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Participation in the Food Stamp Program Dropped in 1995

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The Food Stamp Program is the largest Federal food-assistance program in terms of both people served and money spent. In fiscal 1995, an average 26.6 million people in 10.9 million households participated in the program each month. Food Stamp Program costs for the year totaled \$24.6 billion, or almost two-thirds of all food-assistance spending.

The modern Food Stamp Program began as a pilot project in 1961, and in 1964 was authorized as a permanent program to those States wishing to take part. The program expanded rapidly after 1974 when all States were required to offer food stamps to low-income households. The Food Stamp Program now operates in all 50 States, the District of Columbia, the Virgin Islands, and Guam. Since 1982, Puerto Rico and the Northern Marianas, and since 1994, America Samoa, have received block grant funds (with fixed spending limits) from the Federal Government to provide food coupons or cash assistance in lieu of food stamps (see "Spending on Food-Assistance Programs Leveled Off in 1995," elsewhere in this issue).

The purpose of the Food Stamp Program is to improve the nutrition levels of low-income households by increasing their food purchasing power. The program provides low-income households with monthly allotments of coupons that can be used like cash at more than 200,000 authorized retail foodstores. However, many States are moving to an Electronic Benefits Transfer (EBT) system for food stamp issuance. EBT provides recipients with a plastic card (similar to a bank card), that allows them to buy groceries by transferring funds directly from their food stamp benefits account to a retailer's account. Five States now operate statewide EBT systems (Maryland, New Mexico, South Carolina, Texas, and Utah). Nine additional States operate EBT systems that are not yet statewide. All but three State agencies are now in the process of EBT planning.

Eligibility for the program is based on need. Households must meet income guidelines, asset limitations, and certain work requirements (see box). Households can use food stamps to buy almost any food for human consumption, except hot foods ready to eat, foods intended to be heated in the store, and lunch counter items or foods to be eaten in the store. Food stamps may also be used to buy seeds and plants for use in home gardens to produce food. Food stamps cannot be exchanged

for cash, nor can they be used to buy alcohol, tobacco, vitamins, medicines, pet foods, or any nonfood items.

The Food Stamp Program is a joint Federal-State venture. USDA's Food and Consumer Service administers the program at the Federal level, and State welfare agencies administer the program at the State and local levels. The Federal Government shares with the States the administrative costs of the program, which include the certification of households, antifraud activities, and automation costs. These also include costs for operating the Employment and Training Program, which all States are required to conduct in order to assist food stamp recipients obtain and keep regular employment, thereby increasing their earnings and reducing their dependence on public assistance programs.

Children the Primary Beneficiaries

According to a USDA study, slightly over half of all food stamp beneficiaries in the summer of 1994 were children. Sixty-one percent of all food stamp households contained at least one child, and these households received 81 percent of all benefits. Seven percent of food stamp recipients were elderly, and 14 percent of the households contained disabled persons. About 41 percent

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of all participants were white, 34 percent were black, and 19 percent were Hispanic. Two-thirds of all food stamp recipients aged 18 years and older were women.

In addition, in over 20 percent of all food stamp households, at least one member earned income from working. Ten percent of all food stamp households had no income. On average, food stamps represented about one-fourth of participating households' total monthly income (including food stamp benefit).

Benefits Tied to Food Costs

The food stamp benefits schedule is uniform across the contiguous United States. All participants receive the same level of benefits based on their income, regardless of their geographic location (except in Alaska, Hawaii, Guam, and the Virgin Islands where benefit levels are higher because of higher food prices).

The size of a household's monthly allotment is based on the cost of USDA's Thrifty Food Plan, a low-cost model diet plan that meets standards for a nutritious diet. The cost of the Thrifty Food Plan for different household sizes is calculated annually to reflect changes in the cost of food. The maximum food stamp allotment is equal to 103 percent of the cost of the Thrifty Food Plan. An individual household's food stamp allotment is equal to the maximum allotment for that household's size, less 30 percent of the household's net income (table 1). Households with no countable income receive the maximum allotment for their size.

Program Responds to Economic Conditions

The Food Stamp Program is an entitlement program, which means that all people meeting the eligibility requirements are automatically enti-

led to participate in the program. Expenditures for the program increase or decrease to meet the number of persons in need who apply for assistance, unlike some assistance programs that operate under annual appropriations which limit the amount of assistance provided. As a result, the program can quickly

adjust to changes in economic conditions, expanding to meet increased need when the economy is in recession, and contracting when the economy is growing and job opportunities and wages are favorable. Because food stamp benefits flow to areas that face rising unemployment or poverty, they help to cushion

Who Is Eligible for Food Stamps?

The Food Stamp Program has uniform national eligibility criteria (except for Alaska and Hawaii, which have slightly higher eligibility criteria). To be eligible for the program in fiscal 1995:

- Households must have no more than \$2,000 in countable resources (\$3,000 if at least one member of the household is 60 years of age or older). Certain resources, such as a home and lot, and household goods, are not counted.
- Physically and mentally fit food stamp recipients 16 to 60 years of age (with certain exceptions) are required to register for work, participate in an employment and training program if assigned, and accept suitable employment if it is offered.
- All household members must provide a Social Security number or apply for one.
- The gross monthly income of the household must not exceed 130 percent of the Federal poverty guidelines. Households with an elderly or disabled member are exempt from this requirement, but the other requirements apply.
- The net monthly income, derived by subtracting a number of approved deductions for earned income, child care, extra shelter costs, and other expenses from gross income, must not exceed 100 percent of the Federal poverty guidelines.

Fiscal 1995 Net and Gross Monthly Income Eligibility Standards for the 48 States and the District of Columbia:

Household size	Net monthly income (100 percent of poverty)	Gross monthly income (130 percent of poverty)
	<i>Dollars</i>	
1	614	798
2	820	1,066
3	1,027	1,335
4	1,234	1,604
5	1,440	1,872
6	1,647	2,141
7	1,854	2,410
8	2,060	2,678
Each additional member	+ 207	+ 269

some of the harsher effects of economic recession and provide a positive stimulus to weakening economies.

Participation Declined

Between fiscal 1985 and 1994, the average number of people receiving food stamps per month increased by 7.6 million, or 38 percent (fig. 1). The Food Stamp Program is designed to respond to changes in the economy. The recession of 1990-91 and the

weak economic recovery that immediately followed brought millions of people onto the Food Stamp Program. However, while most of the growth in participation between 1989 and 1993 was driven by the economy, part of the growth in participation between 1989 and 1993 was also fueled by expansion of the Medicaid Program and improvements in making the Food Stamp Program more accessible to people, thus bringing more people into the

social service network. When the country's economy improved after 1992, the increase in the number of food stamp participants slowed. In fiscal 1994, the average monthly number of food stamp recipients peaked at a record 27.5 million. In fiscal 1995, the number fell by about 853,000 per month to 26.6 million, a 3-percent drop from the previous year. This was the first decrease in the number of food stamp recipients in 7 years. During each month of fiscal 1995, the number of food stamp recipients was lower than the corresponding month a year earlier.

Table 1
Maximum Monthly Food Stamp Allotments Vary with Household Size

Household size	Maximum allotment
<i>Number of members</i>	<i>Dollars per month</i>
1	115
2	212
3	304
4	386
5	459
6	550
7	608
8	695
Each additional person	+ 87

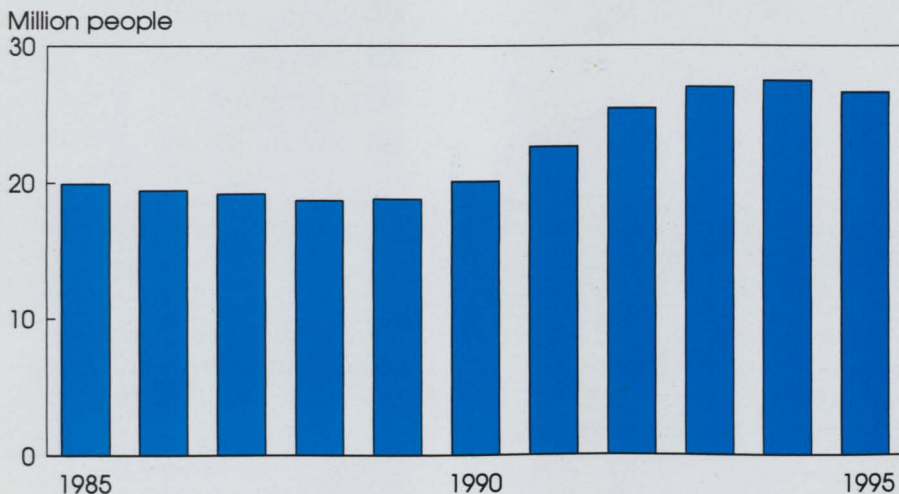
Note: Standards are for the 48 States and the District of Columbia, fiscal 1995.

Costs Increased Slightly

The Food Stamp Program cost the Federal Government \$24.6 billion in fiscal 1995. About \$1.7 billion was for the Federal share of State administrative costs. (The States spent an additional \$1.7 billion for their share of administrative costs.) Another \$118 million was for other costs, such as printing and processing stamps, studies and surveys, and computer support systems. The remaining \$22.8 billion, or 93 percent of total program costs, went directly to benefits paid to recipients. Monthly benefits per person averaged \$71.26 in fiscal 1995, a 58-percent increase from 1985.

Total costs for the Food Stamp Program more than doubled from \$11.7 billion in fiscal 1985 to \$24.6 billion in fiscal 1995, the result of both inflation in food prices and increased participation (fig. 2). However, as the increase in the number of food stamp recipients slowed after fiscal 1992, the rate of increase in food stamp program costs also slowed considerably. Despite a 3-percent increase in the average cost of benefits per person in fiscal 1995, total program costs increased by less than 1 percent due to the decrease in the number of recipients. This was the smallest percentage increase in annual food stamp program costs since fiscal 1987.

Figure 1
Participation in the Food Stamp Program Fell in Fiscal 1995



Participation Rates Vary by State

Participation rates were calculated by dividing the number of food stamp participants per State by State population estimates from the U.S. Bureau of the Census. Although about 10 percent of the U.S. population received food stamps in July 1995, some States had higher participation. For example, Mississippi, West Virginia, Louisiana, and the District of Columbia each had over 15 percent of its population receiving food stamps (fig. 3). In general, States with high participation rates (over 12 percent) were located in the southern half of the country, while those States with low participation rates (less than 8 percent) were located in the northern half.

Future Direction of the Food Stamp Program

Lawmakers are currently debating how to reform the country's welfare system. Some proposed reforms in the Food Stamp Program could dramatically alter the way the program has operated over the past 30 years. The major proposals include reducing funding and eligibility and transferring control to the States under a block grant with a fixed spending limit. (For some of the proposed changes in the Food Stamp Program and their likely economic impacts, see "Economic Effects of Refocusing National Food-Assistance Efforts," in the January-April 1995 issue of *FoodReview*.)

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Figure 2
Food Stamp Program Costs Rose Less Than 1 Percent in Fiscal 1995

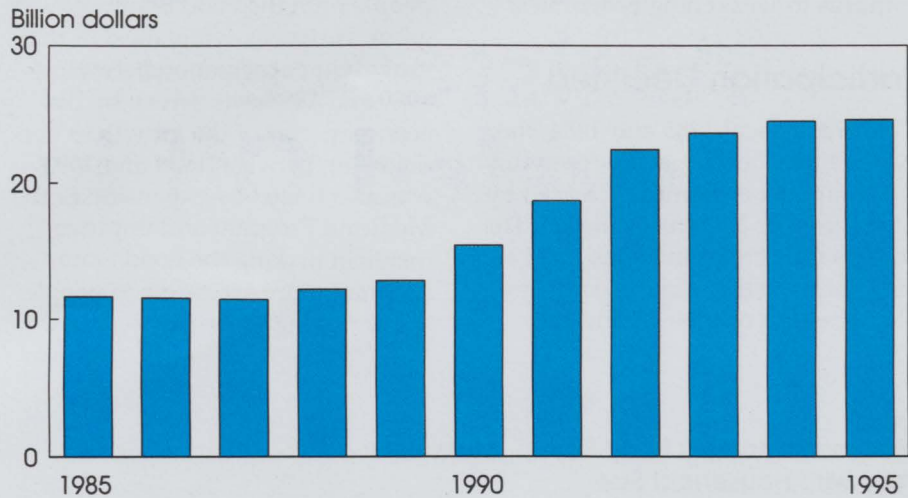
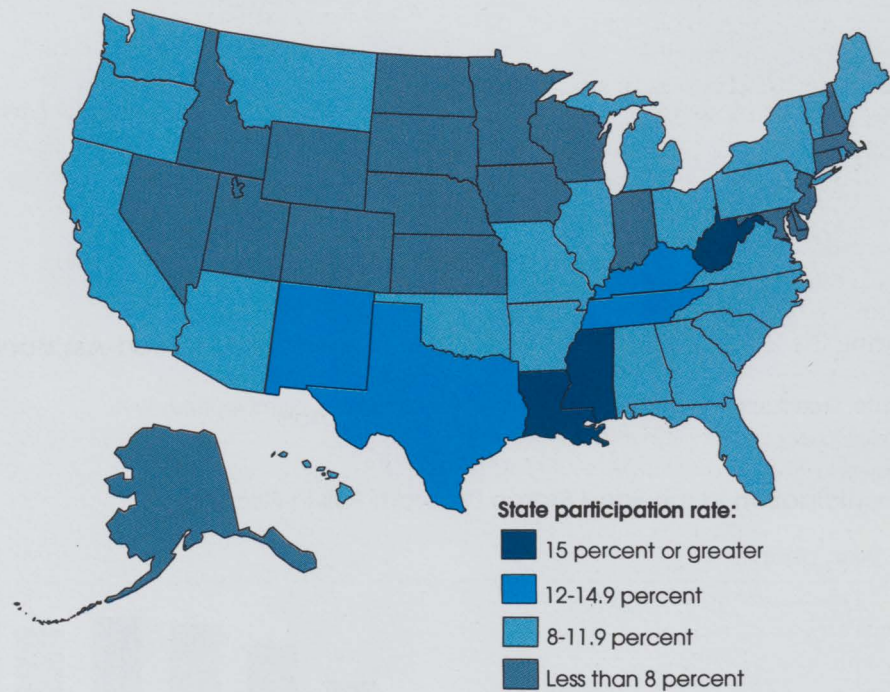


Figure 3
Food Stamp Program Participation Highest in the South, Lowest in the North



Note: Estimates are based on July 1995 food stamp participation numbers from "Food Stamp Participation, August 1995. State by State Comparison," FCS, and July 1995 population estimates from Bureau of the Census.

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