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Justice and Economic Security for all Coloradans

**The Food Stamp Program:
Good for Families, Good for Farmers,
Good for Colorado**
August 20, 2006

Congress will soon begin working on the Farm Bill of 2007, which will include renewal of the federal Food Stamp Program. The nation's largest and most comprehensive nutrition program, the Food Stamp Program helps low-income people purchase a nutritionally adequate diet. Nationally, more than 25 million people use food stamps — which are now provided through an electronic benefits card — to purchase food from local retailers. The Food Stamp Program helps 257,270 Coloradans buy food and meet their nutritional needs each month.

Food stamps are essential to helping Colorado's working-poor families make ends meet. When combined with the federal Earned Income Tax Credit, food stamps enable a family supported by a low-wage, full-time worker to approach the poverty line. Food stamp benefits, which are fully funded by the federal government, also boost the local economy: the \$28.6 billion of federal food benefits that were spent in local stores and farmers' markets in fiscal year 2005 generated an estimated \$52.6 billion in economic activity and created an estimated 173,000 farm jobs.

Along with other federal nutrition programs, the Food Stamp Program has made severe hunger rare in the United States. Moreover, numerous studies have shown that nutrition assistance programs improve birth outcomes and increase children's intake of key nutrients. Yet food insecurity — the lack of adequate nutrition for an active, healthy life — remains a problem, both nationally and in Colorado. Many eligible people who need help buying food are not receiving food stamps. In Colorado, only 48 percent of eligible people participate in the program. Increasing Food Stamp Program participation by just five percentage points would generate an estimated **\$25,200,000** of economic activity in Colorado, supporting local farmers and retailers and helping maintain a healthy workforce.

The Food Stamp Program is targeted to those in the greatest need, and is able to respond quickly to changed conditions, such as economic downturns or natural disasters. This was recently demonstrated in its quick response to Hurricane Katrina. Without the need for any act of Congress, the program distributed over \$500 million in food assistance to more than 1.2 million Katrina survivors in the weeks following the disaster.

“The Food Stamp Program serves as the centerpiece and primary source of nutrition assistance for over 24 million low-income people. It enables participants, over 50 percent of whom are children, to improve their diets by increasing food purchasing power using benefits that are redeemed at retail grocery stores across the country.”

— President Bush's FY 2006 Budget

The Food Stamp Program also is extremely accurate. Food stamp coupons have been replaced by an electronic debit card that can only be used to buy food, a move that has helped reduce fraud (as well as the stigma associated with receiving food stamp benefits). The program has a stringent quality control system that in recent years has achieved record-high rates of accuracy in issuing benefits.

In sum, the Food Stamp Program is a resounding success story, which is why polls show a large majority of Americans strongly support it. As Congress plans to reauthorize the program, it is vital that food stamps be strengthened and expanded to enable more low-income Coloradans to buy healthy foods and better meet their nutritional needs.

THE FOOD STAMP PROGRAM IN COLORADO

- 257,270 Coloradans use food stamps to buy food every month. That amounts to 5.3 percent of the people in Colorado.ⁱ
- Colorado food stamp households receive, on average, \$1.18ⁱⁱ per person per meal in food stamp benefits. This modest amount is crucial to financially pressed families.
- The Food Stamp Program pumped \$313,224,564 into the Colorado economy last year,ⁱⁱⁱ benefiting farmers, grocers, and small businesses throughout the state.
- About 80 percent^{iv} of food stamp benefits go to households with children. Most of the rest go to households containing elderly people or people with disabilities.
- Almost 90 percent^v of food stamp households have income under the poverty level. The rest have income slightly above the poverty level, but their basic expenses are high enough to make them eligible for a small food stamp benefit.
- The number of working food stamp households with children is on the rise and exceeds the number that receives TANF-funded cash assistance.^{vi}
- During the recent recession and subsequent weak recovery, Food Stamp Program participation in Colorado increased. In 2000, an average of 155,948 Coloradans received food stamps each month. That number rose steadily to 245,926 in 2005,^{vii} an increase of 57.7 percent.
- Using the flexibility provided in the Food Stamp Act, the U.S. Department of Agriculture (USDA) was able to quickly issue \$515 million in disaster food stamps to 1.2 million households that survived Hurricane Katrina. Most of these households were not receiving food stamps before the disaster but found themselves suddenly in need of short-term assistance.^{viii} USDA issued another \$392 million in emergency food stamps to an additional 1 million households in response to Hurricanes Rita and Wilma last year.
- About 38 million Americans, including nearly one in five American children, have difficulty affording food.^{ix} An estimated 199,784 households in Colorado live with hunger or the threat of hunger, according to USDA. That amounts to 11.3 percent of all families in Colorado and includes low-income working families and senior citizens living on fixed incomes.^x

“Farmers benefit from the FSP. Whether it is buying milk in the store or buying bacon or bread or whatever, it’s the farmers that get the real benefit because of the utilization of the FSP, so it’s a win-win program.”

— Senate Agriculture Committee Chairman Saxby Chabliss, October 17, 2005 Press Conference.

- Nationally, only 60 percent of those eligible for food stamps receive them.^{xi} In Colorado, the participation rate is even lower and estimated to be 48 percent.^{xii}
- By increasing the share of eligible households that participate in the Food Stamp Program by five percentage points, Colorado would provide food stamps to an additional 21,000 low-income Coloradans and bring \$13,700,000 into our local economy. This would result in a total of **\$25,200,000** in new economic activity in Colorado.^{xiii}

Recommendations to Congress for the Upcoming Farm Bill

- **Build on the Food Stamp Program's strengths.** The structure of the Food Stamp Program as a federal entitlement program enables it to support communities during times of economic downturn or natural disaster by automatically responding to increased need. This structure must be retained. Other important aspects of the program that should be maintained and strengthened are the national benefit structure, near universal eligibility for low-income individuals, targeting of benefits based on need, state administrative flexibility, and the extensive measures in place to ensure that the program is run efficiently.
- **Reduce eligibility restrictions.** In three areas in particular, existing eligibility restrictions are counterproductive and should be changed:

First, the restrictions on legal immigrants' eligibility for food stamps prevent vulnerable non-citizens from receiving important nutritional support. These restrictions also appear to discourage immigrant parents from obtaining food stamps on behalf of their citizen children: fewer than half of eligible citizen children of immigrant parents participate in the Food Stamp Program. Eligibility restrictions on legal immigrants should be lifted.

Second, the three-month time limit on receipt of food stamps by most unemployed childless adults marks the first time in the program's history that individuals have been cut off of food stamps not because they refuse to work, but because no work is available to them. This provision is also overly complex and difficult to administer. The time limit should be eliminated.

Third, the program's restrictive asset limits make many genuinely needy people ineligible for food stamps. Most households are ineligible for food stamps if they own more than \$2,000 in assets. This asset limit has not been increased in two decades; it would have to rise to \$3,680 just to compensate for inflation over that period. Also, all forms of retirement accounts, educational savings accounts, and burial funds should be exempt from the food stamp asset limit in order to permit food stamp households to plan for their financial future just as the rest of the population can.

- **Ensure the adequacy of food stamp benefits.** The 1996 welfare law cut the Food Stamp Program by almost \$28 billion over six years. A significant portion of these cuts came from across-the-board benefit reductions for nearly all households, including families with children, the working poor, the elderly, and people with disabilities. For example, a typical family of three with monthly income of \$1,078 (78 percent of the poverty line) is eligible for \$217 in food stamps under current law; if the welfare law had not included across-the-board benefit reductions, the household would receive \$248, or 14 percent more each month.

While Congress made some improvements in 2002 to address this problem, the real value of the food stamp benefit has continued to deteriorate over time. Without further changes, poor households will always receive less help from the Food Stamp Program than if the welfare law had not cut benefits. At a minimum, Congress should restore benefits to their prior level to ensure that households have enough resources to purchase an adequate diet.

- **Continue improving access to the program.** Much progress has been made toward simplifying the program so that everyone who is eligible can participate. Still, about 50 percent of eligible people

do not participate, often because it is too difficult or costly.

Significant improvements were made in the 2002 Farm Bill, and those efforts should be continued by exploring ways to make it easier for people to enroll in the program and continue receiving benefits as long as they remain eligible. Such efforts, however, should be carefully designed to avoid undermining the program's current design or radically redistributing benefits in ways that could reduce benefits for the neediest households. Some initiatives that could improve access are extending "automatic certification" to all elderly or disabled people receiving SSI (so these needy individuals are able to receive food stamps without having to apply separately) and continued efforts to accommodate the needs of people who have jobs. Also, Congress should act on USDA recommendations to change the name of the program to something that more accurately reflects the current program, which no longer uses stamps.

Conclusion

Many low-income Colorado families rely on nutrition assistance provided by the Food Stamp Program to help them feed their families. We can reduce food insecurity in Colorado by maximizing use of the federal resources available through the Food Stamp Program.

Increasing participation in the Food Stamp Program requires the combined efforts of national, state, and local public leaders as well as non-profit community agencies, retailers, employers, and anyone else who touches the lives of potentially eligible people. Such an effort would bring federal money into Colorado, support retailers and farmers, increase economic activity, and provide improved nutrition for 257,270 Coloradans. Colorado should take the steps recommended in this report to increase the nutritional assistance Coloradans receive.

"No statistics, no rote recitation of facts and figures, no narrative or prose can describe the suffering of mind and body that associates itself with hunger and poverty in America. The fact that such conditions exist in America is both alarming and tragic. It should represent a blight on our collective consciousness."

— Senator Tom Harkin (D-IA) 7/26/88

For its part, Congress should continue to strengthen this vital assistance when it reauthorizes the Food Stamp Program in the Farm Bill of 2007.

For more information, please contact:

Kathy A. White
Project Coordinator
Colorado Fiscal Policy Institute
303-573-5669 ext. 303
kwhite@cclponline.org

ⁱ USDA's data on the number of people participating in the Food Stamp Program by state can be found at: <http://www.fns.usda.gov/pd/fslatest.htm>. The percentage is calculated by dividing the number of participants in the state by the Census Bureau's population for the state, which can be found at <http://www.census.gov/popest/states/NST-ann-est.html>.

ⁱⁱ USDA posts the average monthly benefit by state at: <http://www.fns.usda.gov/pd/fsavgben.htm>. The benefit per meal is arrived at by dividing this number by 90 (90 meals per month).

ⁱⁱⁱ USDA data: Food Stamp Program Benefits, <http://www.fns.usda.gov/pd/fsfybft.htm>.

^{iv} “Characteristics of Food Stamp Households, Fiscal Year 2004,” Table A-1, United States Department of Agriculture, Office of Analysis, Nutrition, and Evaluation, August 2005, <http://www.fns.usda.gov/oane/MENU/Published/FSP/FILES/Participation/2004Characteristics.pdf>.

^v Ibid.

^{vi} Ibid.

^{vii} USDA data: Food Stamp Program Average Monthly Participation, <http://www.fns.usda.gov/pd/fsfypart.htm>.

^{viii} USDA data, available at http://www.fns.usda.gov/disasters/response/disaster_chart.pdf.

^{ix} Mark Nord, Margaret Andrews, and Steven Carlson, *Household Food Security in the United States, 2004*, United States Department of Agriculture, Economic Research Service, Food Assistance and Nutrition Research Report Number 42, 2005, Table 1, <http://www.ers.usda.gov/publications/err11/>.

^x Ibid, Table 7.

^{xi} “Food Stamp Program Participation Rates: 2004,” Allison Barrett and Anni Poikolainen, Mathematica Policy Research, Inc., July 2006.

^{xii} “State Food Stamp Program Participation Rates: 2003,” Laura Castner and Allen L. Schirm, Mathematica Policy Research, Inc., November 2005. Participation rates for FY 2004 are available only at the federal level. The most recent rates available at the state level are for FY 2003.

^{xiii} [United States Department of Agriculture, “The Benefits of Increasing Food Stamp Program Participation in Your State,” 2005, http://www.fns.usda.gov/fsp/outreach/pdfs/bc_facts.pdf](http://www.fns.usda.gov/fsp/outreach/pdfs/bc_facts.pdf).