revenue for the fiscal 2004-05 biennium could affect Texas' ability to reach more eligible families in the Food Stamp Program. To handle caseload growth in all of its programs, not just Food Stamps, DHS has requested an additional 260 eligibility workers in fiscal 2004, and another 453 in fiscal 2005, an increase that would cost \$29 million, including over \$13 million in state funds.⁸ If the legislature does *not* approve additional eligibility workers, overall workload is expected to be 52 percent higher by fiscal 2005 than the fiscal 2000 level.⁹ Workload in the Food Stamp Program is expected to

increase to an average of 174 cases per eligibility worker by fiscal 2005, up from 131 in fiscal 2001. Workload has already increased considerably for DHS eligibility workers as a result of staffing cuts in recent years. From 1997 to 2001, the legislature cut eligibility staff at the agency by 17 percent, despite a 13 percent *increase* in applications for benefits during this period.¹⁰ Understaffing affects worker morale, leads to high turnover and poor customer service, and affects DHS' ability to comply with federal program requirements, leaving the agency vulnerable to fiscal penalties and lawsuits.

RECENT EFFORTS TO INCREASE PARTICIPATION

In addition to the growth that has occurred in the Food Stamp caseload as a result of the weak economy, Texas has taken several important steps over the last few years to increase the percentage of eligible families receiving Food Stamps. Efforts include:

Implementing more realistic resource policies: In response to legislation passed in 2001, DHS adopted a new vehicle policy that allows families to own a car valued up to \$15,000 and still be eligible for Food Stamps. In addition, the overall resource limit of \$2,000 was raised to \$5,000. During the legislative session, the Legislative Budget Board estimated that this expansion in eligibility for Food Stamps would result in an increase of \$27.8 million in federal benefit revenue in fiscal 2002, rising to \$63.4 million in fiscal 2006.

Expanding the use of phone interviews: Legislation passed in 2001 directed the agency to expand the use of phone interviews for seniors, persons with disabilities, working families, and other clients facing a hardship that prevent them from appearing in person to enroll in Food Stamps.

Conducting a Food Stamp awareness campaign: In 1999 and 2001, the legislature appropriated up to \$2 million to DHS to conduct nutrition programs outreach. DHS uses these funds to operate a statewide Food Stamp Education and Outreach Program (FSEOP) that uses public service announcements and outreach by community-based organizations in underserved areas to inform low-income communities about the Food Stamp Program and assist families with the enrollment process. This year's campaign began in January. As of August 2002, outreach contractors had conducted over 17,000 information sessions and provided over 2,500 people with application assistance. It is estimated that the media campaign and outreach program has reached over 750,000 people who are potentially eligible for Food Stamps. Go to

⁶ Additional revenue is calculated using the average per person annual benefit issued in 2002.

⁷ The information in this section is from DHS' *Legislative Appropriations Request (LAR)* for fiscal 2004-2005, September 2002.

⁸ In its LAR published in September, DHS originally requested 1,121 new workers. The agency subsequently reduced this amount due to anticipated reductions in workload as a result of the new simplified reporting system in the Food Stamp Program (see next section).

⁹ This workload increase is for Texas Works programs, which include Food Stamps, Medicaid, and TANF.

¹⁰ "DHS Eligibility Staff FTE Cuts: Past the Fat, Getting Close to the Bone?" CPPP testimony to the Senate Finance Committee, May 9, 2002. These numbers reflect workload and staffing levels for all DHS programs, including Texas Works programs and Long-Term Care.

<http://www.tacaa.org> for information about outreach activities in your area.

Simplifying enrollment for seniors receiving Supplemental Security Income (SSI): In September, DHS began the roll-out of the Simplified Nutritional Assistance Program (SNAP) to enroll seniors receiving SSI (for persons with disabilities) in the Food Stamp Program. Using information from the Social Security Administration, DHS sends out a one-page registration form to seniors on SSI who do not receive Food Stamps. Seniors who sign up receive an automatic benefit of \$35 to \$46 per month (depending on their shelter costs) without having to go through the formal Food Stamp application process. As of November 4, DHS had received over 19,000 applications for SNAP.

NEW OPTIONS TO IMPROVE PROGRAM ACCESS & INCREASE PARTICIPATION

The 2002 Farm Bill signed in May provides states with new options to simplify enrollment and increase participation in the Food Stamp Program (see *Policy Page #166*). DHS is analyzing the options and has already proposed to its board to implement a simplified change reporting system for Food Stamp recipients. Under simplified reporting, most clients will be certified to receive Food Stamps for six months and will only be required to report changes to their caseworkers during this period under two circumstances: when their income exceeds 130 percent of the Federal Poverty Line (FPL), and when they change residence. Under the current reporting system, 43 percent of the Food Stamp caseload is certified for less than six months,¹¹ and all Food Stamp clients are required to report within 10 days most changes in their circumstances that affect their income. This change is estimated to increase Food Stamp participation by 2,734 recipients in fiscal 2003, 5,233 in fiscal 2004, and 5,401 in fiscal 2005, and draw down an additional \$15 million in federal Food Stamp benefit revenue. The new system is also expected to reduce workload, allowing DHS to modify its request to the 78th legislature for new caseworkers, for a savings of \$10.2 million in state funds. Assuming the adoption by its board of final rules, DHS plans to implement the new reporting system in March 2003.

The Farm Bill also restored Food Stamp benefits to many legal immigrants, including immigrants who receive SSI, children, and immigrants who have lived in the country for at least five years. Under prior law, only immigrants with disabilities (on SSI), children, and seniors who were in the country prior to August 22, 1996 were eligible for benefits, with some exceptions. The restoration of benefits to immigrants who receive SSI took effect in October. Under the new law, all legal immigrants on SSI are eligible, regardless of when they entered the country. However,

because most immigrants who arrive(d) after August 22, 1996 are NOT eligible for SSI under federal law, this provision will only affect immigrants in states with state-funded SSI programs, which Texas does not offer. In April 2003, the provision granting eligibility to legal immigrants with five years of residency in the country will take effect. In October 2003, all legal immigrant children will once again be eligible. CPPP will provide more information about these restorations in future *Policy Pages*.

DHS is still considering other options in the Farm Bill to simplify enrollment. These options can be exercised administratively without requiring legislative approval. Most of the options were designed not only to make it easier for families to get Food Stamps, but also to reduce the workload of state caseworkers. Some options may be appealing to the state, but will be delayed until final implementation of DHS' new automated eligibility system (TIERS). TIERS is being rolled out in phases and will not be complete until August 2004.

ISSUES FOR THE 78TH LEGISLATURE

The economic downturn is projected to increase the need for critical safety net services over the next few years. While state funding for these services may be limited, Texas lawmakers will have several opportunities in the upcoming legislative session to improve access to the Food Stamp Program and increase the percentage of eligible families who participate. These include:

Funding for Food Stamp outreach: The current outreach campaign ends in August 2003. To continue it the legislature will have to appropriate additional funding. In the past, funding for Food Stamp outreach has come out of enhanced federal funding that DHS receives for high payment accuracy. Since fiscal 1998, the agency has received on average \$27 million per year in enhanced funding. This year marks the last year that DHS is eligible to receive enhanced funding before a new "high performance bonus" system takes effect, which limits the total pot of bonuses available to all states to \$48 million per year. In its budget request for the 2004-2005 biennium, DHS proposes setting aside a portion of any high performance bonus received for nutrition programs outreach, but does not specify an amount.

Staffing levels at DHS: To handle recent caseload growth and projected caseload increases in all of its Texas Works programs, DHS will need additional eligibility workers to maintain an acceptable workload and avoid compromising customer service. In the past, staffing cuts at the agency have been based almost exclusively on pressures to reduce budgets, and not on careful analysis of program needs or workload. Decisions by the next legislature over eligibility staffing levels at DHS should be driven by informed analysis of agency and program needs.

¹¹ As of November 2001.