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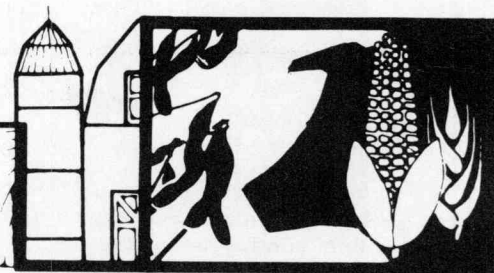
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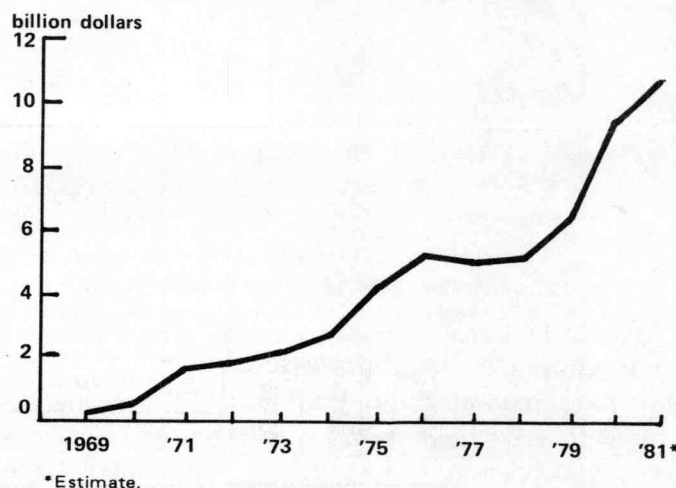
LETTER

THE FOOD STAMP PROGRAM (FSP) has expanded substantially during its brief history. The average number of monthly participants has grown from 400,000 in fiscal 1965 to over 22 million in fiscal 1981. At the same time the federal subsidy has increased from \$33 million to an estimated \$11 billion in the current fiscal year. In light of the tremendous growth, various aspects of the program will likely come under review as new legislation is formulated to replace the Food Stamp Program statutes that expire this year. Budget restraints and policy revisions may be incorporated into new legislation in line with recent Administration proposals.

The Food Stamp Program began in 1964 with the intent of raising the nutrition in low-income households and strengthening the agricultural economy. Individual states were authorized to establish eligibility criteria for participation of low-income households and to set eligibility limits based on income and accumulated financial resources. Eligibility requirements, for the most part, were comparable to the standards used by state welfare agencies in administering public assistance (welfare) programs. Households that qualified purchased an allotment of food stamps—that would provide a low cost nutritious diet—but paid for only a portion of their value. Food stamp allotments varied by household size, income, and by region of the country.

Legislation in 1971 liberalized benefits and standardized eligibility requirements so that all households could have the opportunity to consume a nutritionally adequate diet. Revisions to the program set forth a uniform monthly coupon allotment for all households of a given size, regardless of income. Households with little or no income were granted free food stamps while others had to continue to purchase a portion of the stamps they received. The purchase requirement, however, could not exceed 30 percent of the household's net monthly income. Coupon allotments were to reflect the cost of a nutritionally adequate diet and be revised annually based on the cost of the USDA's Economy Food Plan. Since income eligibility standards were linked to food stamp allotments, these changed too. In the process most recipients benefited from higher coupon allot-

Federal expenditures for the FSP



ments and lower purchase requirements, which boosted the recipient's bonus, or "free" stamps. The legislation also called for registration of all able-bodied recipients for work.

In 1973 legislation mandated the territories of Puerto Rico, Guam, and the Virgin Islands and all states to implement the FSP in all of their political subdivisions by midyear 1974. This forced about one-fourth of the U.S. counties to replace the Commodity Distribution Program—a program where needy persons received donated food—with food stamps. Expansion of the FSP nationwide, in turn, cast it into a major role as the policy tool for improving nutrition in low-income families. At the same time, the cost-of-food adjustment in coupon allotments was changed from an annual to a semiannual adjustment resulting in faster ratcheting of food stamp allotments and income eligibility standards.

The Food Stamp Act of 1977, which runs through fiscal 1981, combined some measures restricting eligibility and benefits with one that resulted in substantial expansion in participation. The major revision was elimination of the recipient purchase requirement, a move designed to make the program more available to people with very low incomes who reportedly could not afford the nominal purchase requirements. Elimination of the

Food stamp allotments by household size*

	Number of persons in household									
	1	2	3	4	5	6	7	8	9	10
	monthly coupon allotment (dollars)**									
Maximum coupon allotment when monthly net income is: \$ 0	70	128	183	233	277	332	367	419	472	525
Minimum coupon allotment when monthly net income is at maximum allowable of:										
\$ 316	10									
418		10								
520			27							
621				47						
723					60					
825						84				
926							89			
1028								111		
1130									133	
1232										155

*Effective Jan. 1, 1981 for participants in the 48 contiguous states.

**Coupon allotments for any net monthly income that qualifies are determined from a very detailed benefit schedule available to agencies. However, as a rule of thumb, to determine the coupon allotment for a net monthly income between 0 and the maximum allowable for the household size, subtract 30 percent of the net monthly income from the maximum coupon allotment listed above.

purchase requirement lowered monthly coupon allotments to a level about in line with the bonus stamps recipients received when purchase requirements were in effect. In order to control costs, ceilings were placed on annual food stamp appropriations along with an authorization to reduce benefits for all participants whenever expenditures were likely to exceed the "caps"—ceilings on spending. But rather than cut benefits when the caps were reached in fiscal 1979 and 1980, more funds were appropriated. In 1980 an amendment changed the frequency of the cost of food adjustment back from semiannual to annual.

Participation in the FSP has risen dramatically over the years. In fiscal 1980 monthly participation averaged 21.1 million people, exceeding the previous high of 18.5 million people in fiscal 1976. Through February of this fiscal year, monthly enrollment was estimated to have averaged 22.3 million people. Changing economic conditions—rising unemployment—accompanied by liberalization of program availability contributed to this pattern. However, over the same period federal expenditures increased twice as fast, owing not only to rising program participation but to the inflation of benefits brought about by frequent adjustments in coupon allotments and income eligibility standards. Overall, the FSP cost \$9.2 billion in fiscal 1980 and may run about \$11 billion in the current fiscal year.

At present households may become eligible for

food stamps if they meet an income test, asset test, and a work registration requirement. Households, for purposes of the FSP, may or may not be related members. Even more than one household may exist in a residence.

The income test is used to determine whether or not net monthly income falls below food stamp eligibility limits. The net monthly income is derived from a household's gross monthly income after allowing for several deductions. Gross income includes wages, self employment earnings, public assistance payments, retirement or disability benefits, support payments, and some other payments. Student earnings, loans, and some other kinds of receipts may be excluded. Deductions made against gross income include a standard deduction of \$85 for all households and a deduction equal to 20 percent of monthly earned income. Also, households may deduct dependent care cost and shelter costs that exceed 50 percent of the household's income after all other deductions. However, the dependent care and excess shelter deduction cannot exceed \$115 together. Households with elderly people may also qualify for special medical and shelter deductions. Generally these gross income and derived net income amounts represent current household circumstances as of the month of application for food stamps.

Financial resources cannot exceed \$1,500 in order to meet the asset test. (If a household of two or more persons has a member who is 60 years of age or older,

then it is \$3,000.) Cash, savings accounts, stocks and bonds, vacation homes, and the market value of vehicles over \$4,500 are counted. However, if the vehicle is used in work or is necessary for transportation of a disabled household member, it is excluded from the count.

Registration for work is also required before food stamps are issued. All able-bodied adult household members must register, but exceptions are made for adults who are responsible for the care of children under 12 or incapacitated family members, and those individuals who are under 18 or over 60. Households must also provide social security numbers, citizenship status, and other similar information.

If the eligibility criteria are met, households are certified to participate in the FSP for a period of time, typically three months. The process of certification takes 30 days or less. If a household is destitute, food stamps may be available within two days. The certification process often does not involve verification of income and related information beyond that provided by the applicant. When the information is deemed questionable, or when specifically mandated, the verification process is run. Changes in the status of households that would affect eligibility for food stamps are reported by the household. Individuals who voluntarily quit a job lose food stamp eligibility for two months.

Food stamps are issued monthly though issuing practices vary among states. The coupon allotment for households with no monthly income equals the full cost of the Thrifty Food Plan for that household size. Households with some or a higher net monthly income receive a coupon allotment that represents the cost of the Thrifty Food Plan minus an amount equal to 30 percent of the household's net monthly income. (See insert.) Food stamps may be used to buy food at retail grocery stores and seeds and plants to grow food. In certain circumstances they may also be used for nonprofit meal delivery services, at communal dining facilities, and at some restaurants. They are not authorized for purchase of alcoholic beverages, tobacco or other nonfoods, highly prepared foods at grocery stores, or for payment of past grocery bills.

The Administration has proposed a number of changes for the new FSP legislation. It has proposed to tighten eligibility requirements by restricting eligibility to households with gross monthly incomes at or below 130 percent of the poverty line. Current practices rely solely on net income to determine eligibility. The proposed eligibility standard would hold the upper gross income limit to about \$11,000 a year for a family of four. The Administration also has proposed to have the

Thrifty Food Plan

The Thrifty Food Plan (TFP), which was developed in 1975, replaced the economy food plan in January 1976 and serves as the basis for coupon allotments. The TFP outlines 15 broad categories of food and represents the amounts of these categories needed to prepare all meals and snacks for a week. It includes less meat, poultry, and fish but more dry beans and grain products than many families consume on the average. Suggested quantities in the plan are supposed to reflect the recommended dietary allowances of specified nutrients and energy needed by an individual.

The cost of the TFP was first estimated by using the average price per pound of each food group. Since that time, prices have been adjusted to current levels by using food price information released by the Bureau of Labor Statistics. Costs of the TFP in Hawaii, Alaska, Guam, Puerto Rico, and the Virgin Islands are reported separately from the 48-state data so as to better reflect food costs there.

determination of eligibility and benefit levels based on past income and household circumstances—which up to now has been optional on the part of states. This change could remove families with high annual incomes who are eligible for food stamps during short periods of unemployment—such as labor strikes—when current income is substantially reduced.

A proposal has been made to reduce food stamp benefits for households with students eligible for the free school lunch program. This would reduce some overlap in federal programs that exists. The Administration has proposed to freeze the standard deduction and dependent care-excess shelter care deductions at current levels by eliminating the annual adjustments built into the program. A proposal has been made to consolidate all the food assistance programs in Puerto Rico into a block grant. Another proposal made recently would impose “workfare”—whereby all able-bodied recipients perform work in exchange for benefits.

Such measures, according to the Administration, could refocus the program to provide adequate nutrition for needy families, the original intent of the program. In all, the measures, as called for, could remove an estimated 1 million people from the rolls and hold back the escalation in benefits that has plagued the program over the years.

Congressional agricultural committees have already approved bills that reflect Administration proposals for the most part. Both versions, however, do not include the proposal to reduce food stamp benefits for those who receive free school lunches, but they do have caps on overall spending again, despite the failure of these limits in the past. The Senate version also separates the FSP Bill from the Farm Bill.

Jeffrey Miller

Selected agricultural economic developments

Subject	Unit	Latest period	Value	Percent change from	
				Prior period	Year ago
Farm finance					
Total deposits at agricultural banks†	1972-73=100	May	232	- 1.7	+13
Total loans at agricultural banks†	1972-73=100	May	261	+ 1.2	+ 3
Production credit associations					
Loans outstanding					
United States	mil. dol.	April	21,137	+ 2.5	+ 8
Seventh District states	mil. dol.	April	4,350	+ 2.8	+ 8
Loans made					
United States	mil. dol.	April	3,522	- 6.8	+18
Seventh District states	mil. dol.	April	850	- 8.4	+27
Federal land banks					
Loans outstanding					
United States	mil. dol.	April	38,818	+ 2.1	+20
Seventh District states	mil. dol.	April	9,251	+ 2.3	+22
New money loaned					
United States	mil. dol.	April	929	- 6.0	- 1
Seventh District states	mil. dol.	April	245	-32.5	- 8
Interest rates					
Feeder cattle loans††	percent	1st Quarter	16.94	+ 7.2	+ 11
Farm real estate loans††	percent	1st Quarter	15.56	+ 5.7	+ 7
Three-month Treasury bills	percent	5/21-5/27	16.40	+15.8	+114
Federal funds rate	percent	5/21-5/27	18.71	+14.9	+ 98
Government bonds (<i>long-term</i>)	percent	5/21-5/27	13.35	- 0.2	+ 31
Agricultural trade					
Agricultural exports	mil. dol.	March	4,667	+22.0	+27
Agricultural imports	mil. dol.	March	1,490	- 9.5	- 2
Farm machinery sales^P					
Farm tractors	units	April	12,145	+37.9	+14
Combines	units	April	920	-18.4	- 9
Balers	units	April	563	- 7.7	-31

†Member banks in Seventh District having a large proportion of agricultural loans in towns of less than 15,000 population.

††Average of rates reported by District agricultural banks at beginning and end of quarter.

^PPreliminary.

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FEDERAL RESERVE BANK
OF CHICAGO
 Public Information Center
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 EXTENSION ECONOMIST AGR. POLICY
 ROOM 217 CLASSROOM OFFICE BLDG
 UNIVERSITY OF MINNESOTA
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