



REFORMING FOOD STAMPS (SNAP)

By The Secretaries' Innovation Group

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The Supplemental Nutrition Assistance Program (SNAP), or food stamp program, was unaffected by the welfare reforms of the 1990s. Because it lacks the work requirements comparable to the Temporary Assistance for Needy Families (TANF) program, it does little to promote self-sufficiency. Nor can it properly be called a nutrition program, as there are no limitations or incentives in place to promote the purchase of healthy food. The Secretaries' Innovation Group is pleased to have been responsible for recommending a work-based reform of the program to the House Agriculture Committee in 2013, which was adopted by the House by vote, compromised with the Senate and passed into law as part of the Farm Bill. Ten states are funded and currently operate the Food Stamp work demonstration. But the current program can only be considered a start to more fundamental reforms that SIG recommends below.

The food stamp program is the second most expensive means-tested government assistance program after Medicaid. It is part of a system of sixty programs that provide cash, food, housing, and social services to low-income Americans, and is one of twelve programs that provide food assistance to the poor. As with all the other cash and in-kind benefits, food stamps should be analyzed in the context of the much larger means-tested system. Total means-tested federal and state spending has more than doubled over the past decade, increasing from \$431 billion in 2000 to \$927 billion in 2011. The food stamp portion of this spending increased by four times, from \$20 billion in 2000 to \$85 billion in 2011, declining to \$74 billion in the 2014 post-recession.

Food Stamp spending represents an unacceptable burden to average taxpayers

92 MILLION AMERICAN TAX FILERS PAID SOME NET INCOME TAX¹

\$804 - - IS THE AVERAGE ANNUAL TAX NEEDED TO PAY FOR FOOD STAMPS BY 2014 NET FILERS (\$74 billion expenditure divided by 92 million net taxpayers)

\$12,800 - - IS THE AVERAGE FEDERAL INCOME TAX AMOUNT PAID BY THE MIDDLE 20% OF AMERICANS

Fundamental reform of the food stamp program is needed to control costs, ensure that limited resources are used to benefit those truly in need, and to refocus the program

¹ Tax Policy Center, Table T15-0138



on promoting employment and self-sufficiency for able-bodied, working-age recipients. The best way to accomplish these goals is by converting the program to a fixed allocation, changing eligibility and work requirements, and allowing states significant flexibility in implementing those requirements. Doing so would enable states to use the strategies that have proven effective under the TANF program. In addition, states should have the authority and obligation to pursue robust anti-fraud and recoupment programs.

Problems with the Food Stamp program as currently constituted

There is no correlation between the distribution of Food Stamps and hunger

The USDA defines *very low food security* as “the eating patterns of one or more household members were disrupted and their food intake reduced, at least some time during the year, because they couldn’t afford enough food”. Food insecurity is usually episodic, not a chronic condition, and it is not widespread.

In a typical month in 2013:²

- One adult in 30 experienced very low food security.
- One child in 165 experienced very low food security.
- One child in 250 skipped at least one meal due to lack of food resources.

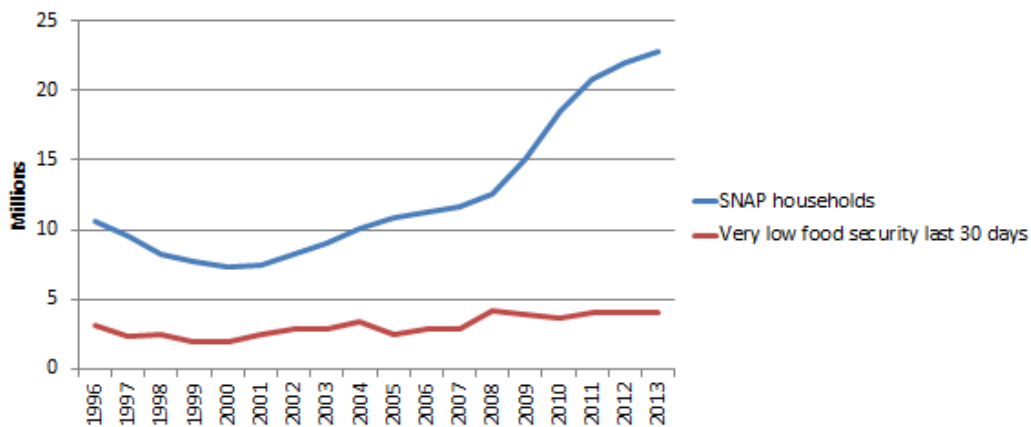
And yet the quadrupling of the number of food stamp households has led to no reduction in the numbers of the relatively modest numbers of Americans experiencing

² Heritage Foundation tabulation from the Census Bureau, Current Population Survey, Food Security Supplement December 2013



food insecurity as USDA defines it.

The increase in Food Stamp dependent households has had no effect on the number experiencing USDA's "food insecurity" measure



Source: FNS- SNAP Quality Control Sample. USDA- ERS Household Food Security in the U.S. data 2000-13. Estimated effects of differences in data collection screening 1996-99.

The reason there has been no reduction in very low food security in spite of the enormous increase in food stamp usage has to do with poor consumption patterns among many food stamp households. For example, USDA finds:

When measured on the basis of edible weight or average portion size, grains, vegetables, fruit, and dairy foods are less expensive than most protein foods and foods high in saturated fat, added sugars, and/or sodium.³

And yet adults experiencing VLFS report spending on average a quarter of their food expenditures in fast food restaurants and vending machines, and consume greater than recommended amounts of saturated fat. In addition almost half smoke an average of nineteen packs of cigarettes per month.⁴ Changing these consumption patterns is the most assured way to improve diet and health, not increasing the distribution of food stamps.

³ USDA Department of Agriculture, Economic Research Service, publ. EIB-96, May 2012, iii

⁴ Robert Rector, Heritage Foundation, *Hunger and Very Low Food Security*, July 30, 2015



Lack of reciprocity

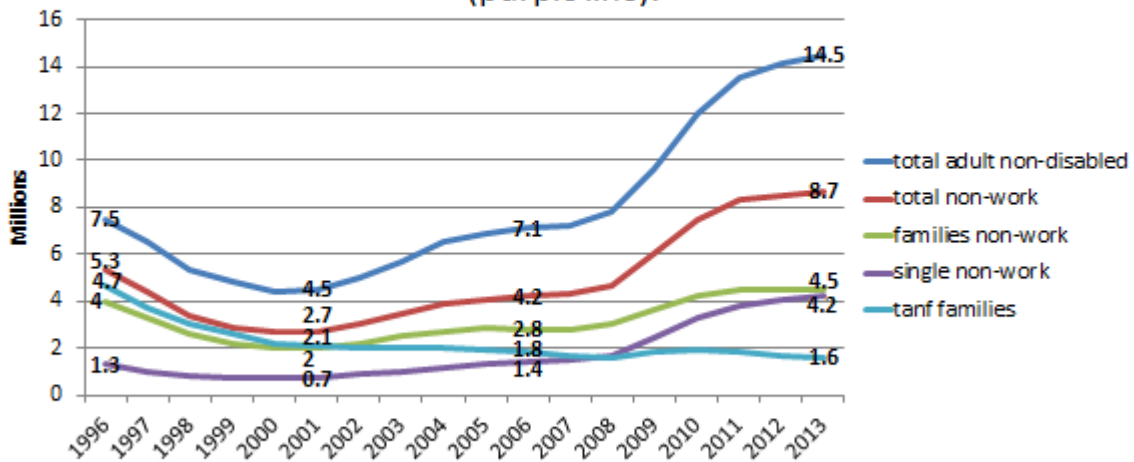
There is an imbalance in fairness between the taxpayer and many recipients of food stamps. The program has left behind its original purpose of feeding those who might literally go hungry, and now cuts a swath deep into the middle class, subsidizing food purchases among many who are clearly able to afford their nutritional needs. The current food stamp program asks almost nothing from most non-working, able-bodied recipients in order to obtain these benefits - - not to work, to look for work, or to prepare for work. Like the successful welfare reform of the 1990s, the program should be restructured so that it is primarily a temporary safety net designed to move able bodied adult recipients to self-sufficiency.

Long term dependency

Historically, about half of food stamp assistance has gone to families with children who have received benefits for more than eight years. The current program is failing to promote self-sufficiency. Given the sharp increase in caseloads since 2008, there is a danger that long-term dependency will be induced among a new segment of formerly self-sufficient individuals and families. By 2010, one in five American households were receiving food stamps, and more than half of the 10.5 million households with at least one able-bodied, working-age adult had no employed member. Another million to two million households included adults who worked less than full time. The chart below shows the dramatic increase in idle Food Stamp recipients who are able bodied but not in the labor force. This growth of non-working recipients contrasts with the stable number of TANF families receiving benefits, which after declining after the work reforms of the 1990s and has remained flat since. Unlike food stamps, TANF activates recipients to look for and accept jobs - - the Food Stamp program should do the same.



Since 2001 the Food Stamp caseload able to work has tripled (non-disabled, top line), in line with the increase in recipients not actually working (red line). Able bodied singles not working has gone up fastest (purple line).



Source: FNS- SNAP Quality Control Sample & HHS- TANF Caseload Data

Recipients are no longer asked to look to their own resources first before asking for public transfers

Half of all current recipients enter the program through the expansion of a loophole that eliminates restrictions on the amount of assets an applicant may have and still qualify. In prior years, those with temporarily low incomes but large savings or assets were expected to use those resources before turning to food stamps. Thus, those reaching the end of their unemployment benefits but with thousands in the bank, or business owners who had a bad year but have sizeable assets, have not been eligible for food stamps. This appropriate “asset test” has effectively been made moot by the expansion of a loophole called “broad based categorical eligibility.”

Under this provision, applicants can be deemed “categorically eligible” as a result of having received any TANF-funded service. This could be as little as having received a brochure or an 800 number referral for social services. The US Department of Agriculture has encouraged the use of “categorical eligibility” to increase the asset limit or eliminate the asset test for eligibility. This is one reason that food stamp enrollment has surged.



Federal rules lack checks against improper payments and fraud

The program as federally administered has weakened efforts to ensure proper use of funds (one of the byproducts of the introduction of a new food stamp work program is that it will significantly reduce the amount of funds going to otherwise employed recipients who cannot be in two places at once). Under current rules face to face eligibility interviews at the time of application are no longer mandatory, nor is there an emphasis on the fastest growing source of fraud - - by retailers diverting funds to the cash black economy. USDA rules preclude states from using their own investigators to track down this enormous illegal diversion of funds.

The Secretaries' Innovation Group Recommends these fundamental reforms:

1. Food stamps should be ***converted to a fixed allocation with work requirements***, conceptually similar to TANF, but with differences to match its differing population and benefit structure. For cases with an able-bodied adult not working, an expectation of 30 hours of weekly work activity per family should be the norm. The elderly and disabled should be exempt from work requirements, as under current TANF law. Because of the recent explosive growth of the food stamp population, work requirements would be phased in as budgets permit, with TANF funds and employment infrastructure an eligible source for the operation of the state food stamp work program.
2. ***Work requirements*** under the proposed food stamp fixed allocation ***should be non-waivable***, comparable to a proper reading of current TANF law. Any reductions in federal funding levels for states not operating a food stamp work program as required should be imposed within 24 months after the putative year of non-compliance.
3. A state's fixed allocation grant amount should be set at the level the state receives at the time the program is converted to a fixed allocation. ***Shared ongoing savings*** from reductions in food stamp dependency over time would be allocated as follows:



- For expenditures in subsequent years that exceed the base year, the federal government and state bear the cost of the increase equally.
- For expenditures in subsequent years that are lower than the base year, the federal government and state share the savings equally.
- For expenditures below FFY 2008 levels, the state retains 100% of the savings.

4. States will submit an annual plan that must be accepted by the USDA if it ***meets the following requirements:***

- States must incorporate a work program as described in paragraph 1 above.
- States must incorporate a reasonable asset test.
- Robust up-front and ongoing eligibility tests are required with rigorous improper expenditure detection and recapture provisions for individual recipients and commercial retailers.
- States must assure that food stamp funds are limited for the purchase of nutritious food.

Adopting the Secretaries' Innovation Group recommendations will activate millions and reserve resources for those most in need.

A move of the food stamp program away from its current function as a straight income transfer program into a temporary program for able bodied working-age recipients, while supporting only those most in need among the aged and disabled, will re-balance it. As with TANF, states will use their fixed annual allocations to maximize the impact of their resources dedicated to increasing work levels.

It will not be possible to engage all current non-working food stamp recipients in work levels comparably broad to TANF at the outset, but experience shows that work requirements phased in judiciously, first for new applicants, then for the rest as budget savings are realized, will have immediate constructive impacts on employment and caseloads, and a longer term realignment of funds so as to support those most in need.