

*A 50-State Analysis:
The Effect of Proposed Food
Stamp Cuts on Program
Participants*

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National Hunger Awareness Day

National Student Campaign Against Hunger and Homelessness
Advocacy Project

Kathleen Barr
218 D Street SE
Washington, D.C. 20003

<http://www.studentsagainsthunger.org/advocacy>

Introduction

In Macon, Georgia, a mother and her two children are checking out at the Food Lion, their cart filled with milk, bread, fruit, hamburger, and eggs. Three thousands miles away, a 65-year-old woman and her ten-year old granddaughter in San Bernardino, California are unloading into the refrigerator vegetables, cheese, fish, and bread from the local Safeway. Everyday mundane scenes? Perhaps, but both would be impossible except for two small plastic cards: Food Stamp EBT cards, worth \$150, and these families' tickets to healthy, plentiful food for the month.

At the same time, members of Congress in Washington, D.C. are piecing together the federal government's \$2.6 trillion budget for 2006. This includes the Food Stamp Program, which makes up 0.9% of the overall budget and helps more than 25 million people each month. Unfortunately, this year a small set of those in Washington saw in the Food Stamp Program dollar signs—not dollars to help American families and senior citizens, but dollars to plug the gaping deficit created by tax cuts and defense spending.

Whether or not these two families, who are just a handful of the 25 million food stamp recipients nationwide, can leave the grocery store a year from now with enough healthy food for the month depends on what Congress decides to do in the next four months.

On April 29th 2005, the U.S. House of Representatives and Senate agreed to a budget resolution that directs the Congressional agriculture committees to find, by September 2005, three billion dollars in cuts over five years in programs administered by the U.S. Department of Agriculture (USDA). Programs potentially affected include farm subsidies, conservation programs, and food and nutrition assistance. The Food Stamp Program is the largest food and nutrition assistance program.

Theoretically, all or a portion of these cuts could come from the tens of billions of dollars in farm subsidies the government annually hands out. From 1995 to 2003, these subsidies totaled \$131 billion, and were directed primarily to profitable agribusinesses. However, due to the strength of the agribusiness lobby, analysts fear much of the three billion dollars in cuts could come from the Food Stamp Program.

The Food Stamp Program is one of the most efficient federal programs. Recent changes to improve the efficiency of the program have been very successful; because of that, there is no fat left to trim. Any cut in funding would have to come from the pockets of participants. A three billion dollar cut—or a portion thereof—would be devastating to millions of Americans who rely upon the Food Stamp Program to make end meet each month. This paper looks at what the human effect could be, state-by-state, if all or a portion of these cuts are taken by denying needy people participation in the Food Stamp Program.

The Food Stamp Program Overview

The Food Stamp Program is one of the largest, most important federal assistance programs. Currently, more than 25 million people receive an average of \$86 per month.ⁱ The average monthly household benefit is \$200.ⁱⁱ This credit is held on an Electronic Benefit Transfer (EBT) card (akin to a prepaid debit card), and may only be used to purchase approved food items in grocery stores.

The Food Stamp Program is the only federal assistance program available to virtually every low income household, and the federal government allocates enough funding to provide benefits for all people enrolled in the program. Therefore, it is one of few programs that automatically adjusts to increased poverty in the U.S., and provides a broad safety net in times of high unemployment or economic depression.

Food Stamps help the most vulnerable Americans: in 2003, more than half (51%) of Food Stamp participants were pre-school or school-age childrenⁱⁱⁱ and most households receiving Food Stamps contain a child, senior citizen, or person with disabilities.^{iv}

The average individual benefit of \$86 per month is critical to helping millions make ends meet: over 95 percent of Food Stamp benefits go to participants who live in households with income below the federal poverty level.^v Many participants work and earn income, but their earnings are insufficient to bring them out of poverty. For example, a person working full-time, year-round at minimum wage will earn just over \$10,700 annually, far below the poverty level for most households (see below), and just barely above the poverty level for a single adult living alone.^{vi}

Table 1: 2004 Poverty Thresholds by Household Composition^{vii}

One Adult	One Adult, One Child	One Adult, Two Children	Two Adults, Two Children
\$9,827	\$13,020	\$15,219	\$19,157

Participant Profile: Kelly

Money, New Albany, Indiana

Ms. Money and her 11-year-old son Timothy are two of more than half a million Indianans participating in the Food Stamp Program. Born and raised in New Albany, Ms. Money currently lives in Haven House Transitional Housing, where she and her son moved to escape homelessness. She is also a case worker at Haven House, where she assists clients applying for benefits such as food stamps and Social Security. She knows how difficult it is to make ends meet, both firsthand and from clients' experiences.

"I never dreamed I would struggle at being a mother, but I make \$376 every two weeks and that just isn't enough to pay rent, utilities, and food. We need food stamps to survive." When it comes to her job, Ms. Money says "there is no more satisfaction in the work than to see people complete the program and achieve stability." She says more and more people need help each month. "Without food stamps, their kids would go hungry. This [proposed funding cut] would devastate so many individuals."

The income and employment situations for Food Stamp Participants have grown worse recently. According to a 2004 study from the U.S. Department of Agriculture (USDA), the average net income of a Food Stamp household decreased 4 percent from 2002 to 2003.^{viii} During that same time period, poverty increased in the U.S.: from 2000 to 2003, the number of people living in poverty in the U.S. increased by nearly 5 million.^{ix}

In addition to its size and import, the Food Stamp Program is also one of the most efficient federal low income assistance programs. In 2003, \$21.4 billion of \$23.9 billion (90%) allocated to the program went directly to benefits, while less than 10% went to administrative costs.^x As a result of changes made to the program in the past decade, including those in the 2002 Farm Bill, waste and excess are nonexistent in the Food Stamp Program. The program has one of the lowest error or fraud rates of any federal program. The national payment error rate, including both overpayments and underpayments, has fallen for six years straight and is now at a record low 6.63 percent.^{xi}

The Political Situation

At this time, it is impossible to say precisely what the results of three billion dollars in cuts—or any other monetary amount—will be because Congress has not specified the manner in which cuts will be made. As noted above, the Food Stamp Program is highly efficient, leaving no room to cut funding without cutting benefits or participants. Therefore, four kinds of cuts are possible. One, legislation could eliminate or reduce eligibility for participants who receive a large amount of benefits each month; if that is the case, fewer people will lose benefits, but they will be the people most in need. Two, legislation could eliminate or reduce benefits for higher income people—perhaps households with incomes over 70% of the poverty level.

Three, it is possible that cuts will be made by reducing benefit levels across the board. Finally, Congress could cut from the program certain classes of people (for instance, based on immigration status or household make-up).

Currently, we do not know which scenario will be proposed. However, by analyzing USDA Food Stamp participation data during a hypothetical month in the future, we can explore what an across-the-board cut in participants would mean for vulnerable Americans.

The Human Impact of Proposed Budget Cuts

As stated above, the April 29th Congressional budget resolution instructs the House and Senate agriculture committees to find three billion dollars in cuts over five years (2006-2010) from programs in their jurisdiction. This includes a range of programs, from farm subsidies and conservation programs to nutrition assistance and commodities. It is

possible that a portion could come from programs outside nutrition, such as federal subsidies to profitable agribusinesses. These subsidies are significant, totaling \$131 billion from 1995-2003, and are directed primarily to wealthy corporations, such as the Fortune 500 company Cenex Harvest States Cooperatives. Cenex alone received \$40.8 million in subsidies from 1995-2003. However, due to the strength of the agribusiness lobby, many analysts fear most or all of the three billion dollars could come from the Food Stamp Program.

In order to understand what the dollar figures will mean in human terms, we can look at one sample month in the next five years. For this analysis, we use as our sample one month in fiscal year 2007. For the sake of simplicity, we assume any cuts will be implemented evenly—for example, three billion dollars will be cut at a rate of \$600 million each year over five years.

Analysis

In fiscal year 2004, the most recent year for which comprehensive data is available, the Food Stamp Program allocated \$24.6 billion to an average of 23.9 million participants per month. Monthly benefits that year were \$86 per person. The Congressional Budget Office projects that average monthly benefits per person will rise to \$98.99 by 2007.^{xii}

Three billion dollars over five years is equivalent to monthly Food Stamp benefits for half a million people.

Using these figures to look at an average month, we see that three billion dollars over five years is equivalent to monthly Food Stamp benefits for half a million people.¹ Table 2 outlines the equivalent benefits for this and lesser dollar amounts, over five years:

Table 2: Number of Food Stamp Participants Equivalent to Three Funding Levels

\$3 Billion	505,102 people
\$2 Billion	336,734 people
\$1 Billion	168,367 people

Table 3 demonstrates that the size of proposed funding cuts could affect a significant number of food stamp participants. Table 3 shows, per state or territory, the number of people potentially affected if the full \$3 billion in cuts comes from Food Stamps:

¹ Please see the Methodology section for a full explanation of this analysis.

Table 3: Per State, Number of Food Stamp Participants in One Average Month Equivalent to \$3 Billion Over Five Years

Alabama	10,535	Kentucky	11,533	Ohio	20,016
Alaska	1,044	Louisiana	14,941	Oklahoma	8,719
Arizona	11,211	Maine	3,005	Oregon	8,886
Arkansas	7,335	Maryland	5,798	Pennsylvania	20,345
California	39,368	Massachusetts	7,091	Rhode Island	1,641
Colorado	5,119	Michigan	19,980	South Carolina	10,527
Connecticut	4,149	Minnesota	5,239	South Dakota	1,132
Delaware	1,178	Mississippi	7,979	Tennessee	17,075
D.C.	1,877	Missouri	14,812	Texas	47,825
Florida	25,453	Montana	1,640	Utah	2,613
Georgia	18,359	Nebraska	2,411	Vermont	907
Guam	545	Nevada	2,546	Virginia	10,287
Hawaii	2,087	New Hampshire	1,026	Virgin Islands	283
Idaho	1,935	New Jersey	7,806	Washington	9,601
Illinois	22,645	New Mexico	4,715	West Virginia	5,419
Indiana	11,143	New York	33,835	Wisconsin	6,861
Iowa	3,793	North Carolina	15,821	Wyoming	543
Kansas	3,589	North Dakota	877	TOTAL	505,102

Conclusion and Recommendations

The Food Stamp Program is one of the most important federal assistance programs, serving more than 25 million low income people monthly. As virtually the only far-reaching assistance program to adjust automatically to account for increased poverty, it provides an important nutrition safety net for Americans in times of economic hardship. More than 95% of benefits go to participants, primarily children, senior citizens or people with disabilities, who live in households below the poverty line.

Further, the Food Stamp Program is one of the most efficient federal programs. Administrative costs are low and the program's track record of accuracy has improved

for six years straight. Further, changes made in the past several years have left the Food Stamp Program lean and efficient, with no excess or waste.

Any move to trim this program, therefore, will have a significant impact on the most vulnerable Americans. Our analysis shows that three billion dollars cut over five years, the largest potential cut that Congress could make, is equivalent to cutting monthly Food Stamp benefits for more than half a million people. Even just one-third of that, one billion dollars, is equivalent to benefits for more than 160,000 people.

From 2000 to 2003, the number of people living in poverty grew by five million, to 35.9 million Americans. The Food Stamp Program is a vital safety net for those living in poverty; considering the recent trend in increased poverty, now is not the time to cut this crucial program.

Based on this analysis, we recommend that Congress halt any plans to cut funding from the Food Stamp Program. Because of the program's efficiency, there is no fat to trim; because of the program's reach and import, any cuts will have a direct and harmful impact on our nation's most vulnerable citizens. Congress must act responsibly and compassionately in deciding upon a final 2006 budget, and ensure the Food Stamp Program remains available to all who need it.

Methodology

This analysis is based primarily upon data from the U.S. Department of Agriculture's Food and Nutrition Service and the Congressional Budget Office. Data sets used include:

1. Fiscal Year 2003 Food Stamp Program Quality Control sample, analyzed in the USDA report "Characteristics of Food Stamp Households: Fiscal Year 2003."
2. USDA fiscal year 2004 data on participation rates per state.
3. Congressional Budget Office projections for average monthly benefits per person for the fiscal years 2005-2015, published March 2005.

Using this data, the analysis is based upon several assumptions.

1. **Monthly Figures:** Food stamp benefits are allocated monthly, and all figures on participation levels and benefits are monthly figures. Therefore, in order to analyze the potential human effects of cuts to the Food Stamp Program, we must look at a sample month in the future. This analysis looks at a hypothetical, average month in 2007 for two primary reasons. One, since any changes will take time to implement, 2006 is an unrealistic representative of the 2006-2010 time period. Two, the accuracy of CBO benefit level projections for the years 2005-2015 will likely be best in the early years—2006 and 2007—as opposed to 2010. Therefore, we choose a hypothetical month in 2007 as our base for this analysis.
2. **Benefits Per Person:** This analysis assumes an average monthly benefit per person in 2007 of \$98.99. This figure is from 2005-2015 Congressional Budget Office projections. Of course, the exact level of future benefits is unknown, and will vary state-by-state, but CBO's projections are the most accurate estimate.
3. **Total Benefits Per State:** The analysis assumes monthly benefits per state in the future (2006-2010) will be equal to fiscal year 2004. In reality, annual benefit totals from 2006-2010 will not be identical to 2004, but it is not possible to predict future years. Therefore, this analysis uses FY04 numbers as the most accurate estimate.
4. **Funding Cuts by State:** The analysis assumes any cuts instructed by Congress will be taken proportionally from each state. For example, because Californians receive 8% of benefits nationwide, they will see 8% of cuts.

In sum, this analysis uses fiscal year 2003 and 2004 numbers and projected 2007 figures to predict the effects of cuts to the Food Stamp Program from 2006 to 2010.

Table 2: Per State, Number of Food Stamp Participants in One Average Month Equivalent to \$3 Billion, \$2 Billion, and \$1 Billion Over Five Years

<i>STATE</i>	<i>\$3 Billion Cut</i>	<i>\$ 2 Billion Cut</i>	<i>\$1 Billion Cut</i>	<i>STATE</i>	<i>\$3 Billion Cut</i>	<i>\$ 2 Billion Cut</i>	<i>\$1 Billion Cut</i>	<i>STATE</i>	<i>\$3 Billion Cut</i>	<i>\$ 2 Billion Cut</i>	<i>\$1 Billion Cut</i>
Alabama	10,535	7,023	3,512	Kentucky	11,533	7,689	3,844	Ohio	20,016	13,344	6,672
Alaska	1,044	696	348	Louisiana	14,941	9,960	4,980	Oklahoma	8,719	5,813	2,906
Arizona	11,211	7,474	3,737	Maine	3,005	2,003	1,002	Oregon	8,886	5,924	2,962
Arkansas	7,335	4,890	2,445	Maryland	5,798	3,866	1,933	Pennsylvania	20,345	13,563	6,782
California	39,368	26,245	13,123	Massachusetts	7,091	4,727	2,364	Rhode Island	1,641	1,094	547
Colorado	5,119	3,413	1,706	Michigan	19,980	13,320	6,660	South Carolina	10,527	7,018	3,509
Connecticut	4,149	2,766	1,383	Minnesota	5,239	3,493	1,746	South Dakota	1,132	755	377
Delaware	1,178	785	393	Mississippi	7,979	5,319	2,660	Tennessee	17,075	11,383	5,692
D.C.	1,877	1,251	626	Missouri	14,812	9,875	4,937	Texas	47,825	31,884	15,942
Florida	25,453	16,969	8,484	Montana	1,640	1,094	547	Utah	2,613	1,742	871
Georgia	18,359	12,239	6,120	Nebraska	2,411	1,608	804	Vermont	907	605	302
Guam	545	363	182	Nevada	2,546	1,698	849	Virginia	10,287	6,858	3,429
Hawaii	2,087	1,392	696	New Hampshire	1,026	684	342	Virgin Islands	283	189	94
Idaho	1,935	1,290	645	New Jersey	7,806	5,204	2,602	Washington	9,601	6,401	3,200
Illinois	22,645	15,097	7,548	New Mexico	4,715	3,143	1,572	West Virginia	5,419	3,612	1,806
Indiana	11,143	7,429	3,714	New York	33,835	22,557	11,278	Wisconsin	6,861	4,574	2,287
Iowa	3,793	2,529	1,264	North Carolina	15,821	10,548	5,274	Wyoming	543	362	181
Kansas	3,589	2,393	1,196	North Dakota	877	585	292	TOTAL	505,102	336,734	168,367

Endnotes

- ⁱ U.S. Department of Agriculture, Food and Nutrition Service, data updated April 26, 2005
- ⁱⁱ U.S. Department of Agriculture, Food and Nutrition Service, data updated April 26, 2005
- ⁱⁱⁱ Fiscal Year 2003 Food Stamp Program Quality Control sample data
- ^{iv} "Characteristics of Food Stamp Households: Fiscal Year 2003," U.S. Department of Agriculture, Food and Nutrition Service, November 2004.
- ^v "Characteristics of Food Stamp Households: Fiscal Year 2003," U.S. Department of Agriculture, Food and Nutrition Service, November 2004. Table 3.1.
- ^{vi} U.S. Census Bureau, 2004 Poverty Thresholds
- ^{vii} U.S. Census Bureau, 2004 Poverty Thresholds
- ^{viii} "Characteristics of Food Stamp Households: Fiscal Year 2003," U.S. Department of Agriculture, Food and Nutrition Service, November 2004.
- ^{ix} U.S. Census Bureau, Poverty Statistics 2000 and 2003
- ^x "Characteristics of Food Stamp Households: Fiscal Year 2003," U.S. Department of Agriculture, Food and Nutrition Service, November 2004.
- ^{xi} "State Have Made Progress Reducing Payment Errors, and Further Challenges Remain." United States Government Accountability Office, May 2005.
- ^{xii} Congressional Budget Office Baseline, March 2005.