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# Design Issues in USDA's Supplemental Nutrition Assistance Program: Looking Ahead by Looking Back

Victor Oliveira, Mark Prell, Laura Tiehen, and David Smallwood





United States Department of Agriculture

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## Abstract

The U.S. Department of Agriculture's Supplemental Nutrition Assistance Program (SNAP)—formerly, the Food Stamp Program—provides low-income participants with electronic benefits that are used like debit cards to purchase eligible food items in authorized retail food stores. Over the program's long history, policymakers have implemented numerous changes in program design in response to the political, economic, and budgetary environment. Even though SNAP is a mature program, a number of issues continue to arise, such as whether to change SNAP to a block grant program, what types of foods program benefits should cover, and whether benefit amounts and program accessibility are adequate. This report examines the evolution of SNAP—highlighting the effects on the program of major policy and economic changes—to shed light on why the program takes its current form. The report also examines several current issues—each of which has been raised multiple times in the past—and identifies trade-offs between various program design features. By providing historical and analytical perspective on major program design issues, this report looks ahead by looking back.

**Keywords:** Supplemental Nutrition Assistance Program, SNAP, food stamps, federalism, food restrictions, benefit adequacy, retailer eligibility, program access, work requirements

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## What Is the Issue?

USDA's Supplemental Nutrition Assistance Program (SNAP)—formerly the Food Stamp Program—provides low-income participants with electronic benefits that are used like debit cards to purchase eligible food items in authorized retail food stores. The program affects the lives of many Americans: on average, about 14 percent of the Nation's population participated in the program each month in fiscal year (FY) 2016. As one of the mainstays of the country's safety net, the program accounts for over half of USDA's annual budget. With origins in the Great Depression, SNAP began as a pilot program in 1961 and was permanently authorized in 1964. Since then, participation and expenditures have grown and declined in response to economic conditions and policy changes.

Because SNAP represents such a substantial Federal investment, policymakers closely examine the program. The challenges they face today on how to best design the program are similar to ones faced in the past. This report's examination of SNAP's evolution provides insight into why the program takes its current form. It also examines six issues that have resurfaced in recent SNAP policy debates and identifies tradeoffs among various program design features. By providing historical and analytical perspectives on major program design changes, this report looks ahead by looking back.

## What Did the Study Find?

In response to changes in the economy, as well as changes in the political and budgetary landscapes, policymakers have made many revisions in the program's design, which have often involved tradeoffs—enhancing one program goal at the expense of another.

Current issues examined in this report include the following:

- **Block granting SNAP.** Typically, block granting provides States a fixed amount of Federal funding, and the States (not the Federal Government) take responsibility for determining how the program is operated. Block granting SNAP would represent a fundamental change in the program and may end its entitlement-like characteristics.

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Block grants give the States flexibility to tailor the program's policies to their specific needs and circumstances; however, there are tradeoffs. First, if funding is fixed, the program may no longer respond to increased need—for example, during an economic downturn. Second, in the absence of national eligibility standards, it's possible that two people with identical circumstances may receive different treatment simply because they reside in different States.

- **Limiting the types of food participants can purchase.** SNAP participants can redeem program benefits for most types of food intended for home consumption. However, in recent years, States and organizations have increasingly urged USDA to restrict what recipients can purchase with SNAP benefits. Restrictions could potentially improve participants' nutrition, but they diminish consumer choice and possibly reduce SNAP participation. In addition, restrictions may be ineffective to the extent that people use their own money to purchase SNAP-restricted items.
- **Store eligibility requirements.** To become SNAP authorized, a food retailer must meet various eligibility requirements, which policymakers continue to modify. Stricter standards regarding the variety and types of foods offered can enhance the nutritional content of foods in those stores that meet the requirements. On the other hand, stricter standards can reduce the number of stores that are authorized, restricting participant access and potentially diminishing participation.
- **Adequacy of SNAP benefits.** Several recent reports have raised concern that SNAP benefits are too low because they do not take into account (1) geographic variation in food prices; (2) cost variations associated with the age and nutrient requirements of household members; and (3) the costs of time spent in food preparation. A clear tradeoff exists between the goals of benefit adequacy and cost containment: raising benefit levels also raises program costs.
- **Program access.** Since 2000, States can choose to implement SNAP broad-based categorical eligibility (BBCE), which allows them to align the SNAP asset test or gross income eligibility thresholds with certain other non-cash means-tested programs. BBCE promotes participant access and reduces administrative costs. On the other hand, some argue that BBCE has allowed higher income people to participate in SNAP and raised overall program costs.
- **Work requirements.** Individuals must comply with general work requirements or face disqualification. General work requirements include registering for work, taking a suitable job or not voluntarily quitting a job, and participating in workfare (unpaid work through a special State-approved program) or an employment and training program, if required by the State. In addition, able-bodied adults without dependents (ABAWDs) are subject to time-limited participation (3 months in a 36-month period) in SNAP if they do not meet certain work requirements. Although work requirements can increase earnings and training, the associated termination of SNAP benefits (if work requirements are not met) may affect those who are unable to find work.

The response of policymakers to these recurring challenges will shape the food and nutrition assistance environment in the future and affect participants, taxpayers, and other program stakeholders.

## How Was the Study Conducted?

Researchers from USDA's Economic Research Service studied SNAP's laws and regulations (both historical and current), examined program trends in terms of expenditures and numbers of participants, and reviewed numerous SNAP-related research reports and administrative publications.

# Design Issues in USDA's Supplemental Nutrition Assistance Program: Looking Ahead by Looking Back

## Introduction

The Supplemental Nutrition Assistance Program (SNAP)—formerly, the Food Stamp Program—is the Nation's first line of defense against hunger. Administered by the U.S. Department of Agriculture (USDA) in partnership with States, SNAP gives low-income participants electronic benefits to use like debit cards to purchase eligible food items in authorized retail food stores. In fiscal year (FY) 2016, monthly SNAP benefits averaged about \$255 per household or \$126 per person (USDA, FNS, 2016d). By increasing participants' food purchasing power, the program provides them the opportunity to enhance the quality of their diets and thereby improve their nutrition and health.

SNAP touches the lives of many Americans. An average 44.2 million people residing in 21.8 million households participated in the program per month in FY 2016, or about 14 percent of the Nation's population (USDA, FNS, 2016d).<sup>1</sup> SNAP serves the country's most vulnerable populations. In FY 2015, children, elderly, and nonelderly adults with disabilities composed 64 percent of all SNAP participants, and their households received 60 percent of SNAP benefits (Gray et al., 2016) (fig. 1).<sup>2</sup> That same year, most SNAP households (84 percent) had monthly incomes at or below the Federal poverty guideline, and 43 percent of SNAP households had monthly incomes less than or equal to 50 percent of the poverty guideline. The average household participating in SNAP had income that was less than 58 percent of the poverty guideline. SNAP also serves the working poor. In FY 2015, an estimated 32 percent of SNAP households had earned income (Gray et al., 2016).

Funded by American taxpayers, SNAP represents a significant Federal investment. SNAP was the third-most expensive means-tested program in the United States in 2015, trailing only Medicaid and earned income and child tax credits (U.S. Congress, CBO, 2016). With a total Federal outlay of \$70.8 billion in FY 2016, SNAP accounted for over half (51 percent) of USDA's annual budget.<sup>3,4</sup> SNAP is the cornerstone of the Nation's food assistance programs, accounting for 69 percent of all

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<sup>1</sup>Because people enter and exit SNAP throughout the year, the number of people participating in SNAP over the course of the year is greater than the number of people who participate in an average month. For example, in FY 2012, the number of people who participated in SNAP at some time during the year was estimated to be about 28 percent greater than the number of participants in an average month (Prell et al., 2015).

<sup>2</sup>Almost half (49 percent) of all American children are estimated to reside in a household that will participate in SNAP at some point during their childhoods (Rank and Hirschl, 2009).

<sup>3</sup>USDA outlays for FY 2016 totaled \$138.2 billion (USDA, OBPA, 2017).

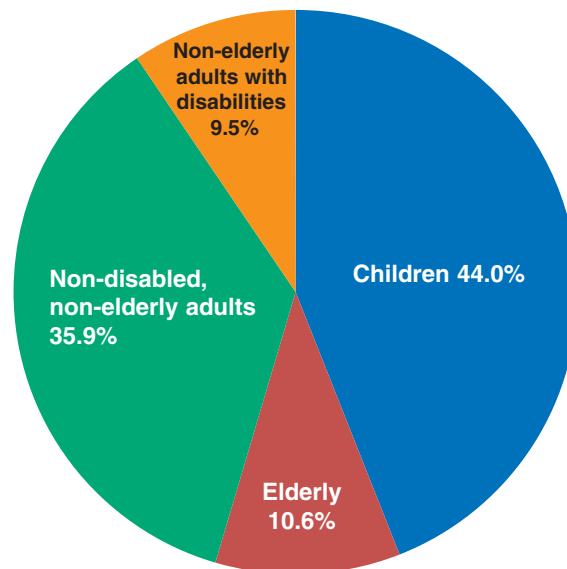
<sup>4</sup>Benefits account for 94 percent of SNAP's total program cost (USDA, FNS, 2016d). The remaining 6 percent went toward State administrative expenses, nutrition education, employment and training administrative costs, and other costs, including benefit and retailer redemption and monitoring, electronic benefit transfer (EBT) systems, program evaluation and modernization, and health and nutrition pilot projects.



Federal food assistance spending in FY 2016 (fig. 2).<sup>5</sup> Unlike the other food and nutrition assistance programs that target specific groups (such as infants, school children, or elderly persons), SNAP is available to most needy households with limited income and assets (subject to certain work and immigration status requirements).

In terms of Federal expenditures, SNAP is the most variable of the major food and nutrition assistance programs (Hanson and Oliveira, 2012). While expenditures of most other food and nutrition assistance programs have generally steadily increased in the last three decades, SNAP expenditures have fluctuated widely (fig. 3).<sup>6</sup> This variability is primarily the result of two fundamental factors. The first is changing economic conditions that can increase or decrease the need for food assistance. Because eligibility for SNAP is based largely on a person's financial situation, economic conditions strongly influence participation levels, which expand during periods of economic decline and contract during economic growth. (See box "SNAP as an Automatic Economic Stabilizer.") In its responsiveness to economic downturns, SNAP is second only to the Unemployment Insurance Program (Center on Budget and Policy Priorities, 2015).

Figure 1  
**Demographic characteristics of SNAP participants, fiscal year 2015**

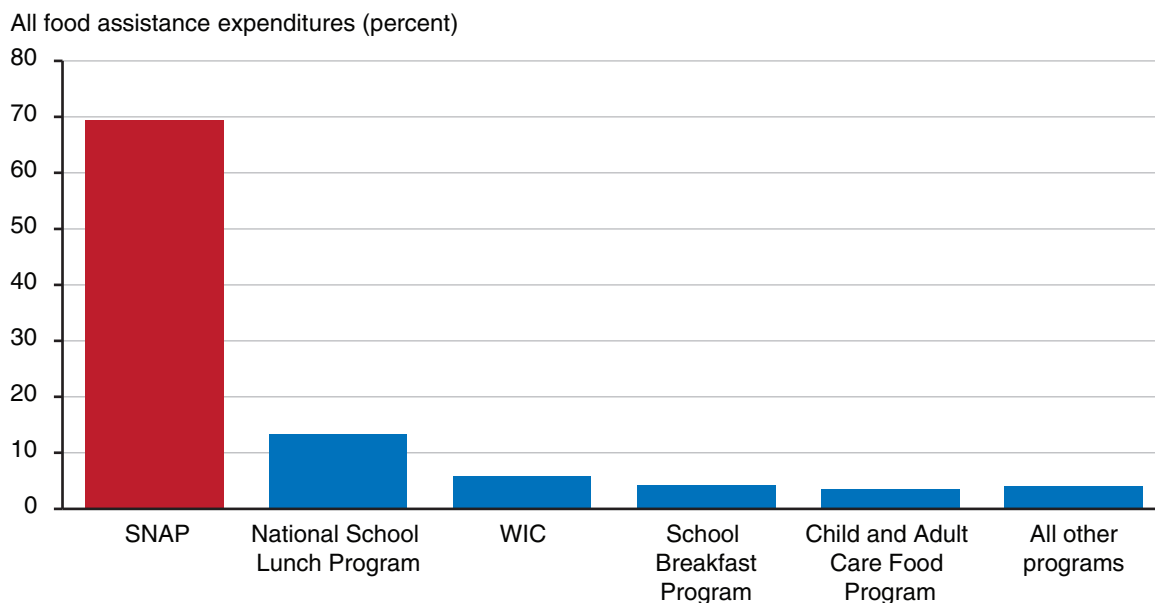


Note: SNAP = Supplemental Nutrition Assistance Program.  
Source: Gray, K. F., S. Fisher, and S. Lauffer (2016), *Characteristics of Supplemental Nutrition Assistance Program Households: Fiscal Year 2015*, USDA, Food and Nutrition Service.

<sup>5</sup>USDA administers 15 domestic food assistance programs that together serve about one in four Americans at some point during the year. This array of programs—which vary by target population, form of benefit, number of participants, and cost—arose because of the difficulties associated with serving diverse populations through a single program (Smallwood et al., 2002).

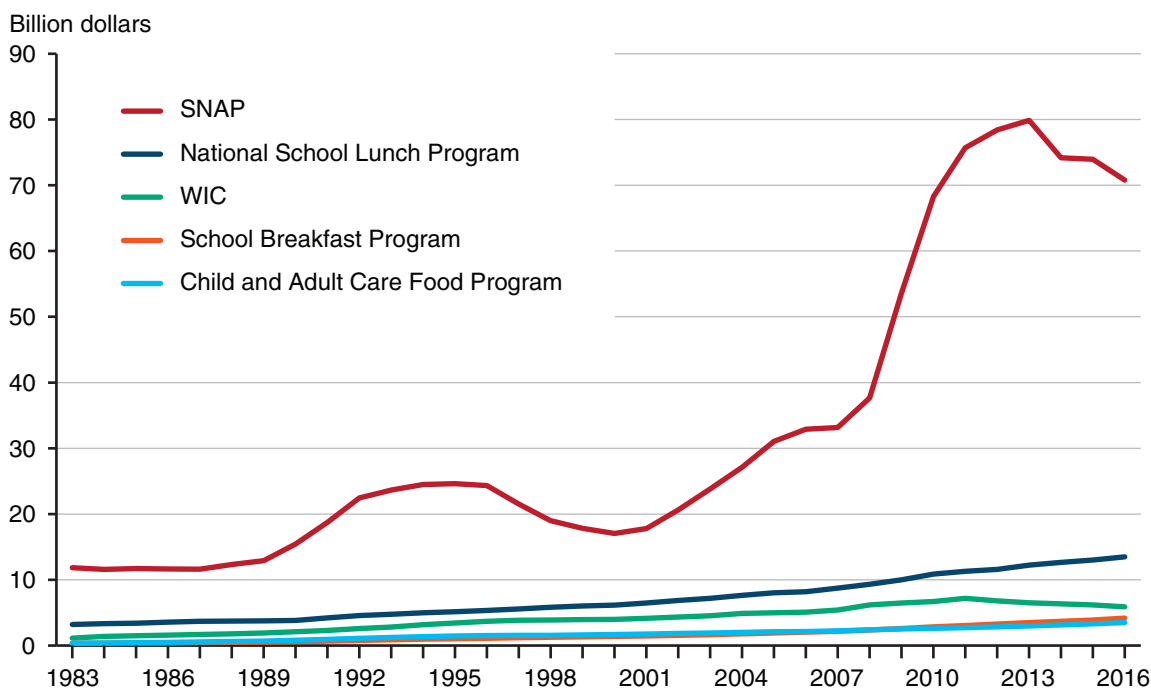
<sup>6</sup>The recent decrease in expenditures for WIC—which serves low-income pregnant, breast-feeding, and postpartum women, as well as infants and children up to age 5—is likely due in large part to the decline in U.S. births from 2007 through 2013 (Hamilton et al., 2015).

Figure 2  
**U.S. food assistance expenditures by program, fiscal year 2016**



Notes: SNAP = Supplemental Nutrition Assistance Program. WIC = Special Supplemental Nutrition Program for Women, Infants, and Children. Expenditures for all food assistance programs totaled \$101.9 billion.  
 Source: USDA, Food and Nutrition Service, Budget Division (2016), *Program Information Report (Keydata), U.S. Summary, FY 2015-FY 2016*.

Figure 3  
**USDA expenditures for major food and nutrition assistance programs, fiscal years 1983-2016**



Notes: SNAP = Supplemental Nutrition Assistance Program. WIC = Special Supplemental Nutrition Program for Women, infants, and Children. These five programs accounted for 96 percent of total USDA expenditures for domestic food and nutrition assistance in fiscal year 2016.  
 Source: USDA, Economic Research Service using data from USDA, Food and Nutrition Service.

## SNAP as an Automatic Economic Stabilizer

As one of the Nation's primary countercyclical assistance programs, the Supplemental Nutrition Assistance Program (SNAP) serves as an automatic stabilizer to the economy (Hanson and Golan, 2002). During a recession, some households that lose part or all of their incomes are eligible and participate in SNAP. Moreover, for households that were already participating before the recession, SNAP benefits increase if their income falls. Not only do SNAP benefits support the household's food purchasing needs, they also augment the incomes and spending of others (such as farmers, retailers, food processors, and food distributors, as well as their employees), which in turn has ripple effects to still others. Thus, SNAP benefits start a multiplier process that supports macroeconomic spending and production. SNAP participation and benefits can automatically expand when the economy weakens and contract when it strengthens, without the need for discretionary legislation. Research has estimated a multiplier of SNAP benefits on Gross Domestic Product (GDP) of 1.73 to 1.79, that is, an increase of \$1 billion in SNAP benefits increases GDP by \$1.73 to \$1.79 billion (Hanson, 2010; Zandi, 2008) and results in an increase of 8,900-17,900 full-time equivalent jobs (Hanson, 2010).

The second fundamental factor behind the large fluctuations in SNAP expenditures over time is changes in policy.<sup>7</sup> As one of the country's largest and most expensive social programs, SNAP is closely scrutinized by policymakers who are responsible for seeing that the program operates both effectively and efficiently. Over the program's history, policymakers have made many changes to the program regarding eligibility rules, benefit levels, program access, etc., in response to changes in the economic, political, and budgetary landscapes. These policy changes can have effects on program participation that augment, reduce, or even completely negate the effect of economic conditions.

Just as in the past, policymakers today continue to face challenges about how to best design the program. Many current issues—such as whether to block grant the program, what types of foods to allow to be purchased with program benefits, and the adequacy and accessibility of program benefits—were also raised in the past. The response of policymakers to these recurring challenges can affect millions of vulnerable Americans, the food and farm sector, and U.S. taxpayers. We examine SNAP's evolution—highlighting major policy and economic changes that have shaped it—to provide insights into why the program has taken its current form. For several current issues, we review the arguments and identify tradeoffs policymakers face when various program goals conflict with one another (Ohls and Beebout, 1993). For example, increasing benefits to address the issue of benefit adequacy may impinge on the goal of minimizing costs. By providing historical and analytical perspectives on major program design changes, this report looks ahead by looking back.

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<sup>7</sup>Changes in the participation rate (i.e., the share of the eligible population who participate in the program) are another factor behind fluctuations in SNAP expenditures. However, changes in the participation rate have been attributed largely to a combination of changes in the economy (historically, participation rates have generally tracked the poverty rate and unemployment rate) and changes in policy (e.g., policies that affected program access such as simplification of reporting requirements, changes in vehicular asset rules, and program outreach) (Leftin, 2010). Other factors contributing to fluctuations in participation rates included trends in other public assistance programs (households not receiving public assistance are less likely to participate in SNAP), as well as local office practices (e.g., extended office hours), and the participation decisions of eligible people.

The next chapter provides an overview of SNAP—its functions and outcomes. This is followed by a discussion of SNAP’s evolution from the Great Depression to today, highlighting the major policy and economic changes that have shaped the program over time, the factors influencing these changes, and their implications. Next, we examine some of the important current issues facing the program, placing them in historical context, and discussing policy tradeoffs. Lastly is a discussion of the major conclusions.

# Background: SNAP Operations and Outcomes

SNAP is a complex program with multiple eligibility requirements and benefit levels that vary by a household's size and income after taking into account various deductions. Researchers have assessed the effect of SNAP on a number of nutrition-related and non-nutritional outcomes.

## Eligibility Requirements

SNAP operates as an entitlement program, meaning that it is available to every eligible household.<sup>8</sup> Federal eligibility standards include two income tests, an asset test, and certain nonfinancial tests. (As discussed later, these eligibility standards have certain exceptions, most notably, categorical eligibility, as well as certain State policy options known as broad-based categorical eligibility.) The Federal standards are as follows:

- **Gross income test.** Total household income (i.e., monthly income before any deductions) must be at or below 130 percent of the monthly Federal poverty guideline, which is based on the number of people in the household and is adjusted annually for inflation. Household income includes earnings as well as unearned income such as public assistance benefits, unemployment benefits, child support, and pensions. Households with an elderly person (60 years of age or older) or a person who receives a disability-based payment are excluded from the gross income test, but they must still pass the net income test.
- **Net income test.** Net income—gross income minus allowable deductions—takes into account the expenses for some necessities that reduce funds available to purchase food. To meet the net income test, a household's net income must be at or below 100 percent of the Federal poverty guideline. As of October 1, 2016 (effective through September 30, 2017), allowable deductions consisted of the following:
  - A standard deduction of \$157 for household sizes of one to three people and \$168 for a household size of four (higher for some larger households);
  - A 20-percent deduction from earned income;
  - A deduction for all dependent care expenses when needed for work, training, or education;
  - Medical expenses for elderly or members with a SNAP-defined disability that are more than \$35 for the month if they are not paid by insurance or someone else;
  - Legally owed child support payments to nonhousehold members;
  - Excess shelter expenses that are more than half of the household's income after the other deductions—subject to a capped value for households without an elderly member or a person with a disability as defined by SNAP. Allowable costs include rent or mortgage payments and

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<sup>8</sup>A SNAP household—the program's basic recipient or beneficiary unit—is a group of individuals who live together and customarily purchase food and prepare meals together; an individual who lives alone; or an individual who, while living with others, customarily purchases food and prepares meals apart from the others (Food and Nutrition Act of 2008, as amended). The concept of household is an important issue in determining eligibility as well as benefits. Because SNAP "benefits are issued based on economies of scale, smaller households receive larger per person benefits than do larger households" (U.S. Senate, 1985, p. 187).

taxes on the home, the cost of fuel to heat and cook with, electricity, water, and the basic fee for one telephone.

- **Asset test.** Assets, like income, are a measure of a household's available resources for obtaining food. Under the asset test, households may have up to \$2,250 in countable resources, such as a bank account, or \$3,250 in countable resources if at least one member is age 60 or older, or a member has a disability. However, certain resources are not counted, such as a home and lot, most retirement (pension) plans, and the resources of households where all household members receive Supplemental Security Income (SSI) or Temporary Assistance for Needy Families (TANF). A State has the option of aligning its SNAP vehicle policy with the policy used in its TANF program. As of 2015, 21 States excluded the value of at least one vehicle from the asset test, and the remaining States excluded all vehicles (USDA, FNS, 2016g).

Eligibility criteria in addition to the income and asset tests include the following:

- **Work requirements.** Adults ages 16 through 59 must register for work, accept suitable employment, and not voluntarily quit a job or reduce job hours—or alternatively, they must take part in workfare (unpaid work through a special State-approved program) or an employment and training program if they are referred by the local office. Exemptions are allowed for people who are physically or mentally unfit for employment, attending school, taking care of a young child or incapacitated person, or participating in a drug or alcohol treatment program, or complying with the work-related requirements of another assistance program.

Generally, nondisabled adults ages 18 through 49 who do not have any dependents (referred to as able-bodied adults without dependents, or ABAWDs) can receive SNAP benefits for only 3 months in a 36-month period if they do not work or participate in a work training program at least 20 hours per week or participate in workfare. This time limit can be waived in locations where the unemployment rates are high or there is an acceptable measure of insufficient jobs.

- **Noncitizen eligibility requirements.** Undocumented noncitizens are not eligible for SNAP. Most lawful permanent noncitizens are eligible if they have lived in the United States for 5 years, have credit for 40 qualifying work quarters, or currently receive disability-related assistance or benefits. They are also eligible if they are children under age 18 or are members of the U.S. Armed Forces, veterans, or dependents of a service member or veteran. Certain noncitizens, such as those admitted for humanitarian reasons and those admitted for permanent residence, also may be eligible for the program without meeting any additional conditions. Further, as long as States use their own funds to cover the cost, they can also provide food assistance for households that do not meet Federal eligibility guidelines. Over time, a few States have used this authority to serve some or all of the noncitizens who are rendered ineligible for Federal SNAP benefits, such as those who have less than 5 years of residency but are otherwise eligible for SNAP.
- **Other nonfinancial eligibility requirements.** There are several other nonfinancial eligibility criteria that may restrict individuals from receiving SNAP, including whether they are striking workers, residents of a mental institution or prison, convicted felons fleeing a sentence, and certain college students.

Some households are categorically eligible for SNAP if they receive benefits from Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), or in some places,

General Assistance (GA). That is, under “categorical eligibility,” households whose members all receive cash benefits from these programs do not have to face the SNAP gross income or asset limit test. They must meet all other SNAP eligibility requirements, including the net income test and the employment and noncitizen eligibility requirements. In recent years, States have taken the option, known as broad-based categorical eligibility (BBCE), to align their income and asset limits with non-cash TANF programs. Through BBCE, a State’s limit on a SNAP household’s gross income can exceed 130 percent of the Federal poverty guideline, but it cannot exceed 200 percent. Many States have also used the BBCE option to relax or eliminate the SNAP asset limits. (See section on “State Policy Options.”)

The certification period—time during which a household is authorized to receive SNAP benefits—typically, does not exceed 12 months but may extend as long as 24 months if all adult members are elderly or have disabilities. During the certification period, the household is required to report changes in financial circumstances periodically or within a certain time after changes occur. At the end of the certification period, the household must be recertified to continue receiving SNAP benefits.

## Program Benefits

Provided monthly to recipients, SNAP benefits can be redeemed for most types of food but cannot be used to purchase tobacco, alcohol, hot foods, or foods intended to be eaten in the store (except under limited circumstances).<sup>9</sup> The dollar value of the SNAP benefits that a household receives per month is the household’s allotment. SNAP allotments are not intended to cover all of a household’s food needs unless a household has zero net income, in which case the household receives the maximum allotment. A household’s maximum allotment increases with its size and is adjusted once each year to account for changes in food costs. SNAP households are expected to contribute 30 percent of their net income to food, a figure reflected in the SNAP benefit formula (for a household of any given size):

$$\text{Household allotment} = \text{maximum allotment} - (.30 \times \text{net income})$$

Thus, a household’s allotment is reduced by 30 cents for every dollar of net income.<sup>10</sup> A household’s maximum allotment is based on the cost of USDA’s Thrifty Food Plan for a reference family of four in June of the previous fiscal year.<sup>11</sup> The Thrifty Food Plan is a minimal cost meal plan, consisting of bundles of foods, that shows how a nutritious and palatable diet may be achieved with limited resources (the plan assumes that all purchased food is consumed at home) (Carlson et al., 2007). The maximum SNAP allotment is adjusted for different household sizes.

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<sup>9</sup>A handful of States participate in the Restaurant Meals Program (RMP), a State-option program that allows eligible homeless, disabled, and/or elderly SNAP recipients to use their SNAP benefits at participating restaurants to purchase prepared meals (Federal Register, 2016b).

<sup>10</sup>Benefits may change by an amount different from  $-\$0.30$  when gross income rises by  $\$1.00$ . The increase in gross income may increase net income by a different amount because of various SNAP deductions or interactions with the amount of benefits received from TANF (Hanson and Andrews, 2009).

<sup>11</sup>The monthly maximum allotment was  $\$649$  for a household with four members in FY 2016 (USDA, FNS, 2015). Maximum allotments increase with household size but at a decreasing rate to account for economies of scale in food purchasing and preparation. Small households with either one or two people that meet all eligibility tests but qualify for only a small benefit amount receive a minimum monthly allotment; this minimum monthly allotment was  $\$16$  in FY 2016.

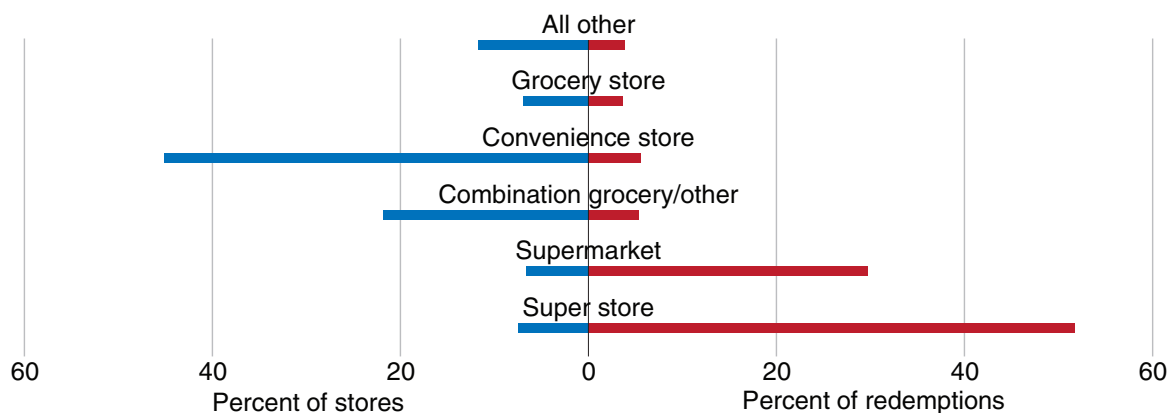
All States also operate SNAP nutrition education programs (SNAP-Ed) that are designed to help participants make healthy food choices within a limited budget, and work support services in the form of employment and training (E&T) programs.

## Benefit Delivery System

SNAP benefits are issued to eligible households through an electronic benefit transfer (EBT) system, which works much like a regular bank debit card. Benefits are electronically loaded into the household’s account each month and can be used to purchase groceries at SNAP-authorized food stores (only stores authorized by USDA may redeem SNAP benefits).<sup>12</sup> Unused SNAP benefits are carried over to the next month. Each State operates its own EBT system. However, SNAP EBT cards are portable—an EBT card issued in one State can be used in any other State.

SNAP-authorized retail food stores sell food to the general public—that is, they do not serve SNAP participants exclusively. As of September 2016, over 260,000 firms were authorized to accept SNAP, including specialty stores, farmers markets, direct marketing farmers, homeless meal providers, treatment centers, group homes, and others (USDA, FNS, 2016e). Two store types—super stores (large stores containing a large variety of goods, including both food and nonfood items) and supermarkets—accounted for only 14 percent of all SNAP-authorized stores but over 81 percent of all redemptions (fig. 4).

Figure 4  
**Share of SNAP stores participating in SNAP and redemptions, by store type, fiscal year 2016**



Note: SNAP = Supplemental Nutrition Assistance Program. Combination grocery/other are stores whose primary business is the sale of general merchandise but that also serve a variety of food products.

Source: USDA, Food and Nutrition Service (2016e), *SNAP Retailer Management 2016 Year End Summary*.

The participation of retailers in SNAP is voluntary. All stores that apply for authorization and meet the eligibility criteria are able to redeem SNAP benefits—that is, there is no limit on the number of stores that can participate. USDA monitors the stores for compliance, which includes statistical monitoring based on the store’s characteristics and volume of SNAP sales (Mantovani et al., 2013).

<sup>12</sup>Retailer eligibility requirements are discussed later in the chapter on “A Look Ahead: Issues Facing SNAP?”



## Program Administration

USDA operates SNAP in partnership with States and local governments. Within USDA, the Food and Nutrition Service (FNS) is responsible for administering the program at the Federal level. For a summary of Federal and State governments' respective roles, see table 1.

Table 1

**Federal versus State SNAP responsibilities and costs**

Level of government:	Responsibility	Costs
Federal	Issues regulations	Pays 100 percent of program benefits
	Establishes benefit levels	Pays 100 percent of Federal administrative costs
	Establishes eligibility criteria	Pays about 50 percent of State administrative costs
	Defines eligible foods	
	Authorizes and monitors participating food stores	
	Monitors States' compliance with program rules	
	Oversees quality control measures	
	Conducts studies and evaluations	
State	Administers the program locally	Pays about 50 percent of State administrative costs
	Interacts with applicants and participants	
	Determines applicants' eligibility	
	Certifies participants	
	Determines participants' benefit level	
	Issues EBT cards and benefits	
	Provides nutrition education and employment and training programs	
	Quality control reviews*	
	Selects policy options	
	Conducts fraud investigations	

\* Each month, States conduct monthly reviews of a sample of participating households and households for whom participation was denied, terminated, or suspended. These reviews measure the validity of Supplemental Nutrition Assistance Program (SNAP) cases and serve as the basis for the SNAP payment error rate (McGill et al., 2016). The quality control system gives States a financial incentive to ensure that ineligible households do not receive SNAP benefits. States with error rates persistently above the national average are subject to fiscal penalties while States with low or improving error rates can receive performance bonuses (Rosenbaum, 2014). EBT = electronic benefit transfer.

Source: USDA, Food and Nutrition Service.

State agencies administer the program through local offices. In some States, the program is administered directly by local office staff employed by the State, while in other States, the program is administered by local governments under State supervision (Ohls and Beebout, 1993). The Federal Government pays 100 percent of the program benefits and Federal administrative costs, whereas State administrative costs are shared more or less equally between the States and the Federal Government.<sup>13</sup>

<sup>13</sup>In FY 2015, the Federal Government paid \$3.9 billion or 49.4 percent of the total \$7.9 of State agency administrative costs, and States paid the remaining \$4.0 billion or 50.6 percent (USDA, FNS, 2016c).

For the most part, SNAP operates similarly across geographic areas (with the exception of income eligibility thresholds and benefit levels in Alaska and Hawaii, which are adjusted to account for higher food prices in those States). However, as discussed in the next subchapter, States do have some flexibility as to how they operate the program.

## State Policy Options

Legislative and regulatory changes since 2000 gave States increased flexibility to simplify program administration and increase program access, especially for low-income working families. States have used this flexibility to align eligibility criteria for gross income and assets with a limited number of other safety net programs. Through the BBCE policy option, many States have aligned the SNAP income and asset tests with those of a non-cash or in-kind TANF program. The specific eligibility criteria of the TANF programs vary from State to State, but the gross income test must be at or below 200 percent of the Federal poverty guideline. In addition, many of the States' non-cash or in-kind TANF programs used to confer eligibility have a higher asset test than SNAP has or have no asset test.<sup>14</sup>

The legislative and regulatory changes have also allowed States to implement a number of program changes to simplify the process of applying for and remaining enrolled in SNAP (U.S. General Accounting Office, 2002). States have lengthened certification periods—the number of months that could elapse before a SNAP household had to recertify eligibility—thereby reducing the transaction costs of participation, particularly for working households that may need to take time off from work to complete the recertification process. States have also changed the requirements regarding households' reporting of changes in their financial circumstances between certifications such that most recipients report income changes semi-annually, rather than each month or each time a change in circumstances occurs (U.S. General Accounting Office, 2002). Under simplified reporting, households may be required to report every 4-6 months (unless all adults are elderly or disabled with no earned income—these households may report only once every 12 months). States may also have 6 months certification periods, meaning that households must not only report changes every 6 months but must also undergo the certification process again. Semi-annual or “simplified” reporting can decrease reporting burdens on SNAP participants, especially those with volatile incomes, because it requires households to report changes to their financial circumstances within reporting periods only if the changes increase their household income above the eligibility limit for their household size. Under simplified reporting, if a household has an ABAWD subject to the time limit of receiving SNAP benefits for only 3 months in a 36-month period, it is also required to report whenever the ABAWD's work hours fall below 20 hours per week, averaged monthly. By 2014, all States had adopted the simplified reporting option for at least part of their caseloads.<sup>15</sup>

## Participant Outcomes

Because of the significance of SNAP both to program participants and U.S. taxpayers, it is important to evaluate the program's effects on participants. When the Food Stamp Program was established in the 1960s, hunger and malnutrition—in the form of undernutrition—were serious problems. However, over time, the prevalence of undernutrition in the United States diminished significantly.

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<sup>14</sup>Broad-based categorical eligibility is discussed in more detail later in the report.

<sup>15</sup>For additional detail on State options, see USDA, 2016g.

A landmark assessment of poverty-related programs in 1997 stated “evidence of severe malnutrition-related health problems has almost disappeared in this country. The primary reason is Food Stamps” (Blank, 1997, p. 163).

Today the examination of SNAP’s effects on participants extends beyond hunger and undernutrition. Researchers have assessed the effect of the Food Stamp Program and SNAP on economic well-being, food spending, food security, nutrition and health, and the prevalence of overweight or obesity.

## Economic Well-Being

A household’s economic well-being is often measured by its poverty status. Moreover, other outcomes such as food insecurity, poor health, and reduced earnings potential are associated with poverty (Tiehen et al., 2016). Because official U.S. estimates of poverty omit in-kind benefits from family income, they understate the resources of families that receive SNAP benefits. When SNAP benefits were counted as part of family income to obtain an “inclusive-of-SNAP” measure of poverty, SNAP raised 4.7 million people, including 2.1 million children, out of poverty in 2014 (Short, 2015).

The *depth* of poverty and the *severity* of poverty are two additional measures that capture how SNAP increases economic well-being among poor families even if it does not lift them completely out of poverty.<sup>16</sup> The severity measure is particularly sensitive to how effectively program benefits reach the poorest of the poor. Because SNAP provides more benefits to those with lower incomes, SNAP leads to larger decreases in the depth and severity of poverty than in the poverty rate (Tiehen et al., 2012; Tiehen et al., 2016). For example, while SNAP benefits lowered the poverty rate by an average of 4.9 percent during 2000-11, the declines in the depth and severity of poverty were 11.0 and 14.0 percent, respectively (Tiehen et al., 2016).

SNAP benefits are especially effective in decreasing poverty among children, who experience significantly higher rates of poverty than the overall population. Assuming SNAP household’s benefits are distributed equally among all household members, children receive an estimated 43 percent of all SNAP benefits (Gray et al., 2016). During 2000-11, SNAP benefits reduced the depth of child poverty by 16.4 percent and the severity of child poverty by 22.3 percent (Tiehen et al., 2016). The antipoverty effects of SNAP almost double after adjustments are made for the underreporting of SNAP participation and benefits in household surveys (Tiehen et al., 2016).

## Food Spending

By increasing spending on food, SNAP is expected to increase households’ nutrient availability, and in turn, increase the nutrient intake of the individuals in these households (Fox et al., 2004). Therefore, the extent to which SNAP increases food security and improves diet quality and nutrition depends on how much SNAP benefits augment a household’s food expenditures that are financed from its own cash income. SNAP benefits are redeemable only for food. However, when receiving

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<sup>16</sup>The poverty-gap index measures the depth of poverty and is defined by the mean distance below the poverty threshold, where the mean is formed over the entire population (the nonpoor are counted as having zero poverty gap). The squared-poverty-gap index, which provides a measure of the severity of poverty, is defined as the mean of the squared proportionate poverty gaps.

SNAP benefits a household can partially or fully reduce its cash-based food expenditures, thereby freeing up cash for other purposes.

The Marginal Propensity to Spend on food out of SNAP benefits ( $MPS_{SB}$ ) represents the net increase in total food expenditures that results from a \$1 increase in SNAP benefits. For example, an  $MPS_{SB}$  of 0.25 means that a \$1 increase in SNAP benefits increases total food expenditures by \$0.25. Research indicates that the  $MPS_{SB}$  is greater than zero, demonstrating that SNAP benefits do indeed increase SNAP participants' total food expenditures. A review of 17 studies finds that most  $MPS_{SB}$  estimates ranged from 0.17 to 0.47 (Fraker 1990).<sup>17</sup> Four later studies report estimates of 0.26, 0.35, 0.40, and 0.69 (Fox et al., 2004). More recently, Beatty and Tuttle (2015) estimate the  $MPS_{SB}$  to be 0.48 in a study covering 2007-10—a period that included implementation of the American Recovery and Reinvestment Act of 2009 (ARRA), which temporarily increased benefits to all SNAP households. In a follow-up study, Tuttle (2016) further isolates the effects of ARRA by narrowing the analysis to the months in 2008-09 immediately before and after ARRA's implementation and estimated the  $MPS_{SB}$  to be 0.53. Tuttle (2016) also finds that estimates of the  $MPS_{SB}$  differed across demographic subgroups. Overall, the research consistently indicates that for each additional dollar of SNAP benefits a typical household receives, food spending rises (but by less than a full dollar). Therefore, some cash income is being freed for more nonfood purchases.

Providing assistance in the form of food-targeted benefits—paper coupons or EBT cards—increases the administrative complexity and cost of a program, raising the issue of whether food-targeted benefits increase food expenditures by *more* than an equal increment of cash. A review concludes that studies “strongly suggest that coupons would be more effective than cash food assistance at increasing food expenditures” (Fraker, 1990, p. 77). (See box “Cashing Out the Supplemental Nutrition Assistance Program.”) Most estimates of the Marginal Propensity to Spend on food out of a dollar of cash ( $MPS_C$ ) lie between 0.05 and 0.10—i.e., less than estimates of the  $MPS_{SB}$ .<sup>18</sup>

### **Cashing Out the Supplemental Nutrition Assistance Program**

Since the Supplemental Nutrition Assistance Program's (SNAP) inception, benefits have been provided in the form of a voucher or electronic benefit transfer (EBT) card that can be redeemed for food at authorized food stores. In the past, some advocates argued for providing cash benefits (in the form of checks) to participants instead of food vouchers or EBT.

Those in favor of cashing out SNAP argued that the current system limits participants' food purchasing choices, stigmatizes participation, does not prevent the diversion of benefits, and entails cost related to benefit delivery and redemption. Advocates of the existing system argued that vouchers/EBT are a direct and inexpensive way to ensure that SNAP benefits are used to purchase food, that food budgets are somewhat protected from other demands on limited household resources, and that the unauthorized use of program benefits is limited (USDA, FNS, 1993).

<sup>17</sup>Three studies that used data collected after the elimination of the purchase requirement provided estimates of 0.23, 0.26, and 0.29.

<sup>18</sup>Additional evidence comes from four cash-out demonstrations conducted in 1989-1990 (Fraker, 1993).

In the late 1980s, USDA sponsored four cash-out demonstrations whereby program participants were given cash (in the form of checks) instead of food stamp coupons. Two demonstrations were conducted in Alabama and one each in Washington and California. The demonstrations differed in the way the cash-out was implemented. After taking into account the differences in the design of the various demonstrations, an assessment of cash-out's effects concluded that it resulted in a reduction in household food spending of between 18 and 28 percent from what it would have been with conventional food stamps (Fraker et al., 1995). It was estimated that a nationwide cash-out would save about \$0.3 billion in administrative cost (roughly \$0.5 billion in 2015 dollars), far less than the estimated reduction in food spending totaling about \$4.2 to \$6.5 billion (roughly \$6.8 to \$10.6 billion in 2015 dollars).

USDA is authorized to conduct pilot projects to test the payment of benefits in the form of cash rather than food stamps to eligible households whose members are either all over age 65 or all entitled to SSI benefits. At present, five States operate small-scale demonstration projects that allow eligible households to receive SNAP benefits in the form of cash, via EBT, direct deposit, or check.

Some people receive benefits for food spending in a different form than a SNAP EBT card due to a limited cashing-out option. In 1974, the Federal Government began the combined Federal-State Supplemental Security Income/State Supplementary Payment (SSI/SSP) program, which allows States to increase SSI/SSP recipients' SSPs, rather than enrolling them in conventional SNAP. Because a portion of this payment is intended to defray food expenses, the recipient is ineligible for SNAP. California is the only State to operate under this policy.

## Food Security

USDA defines a household as food secure when all members of the household have continuous access to food in sufficient quantity and quality for an active, healthy life. Food-insecure households are those that, at some point during the year, lack resources to provide adequate food for all their members. A subgroup of food-insecure households exhibits the more severe condition of very low food security, whereby one or more household members experienced disrupted eating patterns and reduced food intake, at least some time during the year, because they could not afford enough food.

In 2016, an estimated 87.7 percent of U.S. households were food secure throughout the year (Coleman-Jensen et al., 2017). Food insecurity was exhibited at least some time during the year by the remaining 12.3 percent of households, of which 4.9 percent had very low food security.

Recent studies provide strong evidence that SNAP decreases food insecurity. A 2011-12 study measured food insecurity for a sample of new SNAP households at the time of entering SNAP and again after 6 months of SNAP participation. The study found that food insecurity among the households fell by 10.6 percentage points (Mabli et al., 2013). Another study examined food security in the wake of the temporary increase of SNAP benefits and expansion of SNAP eligibility for jobless adults without children that occurred with the American Recovery and Reinvestment Act of 2009 (ARRA) (P.L. 111-5). The study found that food insecurity among lower income households decreased by 2.2 percentage points (because of the increased benefits), while food insecurity increased by 0.16 percentage points among those households with annual incomes from 150 to 250

percent of poverty that were likely to be ineligible to participate in SNAP (Nord and Prell, 2011). Another study found that from 2009 to 2011, when the real value of the temporary ARRA-related increase in SNAP benefits declined due to inflation in food prices, the estimated number of SNAP-recipient households with very low food security increased (Nord, 2013).

## Nutrition and Health

SNAP seeks to improve participants' diet quality by increasing their purchasing power for food, thereby allowing them to purchase more and higher quality foods. However, increased food expenditures do not necessarily result in purchases of more nutritious foods. Instead SNAP participants may purchase more of the same foods or foods that are higher priced or more convenient, but not necessarily more nutritious.

Research findings on the nutritional effects of SNAP participation are mixed. A comprehensive 2004 review of 14 studies on household nutrient availability concluded, "Overall, the literature strongly suggests that the FSP [Food Stamp Program] has little to no impact on individual dietary intake" (Fox et al., 2004, p. 62). A 2013 analysis of SNAP's effect on the nutritional quality of participants' diets found inconclusive results, with SNAP participants showing improvement on some components of a healthy diet, but slightly lower diet quality as a whole and for many dietary components (Gregory et al., 2013).

However, results from other recent studies suggest that SNAP does have positive effects on health and other outcomes. For example, using data for 1968-77, when the staggered introduction of the Food Stamp Program across counties served as a natural experiment, Almond et al. (2011) found that counties with the program exhibited higher birth weights than those without the program. Hoynes et al. (2016b) examined the period of Food Stamp Program rollout across counties between 1961 and 1975. They found that children with access to the program had, upon reaching adulthood, a lower metabolic syndrome index (an aggregate of health conditions such as obesity, high blood pressure, and diabetes) and, for women, greater economic self-sufficiency (an aggregate of socio-economic conditions such as high school graduation, employment, and earnings) compared with similar groups in counties that had not yet implemented the program. A 2015 report by the President's Council of Economic Advisers concluded, "SNAP's benefits are especially evident and wide-ranging for those who receive food assistance as children; they extend beyond the immediate goal of alleviating hunger and include improvements in short-run health and academic performance as well as in long-run health, educational attainment, and economic self-sufficiency" (Furman et al., 2015, p. 2).

## Overweight and Obesity

As SNAP has evolved, so too have nutritional concerns. In recent decades, the prevalences of overweight and obesity—which are correlated with excess morbidity and mortality (NCHS, 2015)—have increased. These increases have prompted concerns about the weight status of Americans and of various subgroups, including SNAP participants. Studies have examined the potential paradox of whether a program that contributed to the disappearance of severe undernutrition may now contribute to malnutrition in the form of overweight or obesity. Specifically, does increasing the purchasing power of SNAP participants lead to higher prevalences of overweight and obesity?

A USDA review of the literature found that for most participants—children, nonelderly men, and the elderly—use of SNAP benefits is not associated with either an increase in the Body Mass Index

(BMI) or the likelihood of being overweight or obese (Ver Ploeg and Ralston, 2008). However, for nonelderly women, some evidence suggests that participation in SNAP may increase BMI and the probability of obesity. The different results for age and sex subgroups remain unexplained. The findings of a review by DeBono et al. (2012), which includes studies published since 2008, are generally consistent with Ver Ploeg and Ralston (2008). A more recent review of the literature concluded, “there is very little evidence that SNAP is associated with higher probabilities of obesity among participants in comparison to eligible nonparticipants” (Gundersen, 2016, p. 177).

## SNAP Evolution: Policy Changes and Implications

Because many of today’s SNAP policy issues originated in the past, examining the program’s evolution helps frame the discussion of current design issues. This section explores the history of SNAP, focusing on the major changes to the program, the factors behind the changes, and their implications. The discussion proceeds chronologically through five periods or phases, each characterized by major changes in the program.<sup>19</sup>

### Prologue (1939-43)

*The first national food assistance programs were rooted in the Great Depression. One of those early programs—the Food Stamp Plan—would later serve as the prototype for the modern day SNAP program.*

#### *Federal Food Assistance Origins*

Prior to the 1930s, providing assistance to the hungry was the responsibility of the States and local communities—and not the Federal Government (Poppendieck, 1986). Federally administered domestic food assistance programs originated during the Great Depression in the 1930s. Simultaneous with widespread unemployment, hunger, and malnutrition, this period saw the overproduction of agricultural commodities, reduced food prices, and lower farm incomes. In response to this “paradox of want amid plenty” (Poppendieck, 1986), the Federal Government purchased surplus foods under the premise that removing these price-depressing foods from normal marketing channels would help limit commercial supply, thereby increasing prices and farm incomes (Shields, 2014). In the early 1930s, the Federal Government began making these surplus foods available to organizations such as the Red Cross to distribute to the needy (Poppendieck, 1986; Gold et al., 1940).

In 1935, Congress passed the Agricultural Act of 1935 (P.L. 74-320). Section 32 of the Act provided USDA with an annual source of funding—30 percent of the import duties collected from U.S. customs receipts—to encourage the domestic consumption of certain foods, usually in surplus, by diverting them from normal channels of trade. The Commodity Distribution Program took effect the following year to distribute the surplus commodities acquired by Section 32 funding to low-income families and school lunch programs. The program’s premise was that providing surplus foods to low-income families would “supplement, not displace, normal food purchases by these recipients” (Shields, 2014, p. 4). Although the program’s primary purpose was to reduce farm surpluses, it simultaneously helped needy people. State and local governments established large distribution systems to dispense the surplus foods to needy families, schools, and charitable organizations (U.S. Congress, CBO, 1977). However, the program did little to increase the total demand for food; recipients largely substituted the free surplus food for food they normally would have purchased from their own funds (Berry, 1984). Thus, the program acted more as an income support program than a nutrition program.

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<sup>19</sup>Note that there is often a lag between the time a legislative act is passed and its implementation. Historically, States are provided guidance when legislation is passed, but they can use their interpretation until final regulations are published by USDA. There can be an additional lag between implementation of a law and measurable effects on participation.



## *Food Stamp Plan (1939-43)—Precursor to Food Stamp Program*

USDA established the first coupon-based food assistance program at the tail end of the Great Depression in 1939. Once again financed with Section 32 funds, the Food Stamp Plan provided participating families with stamps (similar to postage stamps in design) that they could exchange for food in any retail food establishment that would accept them (Federal Register, 1939). Eligibility standards were set locally rather than nationally. The change from a commodity distribution program to a coupon or food stamp program had several objectives: (1) to better ensure that the government benefit would be used to increase food consumption rather than to partially replace previous food expenditures; (2) to better match the types and amounts of available foods to recipients' actual needs; and (3) to use existing commercial food distribution channels, rather than developing a separate distribution system (U.S. Senate, 1985). Grocery trade officials and local retailers had expressed concern that the Commodity Distribution Program, which operated outside commercial distribution networks, resulted in fewer sales—and, therefore, less revenue—for retail food stores (Maney, 1989).

To enhance the targeting of foods, the program controlled the types of foods that recipients could obtain by using a two-color system of stamps—orange and blue—that participants could exchange for food in participating retail food stores (U.S. Senate, 1985). Program participants bought orange stamps with cash and could use them to purchase an equal value of most types of food. Participants would also receive a free bonus amount of blue stamps worth half of the value of the orange stamps. The blue stamps, which represented the participants' increase in purchasing power, could be used only to buy surplus commodities as designated by USDA.

Thus, the Food Stamp Plan, like the Commodity Distribution Program, served the dual goals of helping the needy and reducing commodity surpluses. Furthermore, the Food Stamp Plan was carefully designed to encourage a household to increase its food purchases and not merely to substitute food purchased with the coupons for food purchased from its own funds. To acquire blue stamps, participating families first had to spend, on orange stamps, an amount representing normal food expenditures (U.S. Senate, 1985). With normal food consumption covered by orange stamps, the food purchased with the blue stamps was intended to be a net increase in participants' food consumption, thereby focusing the program more on nutrition support than on income support.

At its peak in August 1942, the program operated in areas containing about two-thirds of the U.S. population (U.S. Senate, 1985). Although studies found that the Food Stamp Plan increased food consumption levels among participants (U.S. Senate, 1985), the program had a number of drawbacks. First, requiring that households purchase food stamps with their own money significantly reduced access to the program, particularly among very poor households that may have had limited cash on hand (Ohls and Beebout, 1993). Second, the program was complicated to administer. Because USDA designated the surplus foods that could be purchased with the blue stamps on a monthly basis—retailers, their staff, and program participants had to be informed each month about changes in the surplus foods (U.S. Senate, 1985). Third, reports of fraud and abuse plagued the program. In particular, a large number of smaller, family-owned stores supposedly yielded to pressure from long-term customers to give them cash for their blue stamps or to allow them to exchange blue stamps for foods not on the list of allowable foods (Berry, 1984). An estimated 25 percent of all benefits were misused.

## *Food Stamp Plan Is Terminated*

The Food Stamp Plan ended in 1943 when wartime conditions reduced unemployment and decreased agricultural surpluses (U.S. Senate, 1964).<sup>20</sup> Although the Food Stamp Plan existed for only a brief period, four of its key program design features would set the stage for the future Food Stamp Program or SNAP. First, it established USDA as the lead Federal agency in administering the Nation's domestic food and nutrition assistance programs. Second, participants received in-kind benefits (i.e., food) and not cash. Third, it provided the needy with more autonomy. Participants could choose which types of foods to purchase (at least with the orange stamps), rather than simply accept a set of available commodities. Fourth, it required that participants obtain their foods at participating retail food stores. In this way, retailers, wholesalers, and food distributors benefited economically from the program via increased sales and became stakeholders in the program.

## **The Launch of the Food Stamp Program (1961-69)**

*The Food Stamp Program was created as a pilot program in the early 1960s and permanently authorized in 1964.*

### *Pilot Food Stamp Program*

In the midst of an economic downturn in the early 1960s, concern about America's poor grew. In his first executive order as president, John F. Kennedy in January 1961 directed USDA to "take immediate steps to expand and improve the program of food distribution throughout the United States" and to make available "to all needy families a greater variety and quantity of food out of our agricultural abundance" (Kennedy, 1961).

Later that year, USDA began an experimental pilot program that became the basis for the Food Stamp Program. The pilot program operated in eight economically depressed areas and once again received financing from Section 32 funds, with USDA paying 100 percent of the program's costs. Participating families received stamps that they could exchange for food in any retail food establishment. In contrast to the Food Stamp Plan, the pilot program eliminated the two-color coupon system and no longer required that some portion of the stamps be used to purchase surplus foods (USDA, FNS, no date, b). With these changes, the program's primary focus began to shift from reducing agricultural surpluses toward improving the nutritional status and well-being of low-income people.

However, the goal of serving as a nutritional safety-net for low-income people was not completely decoupled from that of supporting agriculture. The designers of the pilot program thought that, by letting participants purchase nearly whatever foods they wanted, the increased purchasing power would increase overall food demand, which would in turn reduce surplus commodities (Berry, 1984). Furthermore, the pilot projects targeted domestic foods—thus, benefitting U.S. farmers—as participants could use the stamps to purchase any food or food product for human consumption except coffee, tea, cocoa, alcoholic beverages, tobacco, and products clearly identified on the package as being imported from foreign sources (Federal Register, 1961). Food stamps could be redeemed for food only at approved retail food stores, and those stores then redeemed the coupons through the commercial banking system (U.S. Senate, 1985).

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<sup>20</sup>After World War II, food assistance was once again provided through the Commodity Distribution Program, although at lower levels than before (Andrews and Clancy, 1993).

State or local governments determined eligibility, usually using the applicable welfare eligibility guidelines for the given area (U.S. Senate, 1985). The pilot program retained the requirement that households purchase their food stamps. In exchange for food coupons of higher monetary value, households paid the amount of money that a household of its size would normally spend for food, based on averages derived from USDA household food consumption survey data (Richardson, 1979). The difference between the price a household paid for the stamps and the stamps' actual value reflected the Federal contribution (or bonus) and the increase in participants' food purchasing power.

The per-household allotment was based on the cost of the Economy Food Plan, developed by USDA in 1961 as a low-cost nutritionally adequate diet for short-term or emergency use (Carlson et al., 2007). Thus, the pilot program forged a link between the amount of the benefit allotted and a nutritionally adequate diet, at least for some recipients. Although the allotments were based on a sliding scale, households with higher incomes counterintuitively received the full value of the economy food plan, while lower income households received less than the full value (Berry, 1984). The rationale for this benefit structure was to discourage the illegal trading of stamps. That is, it was assumed that, if the value of the stamps were too much greater than what low-income households normally spent for food, they might sell some stamps for cash on the underground market. The program's designers believed that a scandal related to cheating and fraud could jeopardize the program's existence (Berry, 1984).

The purchase requirement was also based on a sliding scale with families paying "an amount roughly equal to what they usually spent on food" (Berry, 1984). Thus, higher income families paid more for stamps. Having families pay what they usually spent on food minimized the substitution of stamps for food normally spent out of pocket. "Income" meant that portion of gross income after certain deductions (U.S. Senate, 1985). The deductions were instituted as a way of compensating for the higher living costs associated with some areas (Berry, 1984). The main deduction was a shelter deduction, which included combined expenses for rent or mortgage, electricity, and heat that exceeded 30 percent of a family's income. Other deductions included unusually high medical costs and child care expenses.

### *Food Stamp Program Is Permanently Authorized*

By 1964, 43 areas in 22 States had pilot food stamp projects (U.S. Senate, 1985). The pilots proved to be effective in expanding farm markets, improving food consumption and nutrition among participants, and increasing retail food store sales. In August 1964, President Lyndon B. Johnson signed the Food Stamp Act of 1964 (P.L. 88-525), stating the program "will be one of our most valuable weapons for the war on poverty" (Johnson, 1964). The Act made the program permanent and brought it under increased congressional oversight. Funding (from the U.S. Treasury) would then be provided by Congress rather than from Section 32 funds within USDA (USDA, FNS, no date, b). Congress, not USDA, now determined the size of the program. Congress appropriated necessary funds and, through legislation, established how the Food Stamp Program operates. Congress assigned USDA the responsibility of administering the program, and USDA used regulatory procedures to develop various details of program design not stipulated by Congress.

Each State took responsibility for selling and issuing food stamps and for determining each applicant's eligibility, including establishing maximum income limits using standards consistent with those used by each State in its federally aided public assistance programs. States were also charged

with establishing a limit on allowable household assets, in recognition that some households with low or no income may have substantial resources to draw on (U.S. Senate, 1964). As a result of differing income and asset criteria, eligibility standards varied widely across States.

The Federal Government continued to pay 100 percent of the food stamp benefit costs and all Federal administrative costs (including the printing of the stamps). However, unlike the earlier pilot program, the permanent program made States share some of the costs of administering the program, including those costs associated with determining eligibility and distributing the stamps (U.S. Senate, 1985; Richardson, 1979). The Federal Government paid about 30 percent of the States' administrative costs, and States paid the remaining 70 percent. Congress debated the issue of shared costs between the States and the Federal Government. On the one hand, requiring that States share expenses raised concern that because a State's participation in the program was voluntary, some States would choose to not participate in the program. On the other hand, not sharing costs raised concern that the States, without a direct financial stake in the program, would have little or no incentive to be "diligent in administration of a program financed entirely by the federal government" (U.S. Senate, 1985). That is, not requiring States to share any of the program's costs would result in a "moral hazard" whereby States might be less attentive in verifying that all program participants were actually eligible for the program.

Allotments at that time—determined by USDA—were still based on a sliding scale with households with higher incomes receiving larger allotments (Reese et al., 1974; U.S. Congress, CBO, 1977; Andrews and Clancy, 1993). As in the pilot food stamp programs, the bonus represented the difference between the monthly allotment and the purchase requirement. Essentially, the bonus, when added to a household's normal expenditures for food, gave the household an opportunity to "more nearly" obtain a low-cost nutritionally adequate diet (P.L. 88-525). The value of the allotment was intended to be low enough so that recipients would be restricted to basic foods and discouraged from purchasing luxury foods (U.S. Senate, 1964). The purchase requirement, which varied by household size and income, represented an amount equal to normal food expenditures as determined by consumption surveys (U.S. Senate, 1985).

Participants could use their food stamps to purchase any food in authorized retail food stores that sold food for home consumption (except alcohol, tobacco, and certain imported foods) (P.L. 88-525). Thus, the Food Stamp Program made use of the existing commercial food distribution system, continuing the earlier practice of the Food Stamp Plan and the pilot program. (See box, "Implications of Operating Through Normal Channels of Trade.")

### **Implications of Operating Through Normal Channels of Trade**

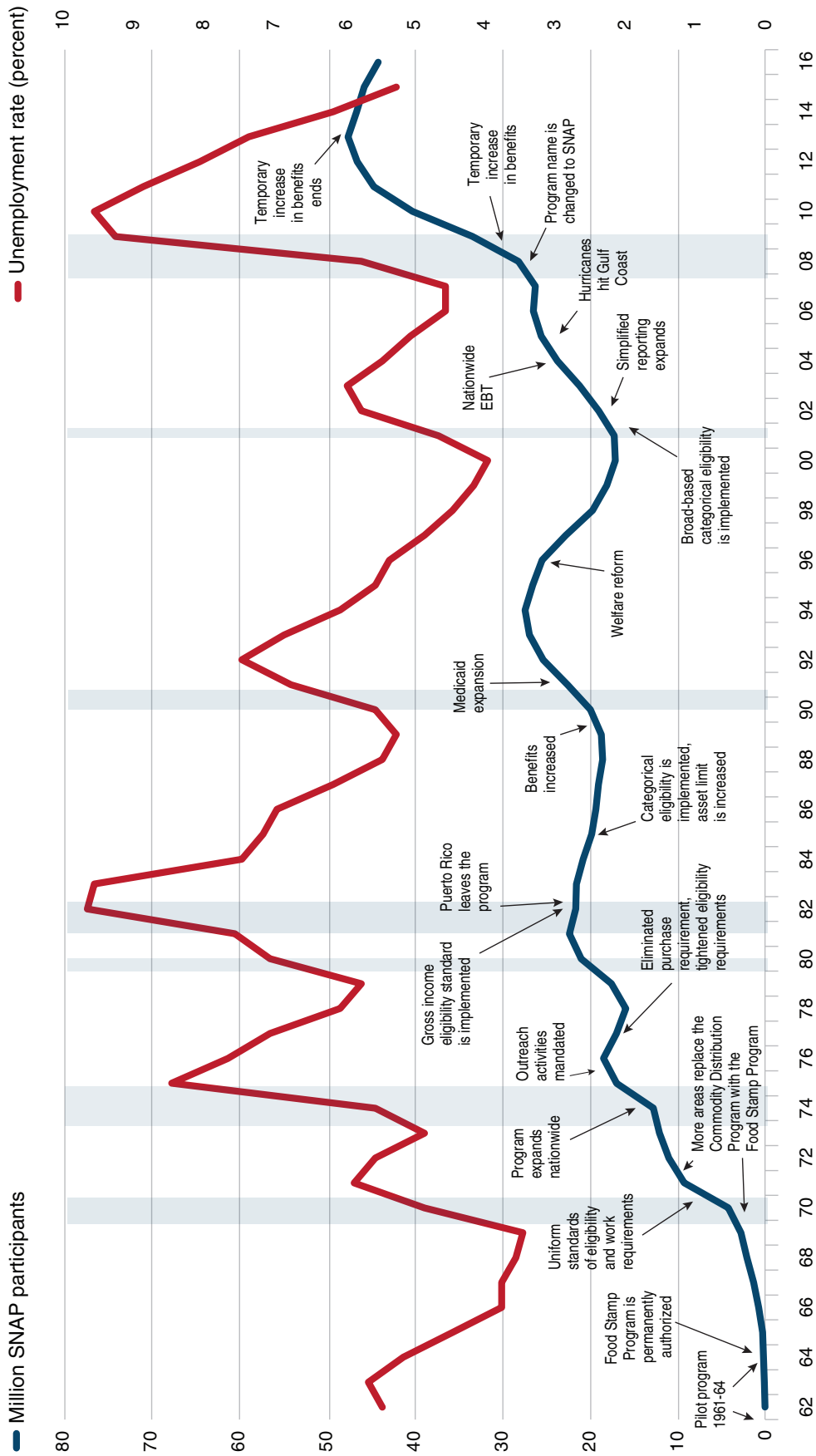
By operating through normal channels of trade, SNAP makes use of the existing commercial food distribution system. Because SNAP-authorized food stores operate in a highly competitive retail food environment, they have a profit incentive to keep costs and prices low. The large number of stores authorized by SNAP enables most participating households to continue shopping at their usual food store(s) using their SNAP EBT card, with access to the wide variety of nutritious foods found in commercial food stores and without restrictions on when or how often they shop for food.

The flexibility provided to diverse households by increasing their food purchasing power (rather than providing them with specific commodities) is a strength of the program. Households make their own decisions of what foods to acquire with SNAP benefits based on the household's food preferences and dietary needs, as well as food prices. Because SNAP benefits are for a fixed dollar amount, participants have an incentive to seek out the best value across items and retailers to stretch their SNAP benefits.

Although SNAP increases the overall demand for food, SNAP has a relatively small price-distorting effect on any individual food product because recipients have an almost limitless number of foods to choose from and do not account for a large portion of any single product's sales. That is, the effect of the increase in total food demand is distributed across a wide spectrum of foods.

States had the option of establishing the program and those that chose to implement the program could do so in all or part of the State. However, States were prohibited from operating the Food Stamp Program in areas that operated the Commodity Distribution Program (P.L. 88-525). Total participation in the program increased gradually throughout the rest of the 1960s as the program replaced the Commodity Distribution Program in a number of areas (fig. 5). At that time, the Food Stamp Program's budget, determined by Congress, limited its growth rate.

Figure 5  
**Food stamp participation and the unemployment rate, 1962-2016**



Notes: The number of Supplemental Nutrition Assistance (SNAP) participants is reported in fiscal years, and the unemployment rate is reported in calendar years. There is often a lag between the time a legislative act is passed and its implementation. There can be an additional lag between implementation of an Act and measurable effects on participation. Gray vertical bars indicate recessions. EBT = electronic benefit transfer.

Source: USDA, Food and Nutrition Service data and U.S. Department of Labor, Bureau of Labor Statistics data.

## The Program Matures (1970-80)

*As the Food Stamp Program expanded nationwide, participation grew rapidly through most of 1968-80, a period that included three important developments: nationally uniform requirements for eligibility took effect; food stamps became an entitlement; and the purchase requirement was eliminated.*

### *Recession, Improving Access, and Standardization*

In the late 1960s, hunger and malnutrition among low-income Americans attracted more attention and became a national political issue. In 1968, a series of events including the Poor People's March on Washington, the television documentary "Hunger in America," and the report *Hunger, U.S.A.* (Citizens' Board of Inquiry, 1968) raised the public's awareness of the problem. Around that time, public interest groups advocating on behalf of low-income Americans also began to form (Berry, 1984).

To increase participation in the program, USDA announced in late 1969 (the start of a recession) that, as of 1970, all participating households of a particular size would receive the same total allotment of stamps, regardless of household income (U.S. Congress, CBO, 1977).<sup>21</sup> In 1971, Congress endorsed these changes by incorporating them into P.L. 91-671. Allotments were set at the level of USDA's Economy Food Plan, which established monthly dollar amounts that were enough "to purchase a minimally nutritious diet" (Berry, 1984, p. 64). Thus, for the first time, all households participating in the Food Stamp Program, regardless of income, theoretically received an allotment sufficient to purchase a nutritionally adequate diet (Berry, 1984).

Curtailing State flexibility, the 1971 legislation also directed USDA to establish uniform national standards of eligibility based on income and asset limits (previously, each State was responsible for setting eligibility standards). USDA would determine that eligibility was to be based on (1) a household's net income after certain stipulated deductions (shelter, medical, educational, and others) and (2) a household's assets after excluding several basic categories of assets (home, one car, furnishings, etc.) (Federal Register, 1971; President's Task Force on Food Assistance, 1984). The net income limit was set at about 10-15 percent above the Federal poverty guideline (Richardson, 1979; Berry, 1984). The Act also imposed work requirements on able-bodied adults between the ages of 18 and 65 as a condition of participation in the program. This provision—the origin of work requirements in the program—was intended to help ensure that only the truly deserving would be able to participate (U.S. House of Representatives, 1970).

The same 1971 legislation required States to conduct outreach activities aimed at informing low-income households about the availability and benefits of the Food Stamp Program<sup>22</sup> and made several substantial changes to the program's benefit structure. For example, purchase requirements were limited to no more than 30 percent of household income.<sup>23</sup> That is, a household's food stamp

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<sup>21</sup>That is, households with higher incomes no longer received larger allotments than lower income households. However, higher income households continued to pay more for their food stamps so that the bonus value of the food stamps was larger for lower income households.

<sup>22</sup>States did little to comply, and food assistance advocates filed a series of court actions to force USDA to implement outreach activities (MacDonald, 1977). The court found deficiencies in State and Federal outreach efforts, and in response USDA issued a new set of outreach activities including requiring each State to take effective outreach action using a full-time State outreach coordinator (Federal Register, 1975).

<sup>23</sup>As a result, the purchase requirement for most participants fell (Berry, 1984; Reese et al., 1974).

benefits were reduced by at most 30 cents for every dollar of net income (or stated another way, households were able to keep at least 70 cents for every additional dollar earned), thereby encouraging additional work effort and making the program more attractive to the working poor than if participants kept a lower share of their net income (Andrews and Clancy, 1993). In addition, allotments were to be adjusted annually to keep pace with food price inflation. Before that provision, a household's food stamp allotment remained constant over time (changing only when there was a change in household size or income) even as inflation reduced the purchasing power of the benefits. As a result of the changes to allotment levels and purchase requirements, average benefit levels increased.

The various policy changes and a weak economy together increased the demand for the program. As congressional funding increased, more States entered the program, and the number of participants increased sharply through the early 1970s (Richardson, 1979) (fig. 5). The program's rapid expansion was further bolstered by P.L. 93-86, passed in the recessionary year 1973, which required States to expand the program to every political jurisdiction by June 30, 1974 (U.S. Senate, 1985). The legislation also amended the definition of food to mean any food or food product for home consumption except alcoholic beverages and tobacco. Thus, for the first time, recipients were not prohibited from purchasing imported foods. This change shifted the program further toward helping needy households—as had the elimination of the two-color coupon system—and away from farm support. The same law increased the Federal share of State and local administrative costs to about 50 percent, thereby making it less financially burdensome for States and localities to participate (Richardson, 1979). By 1974—some 11 years after the program was made permanent—the Food Stamp Program had expanded to all 50 States.

Participation in the program continued to increase up to 1976 in response to the increased benefit levels in the early 1970s, a recession in 1973-75, and double-digit food price inflation that reduced consumers purchasing power (MacDonald, 1977) (fig. 5).

### *Food Stamps as an Entitlement Program*

Since the mid-1970s, the Food Stamp Program has essentially operated as an entitlement program as “Congress has always fully funded the program as if it were an entitlement” (U.S. Senate, 1985, p. 175). In other words, no eligible people are denied benefits due to lack of funds. Making the Food Stamp Program a de facto entitlement program has several important consequences. First, because the program does not limit the number of eligible applicants who can participate, the number of participants can rise in response to declines in economic conditions. That is, because eligibility is primarily based on the financial situations of applicants (which is periodically reassessed), program participation is inherently countercyclical—expanding during economic downturns (when the number of unemployed and poor people increases and incomes decline) and contracting during periods of economic growth.<sup>24</sup> Second, the responsiveness of participation to macroeconomic conditions enables the program to serve as an automatic stabilizer. Third, because program costs—which are ultimately borne by U.S. taxpayers—are closely tied to the number of participants, program costs

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<sup>24</sup>Changes in caseloads during periods of economic decline and growth are due to changes in the number of eligible persons as well as changes in the participation rate. Economic conditions may influence eligible persons' decisions on whether to participate in the program. For example, when incomes fall, households qualify for higher benefits, thereby making participation in SNAP more attractive. Participants may also stay in the program longer as they try to find employment.



will increase during economic downturns if there is no corresponding decrease in per-participant benefit levels.<sup>25,26</sup>

### *Elimination of the Purchase Requirement*

Another fundamental change in the program with long-term implications—the elimination of the purchase requirement—occurred with the enactment of the Food Stamp Act of 1977 (P.L. 95-113). Prior to the Act, households were required to spend up to 30 percent of their net income to purchase their food stamps. After 1979—when the Act was implemented—all participating households received their food stamps for free (although in reduced amounts), and households were now expected to supplement food stamp benefits with their own income.<sup>27</sup> The Act removed the last major barrier to participation for low-income people. This change had been urged by the administration of President Jimmy Carter and by anti-hunger public interest groups that had formed in the late 1960s and early 1970s (U.S. Senate, 1985; Berry, 1984).

After the elimination of the purchase requirement, the size of the food stamp benefit (B) was determined by deducting 30 percent of the household's net income (I) from the cost of the maximum allotment (MA) for that household size, that is:  $B = MA - 0.3(I)$  (USDA, FNS, no date, c). Thus, the benefit reduction rate—the rate at which the SNAP benefit is reduced per dollar of net income—was set at 30 percent. The assumption was that a household would spend a portion of its own income on food to make up for the difference between the maximum allotment and its food stamp benefit. Households with no or near-zero net income received food stamps in amounts that were equal in value to the maximum allotment for the size of the household.

Proponents of eliminating the purchase requirement had argued that the requirement served as a barrier to participation for many low-income families, in particular, the elderly and those living in poverty, who could not afford the purchase requirement (U.S. Senate, 1985). Proponents also argued that eliminating the purchase requirement would increase recipients' autonomy, streamline the program by eliminating administrative costs associated with selling coupons to recipients, and reduce fraud among vendors selling coupons.<sup>28</sup> On the other hand, opponents of the change argued that by eliminating the purchase requirement, the program would become more of an income- than a nutrition-support program—freeing up or diverting would-be grocery money toward nonfood items and services (or food away from home)—and thereby reduce the program's nutritional effectiveness (U.S. Senate, 1985; Salathe, 1980). Before the Food Stamp Act of 1977, all participants had received the maximum allotment equal to a low-cost nutritionally adequate diet (i.e., the Thrifty Food Plan, which replaced the Economy Food Plan in 1975).

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<sup>25</sup>The Food Stamp Act of 1964 (P.L. 88-525) that permanently authorized the program and all versions since have included language noting that, when costs will exceed the appropriation then benefit amounts shall be reduced accordingly so the appropriation shall not be exceeded.

<sup>26</sup>Examining annual data for the period FY 1965 to FY 2014, the correlation between number of SNAP participants and real (i.e., adjusted for inflation) SNAP expenditures is extremely strong at 0.99.

<sup>27</sup>Stated another way, prior to the Act, households paid the purchase price out of pocket and received an equivalent amount of food stamps, as well as a bonus amount of free stamps. After implementation of the Act, households only received the bonus amount of stamps; the rest of their food was assumed to be paid out of pocket.

<sup>28</sup>Coupon vendors were firms that were authorized by the States to sell food stamp coupons to the program's participants. Concern was raised that—rather than promptly depositing the money they received from the sale of food stamps (i.e., the purchase price) as required—some vendors held onto the money for extended periods and then used the money for private purposes (U.S. Senate, 1985).

Lawmakers anticipated that increasing program access by eliminating the purchase requirement would result in increased participation, which in turn would increase the cost of the program, holding other factors constant. Therefore, to minimize the cost increase, the Act contained provisions that tightened eligibility requirements. These provisions included lowering the net income eligibility standards to 100 percent of the poverty level (U.S. Senate, 1985).

In 1977 and 1978, the number of people participating in the program fell. The decrease—the first in the program’s history—coincided with the growth of the country’s economy which reduced the need for food stamps (Richardson, 1979). With an entitlement program, improving economic conditions are expected to decrease the number of participants, holding other factors constant. But demand for food stamps increased once again after 1978, a situation that was attributed to the decline in the economy (including recessions in 1980 and in 1981-82), as well as the elimination of the purchase requirement (President’s Task Force on Food Assistance, 1984).<sup>29</sup> Once the Food Stamp Program became fully funded—allowing all eligible applicants to participate—funding grew to meet the increase in demand (Maney, 1989).

## Eligibility Standards Are Tightened (1981-99)

*Participation in the program during the 1981-1999 period fluctuated widely, reflecting changes in policy and the economy. Congress enacted several Acts with the specific intent of decreasing program caseloads and program costs. Participation at the end of the period was less than at the start.*

### *A New Eligibility Criterion*

The late 1970s and early 1980s was a period of deteriorating economic conditions and rapidly increasing numbers of participants (fig. 5). Critics alleged that cheating and fraud were widespread and that overly generous eligibility standards permitted undeserving high-income participants to qualify because their large deductions resulted in low net incomes (Berry, 1984). As part of a plan to curtail growth, legislation enacted in 1981 (P.L. 97-35) made several changes to the program that tightened eligibility rules, the most important of which was a new eligibility criterion on households’ gross income (U.S. Senate, 1985; Urban Institute, 1985). Before this change, income eligibility was determined solely by a household’s net income—that is, gross income after certain deductions. As a result, it had been possible for households with relatively high incomes but large deductions to qualify for food stamps (Urban Institute, 1985). The legislation introduced an additional eligibility test: most participants were now required to have gross income (i.e., income before deductions) at or below 130 percent of poverty to qualify, thereby blocking some higher income households from participating. Recognizing the special needs of some vulnerable population subgroups, the new gross income test did not apply to households with elderly members or members with a Food Stamp Program-qualifying disability.

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<sup>29</sup>The legislation that eliminated the purchase requirement was enacted near the end of 1977, and States had a year to implement the changes. When the elimination of the purchase requirement took effect in January 1979, participation increased 1.5 million over the previous month (USDA, FNS, 1979).

### *Program Contraction in the 1980s*

Despite the poor economic conditions, caseloads decreased after 1981 (fig. 5). The decrease in participation from 1981 to 1982—a period that included a recession from July 1981 to November 1982—remains the only instance of program participation decreasing during a recession. Policy changes resulting from the 1981 legislation that tightened eligibility rules (including establishing the new gross income eligibility criteria) more than offset the influence of the weak economy on participation.

The decline in participation continued into the mid-1980s. In response, the Food Security Act of 1985 (P.L. 99-198) made it easier for eligible households to participate in the Food Stamp Program. The Act made households categorically (or automatically) eligible for SNAP if all members participated in certain specified means-tested cash assistance programs such as Aid to Families with Dependent Children (AFDC) and Supplemental Security Income (SSI). That is, these households were eligible for food stamps, without consideration of their income or assets, as long as they met all nonfinancial eligibility criteria and had net income low enough to qualify for a benefit. Categorical eligibility was intended to simplify the application process because those other programs had their own income and resource tests that were often stricter than food stamp tests. Therefore, “subjecting a household to a separate set of income and resource tests for food stamps could be seen as redundant and inefficient” (Falk and Aussenberg, 2014). By streamlining administrative procedures, categorical eligibility lowered food stamp offices’ costs and the application burden.

The Act also raised the asset limit from \$1,500 to \$2,000 for households with no elderly members (thereby making more households eligible to participate) and authorized simplified applications for households in which at least one member receives AFDC, SSI, or Medicaid. The Act also required all States to implement an employment and training (E&T) program to assist food stamp recipients in obtaining employment. The E&T programs were federally funded, but States could also contribute their own funds, which additional Federal funds would match.

### *Program Expansion in the Early 1990s*

After 7 consecutive years of declining participation in the Food Stamp Program (1982 to 1988), participation began to increase, partly because benefits levels increased and the Medicaid program, which was often run by the same State offices, expanded (McConnell, 1991). Participation in the Medicaid program—a Federal/State program that assisted low-income families and individuals with medical costs—indirectly affected participation in the Food Stamp Program. In the 1980s, concerns about the infant mortality rate and inadequate prenatal and newborn care for low-income women and infants prompted a number of changes in the Medicaid program, including raising the income eligibility threshold for pregnant women and children, introducing more aggressive outreach programs, and streamlining application procedures. Those changes resulted in increased participation in Medicaid, which in turn led to an increase in food stamp participation for two reasons: (1) Medicaid workers informed their clients about the Food Stamp Program, and (2) for people already applying for Medicaid, the additional time and effort of applying for Food Stamps was low (some States had joint application forms) (McConnell, 1991).

Adding to the effect of various legislative reforms of the 1980s, declining economic conditions in the late 1980s and early 1990s (including a recession in 1990-91) prompted program participation to increase rapidly. Even after 1992 when unemployment started to fall, participation continued to

increase before reaching what was, as of FY 1994, a record high of an average 27.5 million people per month (fig. 5).

### *Welfare Reform Reduces Participation*

The next major development in the Food Stamp Program was the Personal Responsibility and Work Opportunities Reconciliation Act of 1996 (PRWORA) (P.L. 104-193). The Act, commonly known as the welfare reform act, transformed the U.S. welfare system by replacing the entitlement program AFDC with a block grant to States to administer the newly created Temporary Assistance for Needy Families (TANF) program. Built on the premise that a permanent guarantee of benefits contributes to welfare dependency, PRWORA was designed to limit the length of welfare spells while “preserving the role of welfare as a safety net for families experiencing temporary financial problems” (U.S. House of Representatives, 1996). PRWORA made a number of changes to the Food Stamp Program including: (1) eliminating the eligibility of most legal immigrants; (2) placing a time limit—the first in the program’s history—such that able-bodied adults without dependents (ABAWDs), ages 18-49, who did not work at least 20 hours a week or participate in a work program could receive food stamps for only 3 out of 36 months; (3) reducing maximum allotments from 103 percent to 100 percent of the cost of the Thrifty Food Plan; (4) mandating implementation of EBT by all States before October 1, 2002; and (5) providing States with an increased range of options related to program operations, especially in the area of work requirements and participant sanctions (Gabor and Botsko, 1998).

Subsequent legislation diminished some of PRWORA’s effects on the Food Stamp Program by restoring eligibility for some elderly, disabled, and child immigrants, and to individuals who had been living in the United States for at least 5 years (USDA, no date, b). PRWORA also allowed for waivers from the ABAWD time limits. States could request that USDA waive time limits for ABAWDs who lived in an area with an unemployment rate over 10 percent or without a sufficient number of jobs. In 1997, P.L. 105-33 permitted States to exempt up to 15 percent of the State caseload that was ineligible because of the ABAWD time limits.

From FY 1995 to FY 1999, participation declined by almost 32 percent (fig. 5) because of welfare reform and the strong economy. Both unemployment and poverty fell during this period, reducing the number of persons needing assistance.

### **Increased State Flexibility and the Great Recession (2000-16)**

*SNAP participation more than doubled between FY 2001 and FY 2013. This increase resulted from a combination of factors that included the Great Recession, a large temporary increase in allotment levels for food assistance, and policy changes that increased accessibility and gave States more flexibility to determine their applicants’ eligibility. Participation has fallen in recent years, due in part to an improved economy.*

#### *Increasing Access and State Policy Flexibility*

Following the rapid decrease in participation in the late 1990s, States received more flexibility starting in 2000 to simplify and streamline their programs to make participation less burdensome and to increase program accessibility. For example, in 2000, congressional legislation (P.L. 106-387) gave States an array of options that allowed them more flexibility to establish the asset values of

vehicles that were used in determining a household's eligibility for food stamps (Super and Dean, 2001).<sup>30</sup>

That same year, USDA issued regulations allowing States to convey categorical eligibility on the basis of the receipt of a noncash or in-kind Temporary Assistance for Needy Families (TANF) benefit that met one of the four goals of the TANF block grant (Trippe and Gillooly, 2010; Federal Register, 2000). With the transformation of AFDC to TANF, State standards differed widely, and not all TANF benefits took the form of cash payments. The regulations clarified that households authorized to receive non-cash or in-kind benefits such as child care or transportation benefits through TANF were also categorically eligible for food stamps. Over time, States adopted what has come to be called broad-based categorical eligibility (BBCE) standards, whereby receipt of an informational pamphlet or a 1-800 number on how to obtain public assistance conveys categorical eligibility. The BBCE option allowed States to provide SNAP benefits to households with incomes above 130 percent of Federal poverty guideline (although below 200 percent of the Federal poverty guideline) and to relax or eliminate the asset limits (U.S. Government Accountability Office, 2012).

The United States experienced another recession in 2001. That same year, USDA gave States the option to implement “simplified reporting” for households with earnings, and in 2002, congressional legislation (P.L. 107-171) expanded the option, allowing States to cover almost all households—including those without earnings (USDA, FNS, 2013a). Before the simplified reporting option, recipients were required to report financial changes within shorter periods or within a certain timeframe (typically within 10 days) after the change occurred (USDA, FNS, 2010b). Simplified reporting was implemented to streamline paperwork and increase program access, especially for the working poor, who were most likely to experience changes in income (Isaacs, 2008). It allowed States to reduce the information that food stamp recipients must give the food stamp office between their scheduled contacts, which typically took place when a household submitted its periodic report and at eligibility recertification.<sup>31</sup> Simplified reporting offered clients more stability and reduced reporting requirements, while offering States less administrative work and fewer administrative errors (USDA, FNS, 2013a).

### *Nationwide EBT*

A major technological change marked the end of the traditional paper coupon in the Food Stamp Program. As of 2004, all States used EBT to issue program benefits (USDA, 2004).<sup>32</sup> EBT allowed recipients to access their food stamp benefits electronically using an EBT card, which is similar in design to a debit card. EBT created an electronic record of the total value of each food stamp transaction, thereby making it easier to identify and document instances in which SNAP benefits

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<sup>30</sup>Prior to 2000, low-income households with cars that were worth relatively more (often reflecting that they were newer and more dependable) were penalized more than households with cars worth less. Super and Dean (2001) stated that the liberalization of vehicle asset limits was “partly motivated by the broader policy goal of supporting asset accumulation to assist low-income recipients attain long-term goals of self-sufficiency. But it also probably reflects State administrators’ judgment that the administrative burden of calculating car values was not worth the potential benefit of targeting benefits more tightly by excluding families with expensive or even moderately valuable cars or trucks” (p. 34).

<sup>31</sup>Households were required to report at any time, even between scheduled contacts, if (1) household income rose above the monthly gross income limit for its size, or (2) work hours dropped below 20 per week (averaged monthly) for ABAWDs subject to the time limit.

<sup>32</sup>USDA began implementing EBT demonstration projects in 1984 (USDA, 2004), and in 1990, P.L. 101-624 permitted States—with the approval of USDA—to implement EBT.

may be used to commit fraud (USDA, FNS, no date, b). EBT also reduced the administrative costs associated with printing, distributing, and redeeming paper coupons. Use of EBT cards at check-out in retail food stores made it harder to identify people receiving public assistance than using food stamp paper coupons did, thereby reducing stigma and increasing the likelihood that eligible people participate.<sup>33</sup>

### *New Name for the Program*

With the Agricultural Act of 2008 (P.L. 110-234), the Food Stamp Program changed its name to the Supplemental Nutrition Assistance Program (SNAP), though States had the option to give the program a different name (USDA, FNS, no date, b). The new name reflected the transition from paper coupons to EBT cards and also emphasized that SNAP benefits were designed to supplement a household's food expenditures financed from its own income. By stressing the importance of nutrition, the new name reduced stigma associated with "food stamps." The law also made other changes to SNAP eligibility, including indexing asset limits to inflation.

### *Stimulus Legislation*

The next major legislative change to affect SNAP was the American Recovery and Reinvestment Act of 2009 (ARRA) (P.L. 111-5) which was the first time the program was explicitly used as a fiscal stimulus. Prior to ARRA, the program had begun a long expansionary phase starting in FY 2001 as legislative changes made participation less burdensome and the economy experienced a short recession. Participation increased in 12 of the next 13 years. Only in FY 2007, when participation dipped slightly after a period of improved economic conditions, was the expansion interrupted. (One factor in the FY 2007 dip in participation had been the temporary FY 2006 increase in participation resulting from a series of hurricanes—including Hurricane Katrina—that had devastated large areas along portions of the U.S. Gulf Coast (Hanson and Oliveira, 2007)). Participation rose especially sharply during and immediately after the Great Recession, which lasted from December 2007 to June 2009. Between 2007 and 2010, the unemployment rate in the United States more than doubled, from 4.6 percent to 9.6 percent (U.S. Department of Labor, 2015).

To help people affected by the Great Recession and to stimulate the economy's recovery, ARRA—commonly known as the Stimulus Act—temporarily increased benefit levels in SNAP. It was estimated that \$20 billion in increased SNAP benefits would create \$36.8 billion in economic activity over 5 years (USDA, FNS, 2010c). Furthermore, because SNAP benefits are spent very quickly—97 percent are redeemed within 30 days of issuance—the effect on the economy occurs quickly.

Beginning in April 2009, the maximum allotments were increased by 13.6 percent, and average monthly benefits increased by 15 percent (USDA, FNS, no date, a). Maximum allotments were to

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<sup>33</sup>The transition to EBT did have an unintended negative consequence. Farmers' markets—multi-stall markets at which farmers sell agricultural products directly to the general public—increase participants' access to nutritious foods, particularly fresh fruit and vegetables. However, with the implementation of EBT, Food Stamp/SNAP redemptions at farmers markets initially declined. Unlike most other authorized SNAP retailers, farmers markets do not always operate in areas with electricity (to operate the point-of-sale terminal) and landline phone connections (to check funds in participants' accounts) (USDA, FNS, 2010a). As a result of switching from paper vouchers to EBT, the real value of SNAP benefits redeemed at farmers markets fell by 71 percent between 1994 and 2008 (Briggs et al., 2010). However, coinciding with USDA efforts supporting the use of EBT at farmers markets—including the use of support grants to markets needing administrative help in implementing and managing EBT service and customer outreach—the number of farmers markets accepting SNAP EBT increased eightfold between 2010 and 2015 (USDA, OC, 2015).

remain at the new higher level until SNAP's regular adjustments for food price inflation caught up to the maximum benefits set by ARRA. However, subsequent legislation advanced the sunset of the ARRA benefit to November 1, 2013 (i.e., 1 month after the beginning of FY 2014).<sup>34</sup> At that time, the maximum SNAP allotment for a household of four decreased by 5.4 percent.

From FY 2008 to FY 2013, SNAP caseloads increased 81 percent, which resulted from a combination of the economic downturn during the Great Recession, policy changes such as the temporary increase in SNAP benefits due to ARRA, and other policies designed to increase access to the program, particularly among the working poor.

### *Program Contraction*

After reaching an all-time high of over 47 million individuals in FY 2013, SNAP participation fell by about 2 percent in both FY 2014 and FY 2015 (fig. 5). This decrease was the result of both the termination of the temporary increase in SNAP benefits and the economic recovery: in 2015, the unemployment rate fell for the fifth consecutive year. Historically, SNAP caseloads over the business cycles appear to exhibit asymmetrical responses to a change in the unemployment rate—increasing rapidly in response to an increase in the unemployment rate, but lagging behind decreases in the unemployment rate (Hanson and Oliveira, 2012). One explanation for the lagged response of SNAP participation during the early stage of an economic recovery is that labor market outcomes (such as unemployment) for less skilled workers vary more over the business cycle than do those of more skilled workers (Hoynes, 2000; Blank, 2009). The improvement of economic conditions during the early stage of recovery, when the unemployment rate finally starts to fall, takes longer to be felt by low-income, low-skilled workers who are more likely to participate in SNAP.

In FY 2016, participation fell by another 3 percent. This decrease resulted from the continuing economic recovery—the unemployment rate fell once again in 2016—as well as the reinstatement of the 3-month time limits on participation for ABAWDs, which were first instituted during the welfare reform movement in the 1990s. During the Great Recession, most States had requested and received waivers from the time limits because of high unemployment (Keith-Jennings, 2016). As the economy improved, most States were no longer eligible for statewide waivers or had stopped requesting waivers for eligible areas.

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<sup>34</sup>When food price inflation proved to be less than initially expected, Congress established a sunset of April 2014 (P.L. 111-226). Subsequent legislation in 2010 (P.L. 111-296) accelerated the sunset to November 2013 in order to offset the cost of other provisions in the legislation (Dean and Rosenbaum, 2013).

## A Look Ahead: Issues Facing SNAP

This section examines six important issues currently facing the program, each of which has been raised multiple times in the program’s past. We link current issues to their precedents and discuss the potential tradeoffs faced by policymakers as they address the issues discussed. The response of policymakers to these issues could result in changes that, to varying degrees, affect SNAP participants, food retailers, and U.S. taxpayers.

### Federalism and Block Grants

Some of the recurring policy debates in SNAP, as in many Government programs, concern federalism—specifically, what the proper balance of responsibilities and decision making should be between the Federal Government and States.<sup>35</sup> This balance has shifted back and forth over time.

For example, prior to the 1930s, State and local communities were responsible for providing public assistance to the hungry. The Federal Government did not begin to provide food assistance until the Great Depression, when it became untenable to rely on States and localities to meet dire needs. Even after the Food Stamp Program was permanently authorized in 1964, States had a high degree of autonomy. For example, each State was responsible for setting its own eligibility standards and determining the program’s geographic availability—that is, in which areas within the State the program would operate. It was not until 1971 that the Federal Government curbed State flexibility by establishing uniform national standards of eligibility based on income and asset limits. In 1974, State flexibility was further diminished by Federal legislation that required States to operate the program throughout the State. However, beginning in 2000, States once again received increased flexibility to modify eligibility requirements to make the program more accessible and to simplify and streamline program administration.

Several arguments favor nationally uniform policies over State flexibility for SNAP. The most general argument rests on a type of equity—under a nationally uniform policy, participants in the program face the same rules regardless of where they reside in the country.<sup>36</sup> Because a person’s nutrition needs do not vary by State, some argue that the Federal Government should have primary responsibility for administering nutrition programs such as SNAP to guarantee standardization of benefits across geographic areas (U.S. Senate, 1995).<sup>37</sup>

Administrative simplicity is another argument favoring nationally uniform policies. For example, if each State determined which foods could be purchased using SNAP benefits, then multiple State lists of allowable foods would be required, which would negatively affect stores operating near State borders as well as inconvenience SNAP participants who crossed State borders to shop for food (National Grocers Association, 2013). Devolving operational decision making to the States could also potentially affect the types of stores authorized to accept SNAP benefits. (See the chapter “Revising Retailer Eligibility Standards” for discussion.)

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<sup>35</sup>See Blank (1997) for an extended discussion of the appropriate roles of different levels of government in operating public assistance programs.

<sup>36</sup>See Plotnick (1985) for an examination of the effect of the Food Stamp Program on horizontal equity (“equal treatment of equals”) in combination with several other U.S. tax and transfer programs.

<sup>37</sup>See the chapter “Adequacy and Timing of SNAP Benefits” for a discussion of the implications of geographic variation of food prices on the adequacy of SNAP benefits.



Arguments against devolving SNAP so that States set their own SNAP policies also include questions about the ability of States to administer the program (New York Times, 2012; Weill, 2012). For example, there is concern that incidents of fraud may increase if responsibility for combating SNAP fraud shifts to the States, which cannot match the anti-fraud resources of the Federal portion of SNAP operations (Greenstein, 1995).

A last argument favoring nationally uniform policies over State flexibility applies to public assistance programs in general, including SNAP. Blank (1997) discusses the possibility that giving States discretion in setting benefits in public assistance programs may result in migration by low-income families to States with more generous benefits. For this reason, States may choose to shrink benefits out of concern that higher benefits would serve as a magnet for low-income citizens, thereby prompting a “race to the bottom” in benefit levels among States.

On the other hand, several arguments favor State-level flexibility over nationally uniform policies. A central argument is that, with flexibility, States can tailor policies for their specific needs and circumstances. For example, as discussed earlier in the chapter on SNAP evolution, welfare reform and subsequent legislation gave States the option to match SNAP eligibility requirements with requirements of other government assistance programs in the State, thereby simplifying program administration.

Another key argument favoring State-level flexibility envisions the States as the “laboratories of democracy,” in which States can innovate and try novel policies. The Congressional Budget Office (U.S. Congress, CBO, 2015b) stated that “allowing states more flexibility in operating SNAP would result in more experimentation, and approaches that were successful in some States could be adopted by others” (p. 9).

Policymakers must make difficult choices when facing the tradeoffs between the competing goals of State flexibility and national uniformity. Ohls and Beebout (1993) observe that potential advantages of State flexibility are potential disadvantages when viewed from another perspective: “Giving states *more choice* gives the federal government *less control*” (p. 174). That is, States may adopt policies or budgetary allocations that differ from what national policymakers may prefer. Thus, the issue involves a political judgement about which level of government should have decision-making powers on which citizens SNAP serves and how.

Issues involving nationally uniform policies versus State-level flexibility have also arisen in recurring debates about “block grants” for SNAP. The term *block grant* typically refers to a fixed amount of funding that the Federal Government provides to a State—thus ending the program’s entitlement status—and in return, the State takes on responsibility for the program.<sup>38</sup> Under a block grant, the State pays none of the program’s cost up to the amount of the block grant, and then pays 100 percent of any additional cost. Because decisions on SNAP program design and operations would devolve to the States, eligibility standards and benefit levels could vary across States under a block grant. In recently proposing converting SNAP to a “State Flexibility Fund,” which would operate as a block grant, the U.S. House of Representatives emphasized that it considered State-level flexibility to be a desirable feature of block grants (U.S. House of Representatives, 2015 and 2016a).

Some of the debate about block granting SNAP mirrors general arguments outlined earlier about State flexibility. For example, a key argument of the House Budget Committee in favor of block

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<sup>38</sup>The theoretical possibility of a “non-fixed” block grant that ties Federal funding to economic conditions is discussed below.

granting SNAP is that it would give States the opportunity to come up with innovative approaches to design their program to best address their specific needs and circumstances (U.S. House of Representatives, 2012).

The debate about block granting SNAP involves additional arguments associated with the funding method and potential cost savings. Each year since 2011, the House Budget Committee's proposed budget has recommended converting SNAP into a block grant (U.S. House of Representatives, 2011, 2012, 2013, 2014b, 2015, 2016a).<sup>39</sup> Haskins (2012) states that the explicit purpose of converting SNAP into a block grant is to save money. Each of the House Budget Committee's budgets to block grant SNAP were estimated to be accompanied by cuts of \$125 billion or more over 10 years—or by about 20-30 percent (Rosenbaum, 2017). The Committee contended that the cost of SNAP has “exploded in the last decade” and that the trend in enrollment is “one of relentless and unsustainable growth” (U.S. House of Representatives, 2011, p. 41).<sup>40</sup> They attributed this trend to a “flawed structure,” whereby States receive more Federal funds if they enroll more people in the program, thereby providing an incentive to States to enroll as many recipients as possible (U.S. House of Representatives, 2012, p. 39). Basically, their rationale is that having the Federal Government fund 100 percent of benefits and half of States' administrative costs, while the States operate the program, results in a potential moral hazard whereby States have little incentive to reduce participant caseloads because they bear little of the costs.<sup>41</sup> The committee has called for removing SNAP's entitlement status via block granting in order to eliminate these incentives.

Cost savings can emerge under blocking granting because the cap on Federal spending dampens States' incentives to increase SNAP caseloads and expenditures.<sup>42</sup> Block granting can result in cost savings by other mechanisms as well. For example, by constraining the amount available for program spending, block grants save Federal expenditures whenever the expenditures fall below what would have occurred if SNAP had remained an entitlement program (e.g., during a recession).<sup>43</sup> In addition, it has been suggested that block grants may also save money by reducing Federal administrative costs related to government paperwork requirements (Dilger and Boyd, 2014; Waller, 2005; U.S. General Accounting Office, 1995). Furthermore, block grants are “fixed” in the sense that they do not respond to the economy, but they are not necessarily fixed year to year: a long-term plan can show block grants declining in future years. Finally, another form of cost savings may occur if the block grant is fixed in nominal dollars, in which case its real (i.e., inflation-adjusted) value declines if prices rise.

The House committee's two key arguments favoring block granting SNAP—cost saving and enhanced flexibility for States to address local needs—have been part of a recurring debate that has

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<sup>39</sup>Others too have recommended that SNAP be block granted. See for example, Rector and Bradley (2012) and Tanner (2013).

<sup>40</sup>Others argue that the contention that SNAP needs to be reined in are “misplaced,” stating that the program's caseloads expanded to meet increased need during the Great Recession and have fallen in recent years (Rosenbaum and Keith-Jennings, 2016).

<sup>41</sup>Note that because States pay about one-half of SNAP administrative costs out of State budgets, they do face some cost consequences associated with increasing the number of participants in their State. Anecdotal evidence suggests that some States struggled to manage their increased caseloads during the Great Recession due to State budget restrictions.

<sup>42</sup>For example, States may opt for relatively loose eligibility requirements when SNAP benefits are federally funded without limit and relatively tight requirements under a block grant.

<sup>43</sup>The point in the business cycle when the block grant is set may have important implications. If the level of the block grant is based on current conditions when expenditures are relatively high (e.g., during a recession), cost savings over time will be relatively low. Conversely, if the block grant is set when expenditures are low (e.g., during a strong economy), cost savings will be greater because expenditures will not rise during a future recession.

spanned parts of five decades. Proposals to block grant food stamps were considered in Congress in the late 1970s. For example, in 1979, H.R. 5816 proposed to block grant food stamps, with the amount of the Federal grant falling over time, in effect transferring both program operation and financing to the States (Longen and Claffey, 1981). In the early 1980s, converting food stamps into a block grant first garnered widespread public attention. In a State of the Union address, President Ronald Reagan proposed transferring responsibility for Food Stamps and Aid to Families with Dependent Children (AFDC) to the States, and in exchange, the Federal Government would assume full financial responsibility for the Medicaid program (Reagan, 1982). President Reagan’s proposal had dual objectives. First, citing the need to slow the rate of increase in government spending, the proposal stated that block granting would result in lower overall welfare costs. Second, the proposal argued that block granting would make welfare more responsive to need, “because it’ll be designed and administered closer to the grass roots and the people it serves” (Reagan, 1982). In the mid-1990s, proposals to block grant food stamps resurfaced during the congressional debates surrounding welfare reform. (See box “The TANF Block Grant.”) Among the arguments in favor of block granting SNAP were fostering innovation and permitting more efficient operations, and saving government money (King, 1999). In the early 2000s, a proposal in the House of Representatives (U.S. House of Representatives, 2002) would have allowed up to 5 States to convert food stamps from an entitlement program to a block grant for up to 5 years for food assistance, an employment and training program, and administrative costs.

### **The TANF Block Grant**

Recent discussions to block grant SNAP usually invoke the experience of welfare reform. In the mid-1990s, the country’s principal cash welfare program, Aid to Families with Dependent Children (AFDC), was replaced by the block grant Temporary Assistance to Needy Families (TANF) program. In addition to ending the cash entitlement and creating a block grant, TANF also set time limits of benefit receipt, imposed new work requirements on participants, and imposed sanctions for failure to work (Haskins, 2016). While the States’ annual TANF block grant was fixed, additional Federal funding was occasionally provided through other mechanisms (U.S. Congress, CBO, 2015a). Interestingly, during the congressional debate on welfare reform, an argument emerged in both the House and the Senate against block granting food stamps: State TANF programs would have greater freedom to experiment if food stamps remained an entitlement, serving as backstop that provides a nutrition safety net (King, 1999).

From 1997 to 2013, annual TANF spending from Federal and non-Federal sources was relatively steady, falling from \$33.0 billion to \$31.6 billion in inflation-adjusted terms. (See box figure.) However, the allocation of spending across types of TANF assistance changed substantially. Cash assistance fell by \$17.4 billion (from \$26.8 billion to \$9.4 billion), and its share of total TANF spending fell from 81.1 percent to 29.8 percent, in tandem with a decline in the number of families receiving TANF cash assistance from 3.9 million to 1.6 million. At the same time, spending on noncash (or “in-kind”) benefits—work support and other services—rose by \$16.0 billion (from \$6.2 to \$22.2 billion). While cash assistance is targeted solely to low-income households, noncash TANF benefits are also available to higher income households.

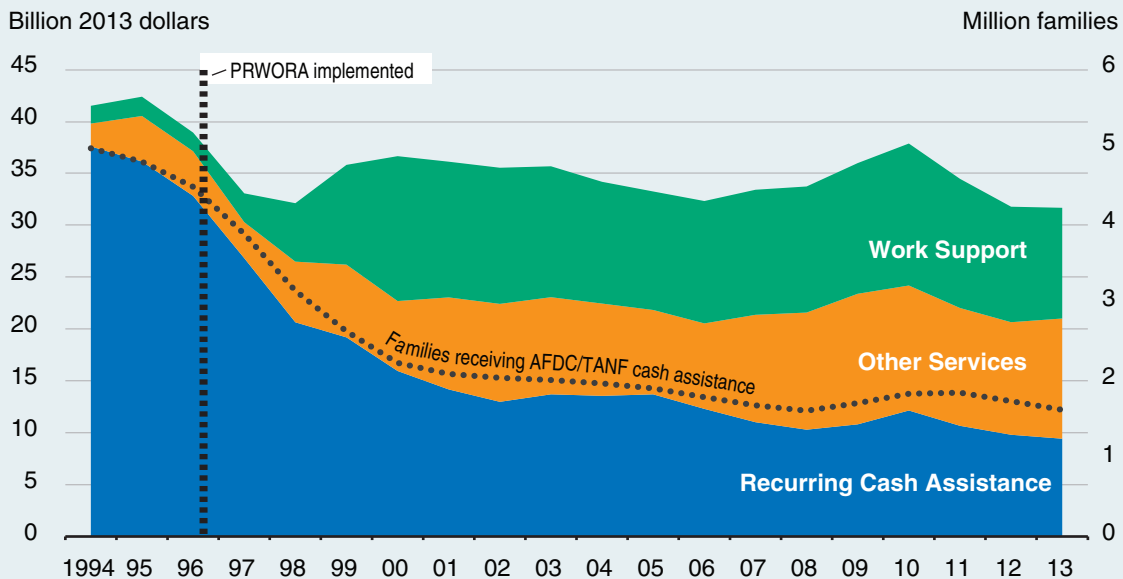
Several trends emerged in the period after TANF was implemented. Some combination of TANF, a strong economy, and the expansion of the Earned Income Tax Credit contributed to a

decline in the TANF caseload, an increase in work by some low-income mothers, and a reduction in child poverty (Haskins, 2016; Greenstein, 2016).

To support their proposals to block grant SNAP, the U.S. House of Representatives interprets declines in the welfare caseload and poverty rates as evidence of TANF’s success—evidence on which they base their proposals to block grant SNAP (U.S. House of Representatives, 2012). On the other hand, some researchers argue that the Great Recession exposed important weaknesses in TANF. For example, Bitler and Hoynes (2016) claim that TANF fails to reach a sizeable share of needy families, is unable to reduce deep poverty, does not target the most needy, and does not automatically expand during economic downturns when the need for the program is likely greatest. They contend that “TANF’s lack of responsiveness to the business cycle means a lost opportunity for the important automatic stabilizing role [on the economy] that the social safety net typically plays in periods of low aggregate demand” (p. 14). Haskins (2012) cites two lessons learned from the experience with TANF. First, due to inflation, the value of a capped block grant declines every year and, without adjusting for inflation, the value of the block grant will “decline even faster than whatever annual caps are placed on the block grant.” Second, “unless the uses of a potential SNAP block grant funds are tightly specified, states will use the flexibility inherent in a block grant to spend the money for many purposes other than providing food subsidies”—that is, the block grant will “result in some of the money being spent on programs that have little or nothing to do with nutrition.”

Box figure

**Spending on TANF and the programs that preceded it, and number of families receiving AFDC/TANF, 1994 to 2013**



Notes: Before PRWORA, Aid to Families with Dependent Children distributed recurring cash assistance, while the Job Opportunities and Basic Skills Training program provided work support and the Emergency Assistance Program supplied other services for low-income families. Administration and systems cost are distributed proportionately among the three types of assistance. This figure includes TANF funding that States transferred to the Child Care and Development Block Grant and the Social Services Block Grant. Because the available data are limited, the figure does not include three of the smaller funding mechanisms for TANF. In every year, those mechanisms have provided less than \$0.3 billion in total. Spending includes Federal and non-Federal sources. AFDC = Aid to Families with Dependent Children; TANF = Temporary Assistance for Needy Families; PRWORA = Personal Responsibility and Work Opportunity Reconciliation Act of 1996. Source: Congressional Budget Office, 2015a.

On the other hand, there are three principal arguments against block granting in addition to those cited earlier about national uniformity versus State flexibility. The first argument focuses on household-level well-being. Eliminating the program's entitlement status through a block grant undermines its ability to respond quickly to increased need—for example, during an economic downturn (Rosenbaum, 2011; McGovern, 2016). As a Federal entitlement, SNAP provides benefits automatically to all who meet eligibility standards. Under block granting, Federal funding levels are usually considered to be fixed so that during an economic downturn when the need for assistance increases, per-household benefit levels would have to be reduced or people would have to be cut from the rolls, thereby potentially increasing the prevalence of hunger in this country (McGovern, 2016).<sup>44</sup> Greenstein and Guyer (2001) argue that the value of SNAP's ability to respond to the economy is heightened in the post-welfare reform era now that TANF, the major cash welfare program, is a block grant and does not respond to changes in need.

A second related argument is that SNAP's ability to respond to macroeconomic conditions enables it to serve as an automatic stabilizer. (See Box "SNAP as an Automatic Economic Stabilizer.") As Kuhn et al. (1996) observe, "[I]f food stamps are converted into a fixed block grant, then spending in this area would not adjust as the economy fluctuates ... [which] might exacerbate economic fluctuations" (p. 195).

These two arguments against block grants—that the program would not serve as an automatic stabilizer and would not respond in a recession to increased need—are both rooted in the fixity of the block grant. However, it is possible that policymakers could index the size of the block grant to inflation or tie the size to economic conditions (U.S. Congress, CBO, 2015b). For example, in response to the longstanding entitlement-based argument against block granting, recent House budget proposals state that the block grant would be "indexed for inflation and eligibility." (See for example, U.S. House of Representatives 2014b, p. 62.) However, the Center on Budget and Policy Priorities contends that "No one has ever designed a workable formula" that adjusts block grant levels to reflect changes in need and that "no experience or evidence supports the notion it can be done successfully" (Greenstein, 2014). In a 2014 discussion draft, the House Budget Committee states that one option for designing a block grant that would be counter-cyclical includes basing the level of funding on the level of unemployment in a State (U.S. House of Representatives, 2014a). Greenstein (2015) argues that this method is inadequate, since "block grant levels would be set at the start of the year, likely using unemployment data already several months old. Moreover, poverty and need rise or fall for reasons that go well beyond the unemployment rate."

Although in principle a State could use its own funds to supplement the block grant, in practice, the increased need comes at a time when States can least afford it. In most States, the State budget is required to be balanced, and State tax revenues fall during economic downturns. This argument opposing block grants echoes points made in earlier policy debates. In the 1980s, President Reagan proposed block granting food stamps and transferring responsibilities for food stamps and AFDC to the States and Medicaid responsibilities to the Federal Government. Organizations that opposed the proposal included the National Governors Association, and the proposal failed to get congressional approval (Berry, 1984). The governors worried that in a deteriorating economy, they would not be able to support the programs without continued Federal financial support (Dilger and Boyd, 2014).

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<sup>44</sup>Under a block grant, there would also be no room to expand participation (e.g., by increasing participation rates among eligible persons) without making cuts elsewhere in the program in order to remain within the fixed funding levels (Greenstein et al., 2002).

Among other political factors cited for food stamps being retained as an entitlement instead of being block granted at that time was the support of organized interests (King, 2000). Nutrition groups as well as many agricultural lobbies—consisting of both producers and grocers who benefitted from the additional income resulting from the sales of foods purchased with food stamps—registered their opposition to block grants to Congress. Lawmakers from farm states opposed the idea, and the proposal to block grant food stamps was dropped (Pear, 2002).

These opponents of block granting were concerned about possible risks to food spending using food stamps or SNAP benefits. First, as already noted, the program might not expand to support food spending during an economic downturn. Second, there were concerns that under a block grant, food spending could actually decrease. For example, devolving program responsibility to the States could result in States’ redirecting the funds away from food assistance to address other needs or pay for other programs (Rosenbaum, 2011; U.S. Congress, CBO, 2015b). The redirection argument, a third major argument against block grants, arose following the proposal introduced in the House in the early 2000s to establish a food stamp block grant demonstration project (U.S. House of Representatives, 2002). The proposal would have allowed up to five States to convert food stamps from an entitlement program to a block grant for up to 5 years for food assistance, employment and training programs, and administrative costs—and there were no limits on how much a State could spend on each component out of the fixed total. Greenstein et al. (2002) assert that a State could, for example, increase its spending on employment and training and thereby reduce funds available for food assistance.<sup>45</sup>

Except in Puerto Rico, all efforts to convert SNAP into a block grant have been unsuccessful and the program remains an entitlement. (See box “The Nutrition Assistance Program in Puerto Rico.”) However, because SNAP is one of the country’s largest social programs in terms of Federal expenditures, block granting SNAP will likely continue to be an issue in the future, especially during periods of tight Federal budgets.<sup>46</sup>

### **The Nutrition Assistance Program in Puerto Rico**

Puerto Rico, a territory of the United States, became authorized to participate in the Food Stamp Program in 1971 and began operations in 1974. The program in Puerto Rico—similar to the program in the mainland—operated as an entitlement program. Lower average incomes, together with high participation, resulted in a large financial burden on the United States (Trippe, et al., 2015). By FY 1981, approximately 56 percent of Puerto Rico’s population participated in the program, and it accounted for 8 percent of the U.S. total food stamp expenditures (USDA, FNS, 1983). In response to concerns about the size, expense, and management of the program in Puerto Rico, Congress (P.L. 97-35) replaced the Food Stamp Program in Puerto Rico with an annual block grant for nutrition assistance (U.S. General Accounting Office, 1992). In July

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<sup>45</sup>In addition, food spending might fall if States opted to provide benefits in the form of cash rather than food-targeted benefits because (as discussed above) consumers have lower marginal propensity to spend on food out of cash than food stamps or SNAP benefits.

<sup>46</sup>For example, in response to the House Budget Committee’s proposal that would cut SNAP spending by transitioning it to a block grant-based system administered at the State level, the American Soybean Association stated that “as producers of the nation’s food, we can’t support a proposal that would weaken the ability of Americans in the most need to buy that food” (American Soybean Association, 2016). Other industry groups including the National Grocers Association (2013) and the Food Marketing Institute (Walker, 2015) have also publically opposed block grants for SNAP.

1982, Puerto Rico implemented the Nutrition Assistance Program (NAP) with funds from the block grant. Funding was originally capped at \$825 million annually, but since 1986 the NAP block grant has been indexed to inflation.

## Restricting SNAP Foods

One of SNAP's objectives is to improve the nutrition and health of program participants. On average, the diets of SNAP participants, like those of most Americans, do not meet the *Dietary Guidelines for Americans* (U.S. DHHS and USDA, 2015). Historically, nutrition education has been the primary strategy to promote more healthful diets among SNAP participants (SNAP-Ed) (Condon et al., 2015).<sup>47</sup> More recently, USDA has tested the effect of price incentives for purchasing certain foods such as fruits and vegetables. (See box "Price Incentives in SNAP.") However, current policy debate often centers on food restrictions that would bar the use of SNAP benefits to purchase specified foods.<sup>48</sup>

### Price Incentives in SNAP

Consumer purchasing decisions are complex and depend on many factors. If healthy foods such as fruits and vegetables become less expensive relative to unhealthy foods and other factors do not change, then consumers can be expected to increase their purchases of healthy foods. Pricing strategies in the Supplemental Nutrition Assistance Program (SNAP) have recently been conducted at farmers markets and in a SNAP pilot to promote fruit and vegetable purchases. Many farmers markets across the country offer a "match" or "bonus" to SNAP participants who purchase foods—typically, fruits and vegetables—at the market. A dollar-for-dollar match is common (up to some specified limit such as \$20) and essentially acts as a 50-percent discount on the effective price of fruits and vegetables. In 2014, the nonprofit organization Wholesome Wave conducted its Double Value Coupon Program (under various names) at more than 300 farm-to-retail venues in 24 States and the District of Columbia (Wholesome Wave, 2014). Such programs have received funding from private foundations, nonprofit organizations, and local governments, while complying with SNAP rules and regulations and informing FNS (King et al., 2014). Research has found evidence that incentives bring SNAP consumers to farmers markets (King et al., 2014; Dimitri et al., 2015).

In 2011-12, USDA conducted a pilot in western Massachusetts known as the Healthy Incentives Pilot (HIP). HIP provided a price incentive to a treatment group of randomly assigned SNAP-participating households. They received an increase in SNAP benefits of 30 cents for every

<sup>47</sup>SNAP-Ed activities are grounded in the *Dietary Guidelines for Americans*. States are given the flexibility to choose their own approaches to deliver nutrition education and obesity prevention activities, which are funded by the Federal Government (Federal Register, 2013). Although SNAP-Ed funding has increased substantially in recent decades, Federal expenditures for nutrition education totaled about \$338 million or 0.5 percent of total Federal program costs in fiscal 2016 (USDA, FNS, 2016d). This is less than \$1 per participant per month of Federal funding spent on nutrition education. Federal expenditures for SNAP-Ed are far exceeded by private sector spending on advertising for food, beverages, and restaurants (Guthrie and Variyam, 2007).

<sup>48</sup>While SNAP-Ed intervention strategies may focus on limiting the consumption of certain foods and beverages consistent with the *Dietary Guidelines for Americans*, States cannot use SNAP-Ed funds to convey negative written, visual, or verbal expressions about any specific commodity (USDA, FNS, 2016f.)

dollar spent on targeted fruits and vegetables (TFVs) using SNAP benefits; a control group of SNAP households received no price incentive. The price incentive essentially lowers the effective (or net) price of fruits and vegetables by 30 percent. The pilot found that a price incentive can change the purchase and consumption behaviors of SNAP participants. HIP's price incentive increased estimated average daily consumption for adults by about one-quarter cup equivalent of TFVs, which represented an increase in consumption of about 26 percent compared to the control group (Bartlett et al., 2014).

The 2014 Farm Bill (P.L. 113-79) authorized funding for USDA to implement the Food Insecurity Nutrition Incentive (FINI) Grants Program. The program awards competitive grants to States and localities or to organizations for projects designed to test strategies and benefit redemption technologies to increase SNAP participants' purchase of fruits and vegetables by providing a price incentive (USDA, NIFA, 2015). USDA was authorized to make \$80 million in funding available for FINI projects from FY 2014 to FY 2018.

Food restrictions in SNAP are minimal. SNAP benefits can be redeemed for most types of food and beverages. (See subchapter "Program Benefits," in "Background.") SNAP allows participants to make their own food choices based on their own diverse tastes, circumstances, information, and spending habits. The challenge is that SNAP participants, like higher income persons, do not always exercise their choices in a way that promotes nutrition and health.<sup>49</sup>

Throughout the program's history, there have been attempts to restrict foods either to improve nutrition or to preclude the use of SNAP benefits to purchase so-called "luxury" foods. For example, when the program was established in 1964, some members of Congress sought to exclude the purchase of soft drinks and luxury foods with food stamps. These efforts were not successful at least in part due to the "insurmountable administrative problems" (p. 20) that restrictions would entail and to avoid disruption of "well-established food habits" (p. 21) (U.S. Senate, 1985). However, Congress set benefit levels low enough to discourage the purchase of luxury foods (U.S. Senate, 1964). In 1977, efforts in Congress to bar foods of negligible nutritional value—including chewing gum, ice cubes, and carbonated beverages—were also defeated because "such distinctions would be difficult to determine and even more difficult to enforce in grocery stores" (U.S. Senate, 1985, p. 85).

In recent years, attempts to restrict certain foods have increased. For example:

- In 2010, the mayor of New York City proposed prohibiting SNAP participants from using SNAP benefits to purchase soft drinks (Hartocollis, 2010).
- In 2013, the mayors of 18 major cities—including Chicago, Los Angeles, and New York City—wrote a letter to the leaders of the House of Representatives stating that "It is time to test and evaluate approaches limiting SNAP's subsidization of products, such as sugar-sweetened beverages, that are contributing to obesity" (Chicago Tribune, 2013).<sup>50</sup>

<sup>49</sup>A recent analysis using national survey data indicated that SNAP households and non-SNAP households purchased similar foods (Garasky et al., 2016). Less healthy food items—including sweetened beverages, prepared desserts and salty snacks—were common purchases for both SNAP and non-SNAP households.

<sup>50</sup>The other cities were Baltimore, Boston, Louisville, Madison, Minneapolis, Newark, Oakland, Phoenix, Philadelphia, Portland (OR), Providence, Salt Lake City, San Francisco, Seattle, and St. Louis.



- Also in 2013, a letter from a coalition of 54 groups (including the American Heart Association and the American Medical Association) and 19 prominent physicians and nutrition experts urged the Secretary of Agriculture to allow States to conduct pilot projects to evaluate innovative approaches to optimizing SNAP purchases including restricting purchases of foods with limited nutritional value (Center for Science in the Public Interest, 2013).
- In 2015, the State of Maine requested a waiver from USDA that would allow a ban on the use of SNAP benefits for the purchase of “junk food” such as candy and soda (State of Maine, 2015).
- Other State governments have discussed proposals that would limit the types of foods that could be purchased with SNAP benefits, and formal State legislation seeking to restrict SNAP purchases has been introduced in Missouri (2014), Wisconsin (2015), and elsewhere.<sup>51</sup>
- In 2016, the House Budget Committee recommended turning SNAP into a block grant whereby States would have to satisfy key conditions such as “restricting the program to non-junk food products” (U.S. House of Representatives, 2016b, p. 160).

USDA has so far not approved any requests by States and localities to implement additional restrictions on SNAP purchases. In a review of policy issues, FNS noted that prohibition policies would be administratively complex (USDA, FNS, 2007). The complexity arises in part in identifying thresholds for calories, fats, or sugars that would disqualify a food item from SNAP—especially if that same item contains desirable nutrients.<sup>52</sup> No less burdensome would be applying any standard to the hundreds of thousands of food products on the market, and for stores (especially small stores) to keep track of which items are allowable and which are disqualified from SNAP.<sup>53</sup> Prohibition policies may also have limited effectiveness. SNAP participants might purchase an item using their own cash when it is disqualified from SNAP. Research suggests that a large percentage of SNAP participants spend out of pocket to supplement SNAP benefits. For example, Hoynes et al. (2016a) used Consumer Expenditure Survey data for 1990–2013 to estimate that over 70 percent of survey households modeled to be eligible for SNAP spend more on food than their predicted amount of SNAP benefits. Finally, the FNS review states that “There is no strong research-based evidence to support restricting food stamp benefits. Food stamp recipients are no more likely than higher income consumers to choose foods with little nutritional values; thus the basis for singling out low-income food stamp recipients and restricting their food choices is not clear” (USDA, FNS, 2007, p. 1).

In addition, food restrictions could potentially reduce SNAP participation. This could happen if participants experienced more stigma and burden because of having to identify allowable foods while shopping and navigate the food restrictions at store checkout. While some people would

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<sup>51</sup>Under the Wisconsin bill, SNAP participants would be required to spend at least 67 percent of their monthly SNAP benefits to purchase any of the following foods: beef, pork, chicken, fish, fresh produce, white potatoes (fresh, frozen, and canned), and foods that are on the list of foods authorized for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC foods) (Wisconsin State Legislature, 2015). SNAP participants would also be prohibited from using their SNAP benefits to purchase crab, lobster, shrimp, or any other shellfish. The Missouri bill prohibits SNAP benefits from being used to purchase cookies, chips, energy drinks, soft drinks, seafood, or steak (Missouri House of Representatives, 2015).

<sup>52</sup>The effectiveness of limiting food choices would also depend on food manufacturers’ response (Guthrie et al., 2007). Limiting purchases of less healthful foods could encourage manufacturers to develop and promote more healthful products such as snack packs of baby carrots and pre-cut apple slices. However, food manufacturers might develop or promote sweets or snack foods very similar to the prohibited items. (For example, they might develop a sweet, fruit-flavored drink that is very similar nutritionally to a prohibited soft drink.)

<sup>53</sup>For example, more than 20,000 new food and beverage products were introduced in 2006 alone (Guthrie et al., 2007).

consider such a decline to be undesirable, that view is not universal. For example, Edwards (2016) claims that an advantage of prohibiting junk food purchases with SNAP benefits is that it would reduce demand for the program, resulting in fewer people participating and lower taxpayer costs.

## Adequacy and Timing of SNAP Benefits

Per-household SNAP benefits increase as household size increases and decrease as net income increases. In FY 2016, SNAP benefits averaged about \$1.38 per person per meal.<sup>54</sup> The issue of the adequacy of SNAP benefits is complex and is affected by many factors. A related issue concerns the timing—i.e., the frequency—of allotments.

### *Adequacy of SNAP Benefits*

A household's maximum SNAP allotment (received when net income is zero) is based on the cost of the Thrifty Food Plan (TFP) for a four-person reference family—a set of foods that constitute a nutritious, low-cost diet—thus providing a link between the allotments and nutrition.<sup>55</sup> At numerous times in the program's history, Congress has passed legislation that affected the level of SNAP allotments. (See box “Previous Legislative Adjustments to Benefit Levels.”)

### **Previous Legislative Adjustments to Benefit Levels**

Beginning with the pilot programs in the early 1960s, the Economy Food Plan and (beginning in 1975) the Thrifty Food Plan (TFP) have served as the basis of the Food Stamp Program/ Supplemental Nutrition Assistance Program (SNAP) maximum allotments. Over the years, Congress has adjusted benefit levels using three different mechanisms: (1) changes in deductions from gross income; (2) introduction of indexing and changing the frequency of inflation-related adjustments; and (3) changing the ratio of the maximum allotment to the cost of the TFP.

More deductions from gross income translate into higher SNAP benefits because deductions are subtracted from gross income to determine a household's net income, which is used in determining both eligibility and the household's monthly SNAP allotments (a household's allotment is reduced by 30 cents for every \$1 increase in net income). Legislation in 1971 (P.L. 91-671) established uniform nationwide standards of eligibility, which were based on a household's net income after specific deductions (e.g., shelter, medical, educational, and others). In 1977, legislation allowed fewer deductions and made others more restrictive—which had the effect of decreasing the benefit levels for some households (P.L. 95-113). Concerned about the loss of benefits to some households as a result of the 1977 Act, Congress passed legislation (P.L. 96-58) in 1979 that established an excess medical expense deduction and a dependent care deduction and removed a cap on an excess shelter expense deduction for households with an elderly or disabled member (U.S. Senate, 1985), thereby increasing benefit levels for some SNAP households.

<sup>54</sup>Based on ERS calculations of FNS data (USDA, FNS, 2016d).

<sup>55</sup>Maximum SNAP allotments are adjusted from this reference level based on the number of people in the SNAP household.

Prior to 1971, there was no adjustment in benefits to reflect changes in the price of food. Thus, the real (inflation-adjusted) value of the benefits decreased over time due to increases in prices. Starting in 1971, Congress enacted a number of laws affecting the frequency of inflation-related adjustments. That year, P.L. 91-671 required that allotments be adjusted annually to reflect food price inflation, thus helping to preserve the real value of the benefits over time. In 1973, a period of double-digit inflation, P.L. 93-86 went even further by providing for adjustments twice each year. In 1980, P.L. 96-249 once again provided for annual adjustments. The next year, P.L. 97-98 delayed the inflation adjustment, which had the effect of reducing the purchasing power of the benefits, but also reduced program costs.

In the 1980s, Congress began to adjust benefit levels by changing the ratio of the maximum allotment to the cost of the TFP. For example, to reduce program costs, 1982 legislation reduced allotments by 1 percent to 99 percent of the cost of the TFP (P.L. 97-253). However, Congress returned the maximum benefit level to 100 percent of the TFP for FY 1985 (P.L. 98-473). In 1988, Congress established incremental increases to benefits over a 3-year period (P.L. 100-435) so that by 1991, maximum benefits were 103 percent of the cost of the TFP. The law was enacted to account for the time lag in adjusting food stamp allotments for changes in food prices. Program benefits are adjusted each year to reflect changes in the cost of the TFP. Because benefits for the fiscal year are based on the cost of the TFP in June of the prior fiscal year, “benefits are based on lagged data that are four months old at the beginning of the fiscal year and 15 months out of date by the end of the fiscal year” (Rosenbaum, 2008).<sup>56</sup> In 1996, P.L. 104-193 reduced allotments to 100 percent of the cost of the TFP where they remained until 2009 when the American Recovery and Reinvestment Act temporarily increased maximum allotments by 13.6 percent—the largest legislative-based increase in benefits in the program’s history (Nord and Prell, 2011). Allotments were reduced to 100 percent of the TFP in November 2013.

Recent concerns about benefit adequacy revolve around the construction of the TFP, which currently does not account for geographic variation in food prices, cost variations associated with the age and nutrient requirements of some household members, and the costs of time in food preparation:

- The TFP is calculated using food prices that represent national averages. As a result, the TFP and SNAP allotments do not account for geographic differences in food prices (with exceptions for Alaska and Hawaii). SNAP participants in areas with higher food prices cannot purchase as much food, or as much higher quality food, as recipients in areas with lower food prices, potentially leading to differences in the nutritional benefits of the SNAP allotments. Leibtag (2007) estimated that for four U.S. regions during 1998-2003, average prices for a representative mix of foods were 8.0 percent greater than the national average in the East, 11.1 percent greater in the West, 7.0 percent less than the national average in the South, and 5.2 percent less in the Midwest. Some researchers have recommended that USDA adjust allotments to account for geographic price variations across regions as well as between rural and urban areas (Ziliak, 2016; Institute of Medicine and National Research Council, 2013; Food Research and Action Center, 2012).

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<sup>56</sup>Hanson and Andrews (2008) estimated that adjusting food stamp benefits in this manner resulted in a loss of 7 percent in food purchasing power for households receiving the maximum benefit in FY 2008.

- It has been argued that SNAP benefit levels are insufficient for households with teenagers (Ziliak, 2016). The TFP comprises 15 distinct food plans that vary by age and gender (due to differences in the sets of foods consumed by men, women, and children). The SNAP benefit allotment is based on the cost of the TFPs for a four-person reference family (consisting of a man and a woman, each 19-50 years old, and two children aged 6-8 and 9-11) (with an allowance of 5 percent for food waste). Households with more than four people receive more SNAP benefits than the reference family, while households with fewer than four people receive fewer benefits than the reference family. Economies of scale are built in by which a family that is twice the size of the reference family receives a SNAP allotment that is less than twice as large (Institute of Medicine and National Research Council, 2013) (table 2). These adjustments do not reflect that teenagers have higher food consumption (and costs) than younger children. Anderson and Butcher (2016) found that for households of the same size, if children are teenagers (rather than younger children), the household is more likely to report food insecurity and needing more resources for food.

Table 2

**Maximum monthly SNAP allotments (October 1, 2016 through September 30, 2017)**

People in household	Maximum monthly allotment
1	\$194
2	\$357
3	\$511
4	\$649
5	\$771
6	\$925
7	\$1,022
8	\$1,169
Each additional person	\$146

Source: USDA, Food and Nutrition Service.

- The cost of the TFP assumes the preparation of meals from scratch, and therefore does not account for the time constraints faced by most households, in particular those headed by a single working adult (Institute of Medicine and National Research Council, 2013). Food technology and societal norms in food preparation have changed greatly since the TFP was first constructed. The average household now buys more convenience food such as packaged vegetables and ready-to-cook foods, which save time in food preparation but cost more in money. Ziliak (2016) argues that the failure to account for time is the greatest shortcoming of the TFP. He states that “To the extent that there is a trade-off between food price and time needed to prepare the food, the TFP calculation puts all the weight on the price and none on the time required,” and the fact that the cost of the TFP, after adjusting for inflation, remains constant over time “skews the model to minimize the monetary cost of food without constraints to the time cost of preparation” (p. 8). Ziliak (2016) claims that the TFP requires that SNAP households invest an unreasonable amount of time preparing meals and proposes increasing maximum SNAP benefit levels by 20 percent. Such an increase would provide the means to purchase some packaged vegetables or other ready-to-cook foods and reduce the reliance on preparation from scratch.

Consistent with the concerns above, results from a recent study suggest that SNAP participants have unmet food needs and that increasing SNAP benefits would improve recipients’ diets. Anderson

and Butcher (2016) estimated that an additional \$30 per person of monthly SNAP benefits increases grocery spending by \$19.48 per person per month among SNAP participants. This increase in food spending was also associated with increased consumption of some foods that are especially nutritious.<sup>57</sup>

### *Frequency of SNAP Benefit Issuances*

Currently, each SNAP household's entire allotment of monthly benefits is electronically loaded into the household's EBT account in a lump sum once each month. Research suggests that households spend more of their benefits soon after benefit issuance and therefore have less to spend later in the month (Wilde and Ranney, 2000). This "monthly food stamp cycle" of food purchases can help SNAP households, giving them the flexibility to spend benefits when and where they choose and potentially allowing them to obtain lower food prices by buying some food items in bulk. There is evidence, however, that for some households the up-and-down cycle of food purchases can result in a second "monthly food stamp cycle" of caloric intake.

Wilde and Ranney (2000) find that for households that shopped infrequently, food energy declined significantly between the first and fourth week of the food stamp month. Shapiro (2005) found that average caloric intake of members of food stamp households fell 10-15 percent over the food stamp month. The implication is that towards the end of the SNAP month, some recipients have less to eat because they run out of SNAP benefits, or they may have to stretch their SNAP benefits (or their own cash) by purchasing cheaper foods that may be less nutritious. Thus, issuing SNAP benefits just once each month may have negative consequences on food security, nutrition, and weight status for some recipients.<sup>58</sup>

One policy proposal is to issue a household's allotment of SNAP benefits more frequently than once per month (Wilde and Ranney, 2000). For example, households could receive half their allotment at the beginning of the month and the remaining portion of their allotment halfway through the month. However, arguments have been raised that this policy is overly paternalistic, makes it more difficult for recipients to take advantage of bulk discounts, and reduces budgetary flexibility for recipients.

Budgetary flexibility may be especially beneficial for those who receive paychecks more than once per month because some large expenses, such as rent, can be due at the start of the month. If the SNAP allotment is provided in one lump sum at the start of the month, then the household's cash will not be needed for food at that time, so the cash can more easily go toward rent, and part of a later paycheck can buy food.

On the other hand, Wilde (2007) points out that having a twice monthly benefit delivery does not necessarily prevent people from shopping once per month: "A family that prefers to shop once monthly is still welcome to do so, on the occasion of the second benefit credit each month." Wilde (2013a) suggests pilot testing a twice monthly benefit delivery to determine its effect on recipients. A

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<sup>57</sup>For example, estimated consumption of tomatoes and of yellow vegetables increases by almost 3 percent; green vegetable consumption increases by over 2 percent; and milk consumption increases by almost 1 percent. Consumption of fast food is estimated to fall by over 2.5 percent.

<sup>58</sup>Townsend et al. (2001) find that food insecurity was positively related to overweight in women. They hypothesize that one possible factor is that the cycle of caloric intake may lead to gradual weight gain over time. There may be repeated periods of binging in which families overeat when benefits are issued and food is abundant, followed by a short periods of involuntary food restriction when food stamps run out. This pattern can biologically result in weight gain (compared to the resultant weight when the same total amount of monthly calories are consumed steadily throughout the month).

related option is to allow households some choice in their frequency of receipt in place of a uniform policy of either monthly or biweekly issuance for all (Wilde, 2007).

Proposals to distribute a household's allotment of SNAP benefits more frequently than once per month assume that the monthly cycle in caloric intake is a timing problem in which benefit levels are sufficient, but there is an income-smoothing problem (rather than a problem of inadequate benefit amounts for the month as a whole). A recent study compares caloric intake patterns before and during the temporary increase in benefits due to ARRA that began in April 2009, and finds a decline in caloric intake (over the course of the benefit month) prior to the benefit increase but not while the benefit increase was available (Todd, 2015). This finding—that with ARRA-increased benefits in place, caloric intake did not decline across the month—suggests that the monthly cycle in caloric intake may be related to the level of benefits in addition to the timing of benefit receipt.

## Revising Retailer Eligibility Standards

Food retailers constitute a diverse and important stakeholder group that benefits from SNAP. SNAP benefits were estimated to account for more than 10 percent of all U.S. spending for food at home in 2010 (Wilde, 2013b). To become SNAP authorized, a food retailer must meet criteria established by Congress and USDA, including criteria related to the types of foods and their depth of stock available in the store. In addition to directly affecting the revenues of individual retailers, retailer eligibility standards can indirectly influence the nutrition of SNAP participants via their effects on participant access to food stores and the types of food provided in them. Furthermore, the types of food available in SNAP-authorized stores can potentially have positive spillover effects on people not participating in SNAP. Because SNAP-authorized stores serve both SNAP participants and non-SNAP customers, the increased availability of nutritious foods in SNAP-authorized stores increases access to healthy foods for the entire neighborhood, not just for SNAP participants.

Policymakers face a number of tradeoffs when establishing retailer eligibility standards. For example, tighter retailer eligibility requirements on the variety and types of foods offered can enhance the nutrition content of foods in those stores that meet the (tighter) requirements. On the other hand, tighter standards can reduce the number of stores that are authorized, diminishing participant access and potentially diminishing participation. Retailer eligibility standards can also potentially affect program integrity. Trafficking is the illegal sale or purchase of SNAP benefits for cash. While rare, trafficking is more common in smaller, independently owned stores than in larger supermarkets, and in stores located in areas with higher-than-average poverty rates (Mantovani et al., 2013). Therefore, relaxing retailer eligibility standards could increase the number of SNAP-authorized stores, particularly in high-poverty areas where many SNAP participants are likely to live, increasing the complexity of fraud prevention.

From the time the program was permanently authorized in 1964, USDA—and not State or local governments—has been responsible for approving the retail food stores that can accept and redeem food stamps or SNAP benefits. The 1964 Food Stamp Act (P.L. 88-525) provided limited detail on the types of stores that could participate, stating only that a retail food store had to be an establishment that sold food for home consumption and USDA was required to consider “the nature and extent” of the store, “the volume of business conducted,” and the “business integrity and reputation of the applicant.”

Over the years, successive retailer eligibility standards have generally shifted toward tighter requirements. For example, the Food Stamp Act of 1977 (P.L. 95-113) gave USDA more guidance on what types of stores were eligible to participate in the program. It limited participating stores to those for which at least half of their food sales were staple foods such as meat, poultry, fish, bread, cereals, vegetables, fruits, dairy products, and the like. Examples of accessory food items not deemed to be staples included coffee, tea, cocoa, carbonated and uncarbonated drinks, candy, ice cream, condiments, and spices. Thus, specialized stores selling only accessory foods (such as donut or ice cream shops) were prohibited from participating. However, the Act allowed some “marginal” food stores such as liquor stores and gas stations to qualify for authorization as long as their sales of staple snack foods exceeded accessory food sales (Federal Register, 1999).

In an attempt to strengthen the nutrition focus of the program, legislation in 1994 revised the eligibility requirements for retail stores (P.L. 103-225). Rather than requiring a firm to have more than 50 percent of its *total food sales* in staple foods, the new law required that more than 50 percent of its *total gross retail sales*—i.e., all retail sales of the store—be in staple food sales. This revision blocked authorization for some marginal food stores (e.g., those that primarily sell nonfood items, but that had sold the required share of staple foods compared to total foods).<sup>59</sup>

However, the 1994 legislation also provided a second pathway for stores to become authorized to participate in SNAP. During USDA’s periodic reauthorization of retail food stores in the early 1990s, it was determined that a large number of small authorized retail food stores (e.g., convenience stores) no longer met the required ratio of staple food sales to food sales (Federal Register, 1999). There was concern that—if many retail food stores withdrew from the program—recipients would have reduced access to stores, especially those in rural areas and inner cities where there are fewer supermarkets (Stenholm, 1993).<sup>60</sup>

So, to ensure that participants had adequate access to retail food stores, the legislation expanded the types of stores that could participate in the program by basing store eligibility on the variety and perishability of food sold. Specifically, stores could be authorized in which at least half of their total gross sales were staple foods *or* which offered for sale, on a continuous basis, at least three varieties of qualifying foods in each of the following four staple food groups, with perishable foods in at least two of the four categories: meats, poultry, and fish; breads and cereals; fruits and vegetables; and dairy products. As a result of the legislation, retail food stores that do not sell a high proportion of staple foods—such as convenience stores—were able to participate in the program.<sup>61</sup>

In recent years, retailer eligibility standards have garnered increased attention from policymakers. In 2014, Congress revised the retailer eligibility requirements to increase the variety of nutritious foods available to SNAP participants (P.L. 113-79). The new requirements (for stores that did not meet the eligibility standard that staple food sales exceed 50 percent of total gross retail sales) were a minimum of seven varieties (rather than three) in each of the four categories of staple food groups, with perishable foods in at least three (rather than two) of the categories. The legislation did not specify a minimum depth of stock.

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<sup>59</sup>Specialty stores such as butcher stores and greengrocers are often authorized under this criterion (USDA, 2017a).

<sup>60</sup>Lawmakers thought that in view of these stores’ historic participation in the program, some participants had come to rely on them as the major source of many food items (U.S. House of Representatives, 1993).

<sup>61</sup>Most stores that are authorized are authorized under this criterion (USDA, FNS, 2017a).

In early 2016, USDA proposed a rule that would codify the mandatory requirements in P.L. 113-79 and make several additional changes pertaining to the eligibility of SNAP retail food stores (Federal Register, 2016a). One of these proposed changes required that retailers stock at least six units of each variety of food in each staple food category. As a result, retailers would have to stock at least 168 staple food items (7 varieties times 4 staple food categories times 6 stocking units). The intent of this stocking depth requirement was to ensure that retailers meet the statutory requirement to offer for sale, *on a continuous basis*, staple foods in each staple food category.

The same proposed rule also changed the definition of a retail food store to exclude some firms that in effect are restaurants. Restaurants (including take-out outlets) are ineligible to be authorized for SNAP except under limited circumstances to serve people who cannot cook for themselves such as some elderly, persons with disabilities, and homeless.<sup>62</sup> At the time of the proposed rule, a firm was considered to be a restaurant, and thus ineligible to be authorized, when more than 50 percent of total gross retail sales were accounted for by hot and/or cold prepared foods *not* intended for home preparation and consumption. Unexpectedly, over time a growing number of firms that operate primarily as restaurants have become authorized to participate in SNAP as retail food stores. They do so by offering to heat or cook cold, uncooked, or raw foods for free or for cash before the customer leaves the premises (Federal Register, 2016a).<sup>63,64</sup>

Nothing in the existing SNAP regulations specifically prohibited items sold for SNAP benefits that are cold at the point of sale from being heated or cooked in the store after purchase. USDA proposed to amend the definition of “retail food store” to modify when a firm is considered to be a restaurant rather than a retail food store.<sup>65</sup> For a firm to be authorized, at least 85 percent of total *food* sales must be for items that are *not* cooked or heated onsite before or after purchase (Federal Register, 2016a). Stated another way, less than 15 percent of total food sales could be for foods that are cooked or heated onsite before or after purchase.

In May 2016, House Agriculture Committee leaders expressed concern that USDA’s proposed rule threatened the ability of small retailers to participate in the program, thereby potentially reducing food access to many consumers, and asked USDA to modify the proposal. As part of a comprehensive review of SNAP, the House Agriculture Committee held a public hearing on “The Past, Present, and Future of SNAP: The Retailer Perspective” in May 2016 (U.S. House of Representatives, 2016c). A number of retail businesses spoke on the various challenges and opportunities both retailers and recipients experience when interacting with SNAP. The following week, 161 members of the House sent a letter to the Secretary of Agriculture expressing concern over USDA/FNS’s proposed rule (U.S. House of Representatives, 2016d).

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<sup>62</sup>P.L. 95-113 (1977) explicitly prohibited (with limited exceptions) the use of food stamps to purchase hot foods ready for immediate consumption. The rationale was that—because fast food restaurants (most of whose sales consist of carry out foods or foods to be consumed on site) were not allowed to redeem food stamps—the ability to accept food stamps for hot foods would give grocery stores and other retail food stores an unfair sales advantage (U.S. House of Representatives, 1977).

<sup>63</sup>Some of these stores have been referred to as “you-buy-we-fry”-type restaurants (Federal Register, 2016b).

<sup>64</sup>Current SNAP rules allow foods with multiple ingredients to be classified as staple or nonstaple by their first ingredient. Some pizza restaurants meet the criteria that 50 percent of total gross retail sales be staple foods based on the primary ingredient of pizza (bread). After selling a cold pizza to SNAP customers, these firms then heat the pizza, and thus, have ultimately sold hot food from their pizza-restaurant location (Federal Register, 2016a).

<sup>65</sup>Proposed rules are published in the Federal Register. After some specified comment period, Federal agencies publish final regulations in the Federal Register and discuss the significant issues raised in comments and any changes made in response to them. For more information about the Federal Register and the Federal rulemaking process, see: <http://www.archives.gov/federal-register/the-federal-register/about.html#questions>.



In August 2016, 47 members of the Senate also sent a letter to the USDA Secretary urging him to revise the proposed rule aimed at upgrading retail standards for SNAP stores (U.S. Senate, 2016). The Senators contended that the combined effect of the change in the stocking requirements for staple and perishable food and the change related to percentages of sales of hot foods “will likely result in the removal of a large number of small-format retailers and small businesses from SNAP.” The letter stated that implementing the proposed rule would “reduce access to healthy food for SNAP participants.” It noted that many SNAP participants in areas with limited access to large grocery stores rely on smaller stores for SNAP purchases because of obstacles such as distance, limited store hours, and restricted transportation options.

In December 2016, USDA issued a final rule (Federal Register, 2016b). Acknowledging the potential stocking burden for some small retailers, the final rule lowered the depth of stock requirement from six units to three units, per staple food variety. The following year, the Consolidated Appropriations Act of 2017 provided “that FNS apply the requirements regarding acceptable varieties to SNAP retailers that were in effect on the day before the date of the enactment” of P.L. 113-79 (i.e., February 7, 2014) (USDA, 2017). Thus, as of January 17, 2018, to participate in SNAP, retailers that had no more than 50 percent of their total food sales in staple foods will now have to stock at least 36 staple food items (3 varieties times 4 staple food categories times 3 stocking units) on store shelves. This requirement is less than the 168 staple food items under the proposed rule, but more than the 12 staple food items (3 varieties times 4 staple food categories times 1 stocking unit) implicitly required previously (USDA, FNS, 2017a).

In addition to the stocking requirements, the final rule updates the definition of restaurants for SNAP purposes. Under the final rule, firms are considered to be restaurants (which are ineligible for SNAP authorization) when they have more than 50 percent of their total gross sales in “foods cooked or heated on site by the retailer before or after purchase” and hot and/or cold prepared foods not intended for home preparation or consumption (Federal Register, 2016b, p. 90699). The new requirement, which took effect in October 2017, closed the loophole that enabled stores to sell cold food to SNAP participants and then heat it on site immediately afterward for consumption onsite. The 50-percent limit was less restrictive than the 15-percent limit specified in the proposed rule. Concern was raised that use of the 15-percent limit would preclude the participation of convenience stores and other small stores with marginal sales in foods cooked or heated on-site (Federal Register, 2016b).

The final rule also states that USDA will consider the need for food access when making a SNAP authorization determination for applicant firms that fail to meet certain authorization requirements. In determining whether an applicant is located in an area with limited access to food, USDA may consider factors such as the applicant firm’s distance from the nearest currently SNAP-authorized firm and transportation options.

The Secretary of USDA stated that the final rule “balances the need to improve the healthy staple foods available for purchase at participating stores, while maintaining food access for SNAP participants in underserved rural and urban areas” (USDA, OC, 2016). The effects of these recent changes to the retailer eligibility requirements will emerge over time. As they do, Congress and USDA may reconsider retailer requirements and balancing SNAP’s multiple goals.<sup>66</sup>

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<sup>66</sup>In May 2017, Congress (P.L. 115-31) delayed implementation of the new retailer standards until further notice.

Retailer requirements may also be affected if there is devolution of SNAP program administrative responsibilities from the Federal Government to the States. Owners of stores who are not eligible to participate in SNAP have an incentive to lobby decision makers to gain access to the program. The current system, in which the Federal Government determines store authorization and funds the program insulates State officials from such lobbying efforts. However, if store authorization were determined by the States while the program continued to be financed with Federal funds, State officials would have little incentive to limit access to their program. Thus, under a system of State-specific policies, States could be susceptible to efforts to influence SNAP-related legislation. This possibility once again raises issues of whom the program is meant to support (low-income families, farmers, or retailers) and what level of government makes that decision—Federal or State. (See Box “Balancing the Competing Interests of Stakeholders.”)

## **Balancing the Competing Interests of Stakeholders**

Although the current Supplemental Nutrition Assistance Program (SNAP) is nutrition assistance for the poor, policymakers considering changes to the program must also consider the competing interests of a diverse (and politically influential) set of stakeholders that includes farmers, food retailers, and food manufacturers in addition to SNAP participants and other U.S. taxpayers.

The statutory objectives of SNAP are “To strengthen the agricultural economy; to help to achieve a fuller and more effective use of food abundances; to provide for improved levels of nutrition among low-income households through a cooperative Federal-State program of food assistance to be operated through normal channels of trade; and for other purposes” (Food and Nutrition Act of 2008, as amended through P.L. 113-128). The passage references three groups of stakeholders: the agricultural sector, low-income households, and the commercial food distribution network. While all three stakeholders are supported by the Food Stamp Program/SNAP, policymakers face tradeoffs over balancing the competing interests.

The relative emphasis on supporting three of the program’s major stakeholders—participants, farmers, and retailers—has evolved over time. The Federal Government first provided food assistance in the Great Depression. At the time, the program was primarily a method to dispose of agricultural surpluses to the benefit of farmers, although low-income people also benefited as recipients of the surplus commodities. Then, in 1939-43, a new coupon-based system started to shift the program’s emphasis toward consumer choice by providing participants with orange and blue stamps, which were redeemed in retail food stores. This step added food retailers as a third group to the program’s stakeholders. To continue providing a degree of support for certain groups of farmers, the blue coupons had to be used to obtain commodities deemed to be in surplus.

In 1964, when the Food Stamp Program was authorized, the tradeoff of serving different stakeholders shifted further toward helping the needy by expanding consumer choice. While the 1939-43 program had required participants to obtain some surplus commodities, no such rule was adopted in 1964 thereby diminishing support for commodity producers. In 1974, when legislation ended the prohibition against purchasing imported foods, the program’s emphasis

shifted further toward supporting low-income people and their food choices and away from helping American farmers.

Retailer eligibility requirements can affect program participants by changing participant access to authorized stores and the nutrition profiles of the types of foods available at food retailers. At the same time, retailer eligibility standards affect retailers themselves. Concern for the welfare of retailers can alter the decision of how tight or loose to make the retailer eligibility requirements.

## Program Access and Outreach

Since SNAP effectively became an entitlement program in the mid-1970s, the number of participants in SNAP has been determined by two factors: 1) the size of the eligible population, and 2) the participation rate, defined as the percentage of eligible people who choose to participate. Issues concerning program access—which affect caseload size and therefore program costs—span both of these determinants. For example, access is promoted if eligibility rules are relaxed so that the size of the eligible population increases. Likewise, access is impeded if eligibility rules are tightened so that the size of the eligible population decreases. Factors that increase access may also increase the caseload through increasing the participation rate.

For example, access is promoted when an eligible individual’s awareness of the program is increased through outreach, or when a person’s burden of applying for benefits is reduced via the use of on-line application. While many national and State policies can affect access (see box “Access-Related Policies”), recent debates on access generally revolve around two sets of policies—broad-based categorical eligibility (BBCE) and Federal funding of outreach activities.<sup>67</sup> BBCE potentially affects the SNAP caseload by increasing the size of the eligible population, as well as by increasing the participation rate (by reducing the burden of applying). Outreach affects caseloads by increasing the participation rate.

### *Broad-Based Categorical Eligibility (BBCE)*

States have been given increased flexibility since 2000 to simplify and streamline their programs to make participation less burdensome and increase program accessibility. For example, many States now use the broad-based categorical eligibility (BBCE) option to align the SNAP income and asset tests with those of a noncash or in-kind TANF service, which allows them to relax or eliminate asset test or relax gross income eligibility thresholds. Recent studies have found that BBCE’s effect on the asset test is likely to most affect the elderly, who represent a disproportionate share of low-income households with assets above the Federal SNAP eligibility threshold (Ratcliffe et al., 2016). BBCE’s effect on the gross income limit is most likely to affect working households; over 90 percent of the households made eligible through the higher gross income limits under BBCE in FY 2011 had earned income (Laird and Trippe, 2014).

Although BBCE allows States to increase the gross income limit up to 200 percent of Federal poverty guidelines, it is important to note that States must still apply the Federal formula for calculating benefits. Households must still meet all nonfinancial criteria. Households eligible through

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<sup>67</sup>Other factors that may affect program access at the State and local level include office locations, hours of operation, and availability of on-line applications.

BBCE must have net income low enough to qualify for benefits. That is, State agencies deny benefits to a household when its net income exceeds the maximum level at which benefits are issued.<sup>68</sup>

Therefore, households that qualify for SNAP through BBCE must have relatively high deductions to receive benefits, and are likely to receive relatively low benefit levels. A recent report found that the elimination of BBCE would have rendered 3.1 percent of FY 2011 SNAP households income-ineligible for SNAP; these households received 1 percent of FY 2011 SNAP benefits (Laird and Trippe, 2014). The Congressional Budget Office (CBO) estimated that eliminating BBCE would reduce SNAP participation by 4.3 percent from 2013 to 2022 (U.S. Congress, CBO, 2012).

State agencies adopting BBCE will benefit from a reduction in the administrative resources used to determine household assets and apply asset limits. As of August 2016, 40 States (including the District of Columbia) had implemented BBCE. Of these 40 States, 35 States used the BBCE option to eliminate asset limits for at least some households, and 29 set the gross income limit above 130 percent of poverty (but not more than 200 percent of poverty) (USDA, FNS, 2016b).

USDA has actively encouraged States to implement BBCE to simplify program administration while helping low-income families meet their nutrition needs (USDA, FNS, 2011). However, during the debate leading up to the Agricultural Act of 2014 (P.L. 113-79), also known as the 2014 Farm Bill, concerns were raised in Congress that the BBCE option had allowed SNAP participation to expand beyond the poorest Americans. Despite early proposals to eliminate the BBCE option, Congress retained the option in the final legislation.<sup>69</sup> But arguments continue that BBCE increases program costs and allows participation by higher income people, whom some consider to be undeserving for a means-tested program. For example, Doar (2015) states that a “concerning trend is that SNAP benefits are more often going to individuals who are not poor.”

Proponents of BBCE argue that asset accumulation supports households during financial emergencies, such as a job loss, car repair, or unexpected medical bill, and can boost long-term economic gains by enabling investment for the future (e.g., in education) (Ratcliffe et al., 2016). Asset limits in SNAP may have incentive effects that discourage lower income households from accumulating assets or encourage households to spend down their assets to become eligible, hindering their future financial security. Although SNAP asset limits result in lower program costs, a recent study by Ratcliffe et al. (2016) found that they have negative consequences such as reducing the likelihood of households having a bank account and having at least some emergency savings (at least \$500), and leading more households to “churn” (defined as a break in SNAP participation of 4 months or less) on and off the program, thereby increasing program administrative costs.<sup>70</sup> Some of the program savings associated with asset limits may also decrease as some of the households that are discouraged from accruing personal savings continue to participate in the program and remain unable to achieve long-term economic progress.

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<sup>68</sup>The exception is that eligible households with one or two members receive at least the minimum SNAP benefit (\$16 per month in FY 2017), regardless of their net income level.

<sup>69</sup>Although the Farm Bill made no changes to SNAP categorical eligibility rules, the House-passed version of the bill called for eliminating BBCE. That change was not included in the conference agreement on the bill (Falk and Aussenberg, 2014).

<sup>70</sup>One way that asset limits could increase the occurrence of churn is if “the increased documentation required for program recertification results in people leaving the program for administrative reasons and reentering SNAP” (Ratcliffe et al., 2016, p. V1).

## Program Outreach

The other recent access-related issue involves the level of SNAP outreach efforts, which affects SNAP caseloads through their effect on the participation rate (also known as the coverage rate or the take-up rate among eligibles). The participation rate is a key performance measure for USDA, indicating the degree to which the program is reaching its target population. In 2014, approximately 83 percent of all people estimated to be eligible in an average month participated in the program—or conversely, 17 percent of all eligible persons did not participate (Gray and Cunyningham, 2016). The most economically disadvantaged (i.e., those eligible for higher benefits) participated at higher rates. Providing information to eligible people not currently participating in the program about SNAP’s nutrition benefits, to help them make an informed participation decision, is one way to increase SNAP’s participation rate.

States can receive 50 percent reimbursement from the Federal Government for allowable outreach activities.<sup>71</sup> Allowable activities can include the production of informational materials and application assistance, such as answering questions about SNAP, assisting households with filling out applications, helping to gather needed verifications, and pre-screening households for potential eligibility. The 2014 Agricultural Act prohibits Federal funds to be used for television, radio, or billboard advertisements designed to promote SNAP benefits and enrollment and prohibits any entity that receives Federal funds from the Food and Nutrition Act of 2008, as amended, from compensating any person engaged in outreach or recruitment activities based on the number of individuals who apply to receive SNAP benefits (P.L. 113-79).<sup>72</sup>

The legislation also prohibits the use of Federal funds for recruitment activities designed to persuade an individual to apply for SNAP benefits, which had already been a longstanding USDA regulation. The final USDA rule resulting from the legislation clarifies that “persuasive practices constitute coercing or pressuring an individual to apply, or providing incentives to fill out an application for SNAP benefits,” but notes that “asking appropriate follow-up questions to ensure an individual has made an informed choice” is an allowable outreach activity (Federal Register, 2016c). More recently, the House Budget Committee’s proposed budget for FY 2016 called for reduced funding for advertising efforts to increase SNAP enrollment (U.S. House of Representatives, 2015, p. 29).

### Access-Related Policies

Over the history of the Supplemental Nutrition Assistance Program (SNAP) (formerly, the Food Stamp Program), Congress and USDA have implemented numerous policies that affect program access. Following the program’s establishment in the 1960s, the program’s limited availability and funding levels restricted access. Two of the program’s most important policy changes occurred in the 1970s. In 1973, Congress required all States to operate the Food Stamp Program by 1974 (P.L. 93-86), and in the mid-1970s, Congress effectively made the program an

<sup>71</sup>In 1971, P.L. 91-671 required States to conduct outreach activities aimed at informing low-income households about the availability and benefits of the Food Stamp Program. However, Federal Government funding for State outreach activities has not been continuous. In 1981, P.L. 97-35 prohibited Federal funding of Food Stamp Program outreach activities (although States that wished to do so could continue to conduct outreach activities without Federal funding). In 1988, P.L. 100-435 allowed States at their option to provide outreach activities with 50-percent matching Federal funds.

<sup>72</sup>The final USDA rule related to this legislation clarifies that Federal reimbursement is allowed for radio, television, or billboard advertisements that are not designed to promote SNAP benefits and enrollment, but that provide factual information identifying retail food stores where SNAP benefits are accepted (Federal Register, 2016c).

entitlement. As a result of these two policies, all eligible people in the United States who chose to participate in the program could do so.

Since the 1970s, some access-related policies have influenced caseload size by directly affecting eligibility. For example, in 1981, Congress established a gross income eligibility criterion that reduced the number of income-eligible persons (P.L. 97-35), and in 1996, the welfare reform act (P.L. 104-193) eliminated eligibility for many legal immigrants and also established a time limit for able-bodied adults without dependents who were not employed or worked less than 20 hours per week; subsequent legislation (e.g., P.L. 107-171) re-instated eligibility for some legal immigrants.

Other access-related policy changes have likely raised the participation rate by reducing the following:

- the financial cost of participation (e.g., elimination of the purchase requirement in 1977);
- participant burden (e.g., categorical eligibility in 1985 and simplified reporting in 2001);
- participant stigma (e.g., the switch from paper coupons to EBT as of 2004 and changing the program's name to SNAP in 2008).

Still other policy changes have attempted to boost participation rates by increasing individuals' awareness of the program through outreach.

## Work Requirements

A central tension in the design of any safety net program is how to provide a basic level of aid for those in need, while reducing dependence on public assistance for those who may be able to achieve self-sufficiency. (See box "Work Incentives in SNAP.") Work requirements can be used both to encourage work among program recipients and, as some have argued, to "screen out" those not in true need of benefits (Besley and Coate, 1992). The importance of these issues in policy discussion is illustrated by the report *Past, Present, & Future of SNAP*, which the House Committee on Agriculture published after holding 16 hearings on the program. The report gave consideration to work requirements and to the role of employment in enabling people to climb the economic ladder out of poverty and into self-sufficiency (U.S. House of Representatives, 2016c).

### Work Incentives in SNAP

An issue that is closely related to work requirements is how to minimize the disincentive to work that can result when Supplemental Nutrition Assistance Program (SNAP) benefits are reduced as earnings increase. A household's SNAP benefit is highest when it has no net income, and is reduced by 30 cents for every dollar of net income the household receives. The decline in benefits as earned income increases can be considered an implicit marginal tax on earnings and may reduce the incentive for a SNAP participant to work compared to a zero marginal tax rate whereby the households' keep 100 percent of their benefits. There are two deductions

from gross income in the SNAP benefit formula that were established to help reduce the work disincentive: (1) a 20-percent deduction for earned income and (2) the dependent care deduction. With the 20-percent deduction, a dollar increase in earnings increases net income by only 80 cents, which when the 30-percent benefit reduction rate is applied, reduces the benefit by 24 cents.

Other program features are meant to encourage SNAP participation among working households. Legislative and regulatory changes since 1999 gave States increased flexibility to simplify program administration and increase program access. Two major changes were the adoption of BBCE and simplified reporting, which, as has been previously noted, expanded program access. These changes also decreased the transaction cost to SNAP participation, especially among working families, by reducing the time needed to maintain and establish eligibility and by ensuring that vehicle ownership (often necessary for working households) did not prohibit SNAP eligibility. Changes to these policies must be evaluated in terms of their effect not only on program access and program cost, but also on program participants' incentive to work.

Work incentives can be especially affected if a SNAP participant receives benefits from multiple programs (Moffitt, 2016). Programs and policies such as Temporary Assistance for Needy Families (TANF), the Earned Income Tax Credit (EITC), and the Child Tax Credit (CTC), among others, reduce a government benefit or a tax credit when the household has an additional dollar of income (although EITC and CTC increase with earnings when earnings are very low). A household's *cumulative marginal tax rate* (MTR) is the overall amount by which its total benefits and tax credits fall as household income rises by a dollar. Cumulative MTRs for a SNAP household can be substantially higher than SNAP's benefit reduction rate, with a correspondingly larger potential to affect work incentives. While this phenomenon is due to multiple-program participation rather than SNAP considered in isolation, a high cumulative MTR can affect some SNAP households—especially those with somewhat higher earnings whose EITC and CTC benefits fall as earnings increase. However, Moffitt (2016) considers the proportion of SNAP households facing high cumulative MTR to be small. For example, he found that only 2 percent of nonelderly, nondisabled single-parent households receiving SNAP and TANF have sufficiently high earnings to face high cumulative MTRs.

Relatedly, there are concerns about “welfare cliffs” that occur when a household's income just passes a means-tested income limit, resulting in the loss of a substantial amount of benefits from the (non-SNAP) program (U.S. House of Representatives, 2016c). However, SNAP has only a small “cliff”—earning another dollar results in only a small loss of SNAP benefits due to the inverse relationship between benefits and net income (making the benefits small at SNAP's net income limit).

### *General Work Requirements*

Since 1971, Congress has enacted various statutes that create work-related requirements for many SNAP participants. Currently, participants aged 16 through 59, with some exceptions, face the general work requirements of “registering for work, accepting suitable employment if offered, not

voluntarily quitting a job or reducing work hours [below 30 hours per week], and participating in an employment and training program if referred to one by the State agency” (Gray et al., 2016). Exemptions include individuals who take care of a dependent child under age 6 or an incapacitated person, who are physically or mentally unfit for employment, or who are students at least half time, among others.

In FY 2015, almost two-thirds (64 percent) of SNAP participants were children, elderly, or non-elderly adults with disabilities (Gray et al., 2016) (fig. 1). Thus, only a minority of SNAP participants are expected to comply with the general work requirements, so the potential effects of work requirements on participation rates may be limited. However, among affected households, potential effects could be large for those whom the requirement prompts to work more than they would otherwise. A possible positive effect of the work requirement is increased earnings or training, and a potential negative effect is less time spent caring for older children. (As noted previously, individuals who care for a dependent child under age 6 are exempted.)

Many adults without children in the household do work. At least a quarter of households with such adults work while receiving SNAP, and about 75 percent work in the year before or the year after receiving SNAP (Carlson et al., 2016). The finding that people are more likely to be employed *before* they enroll in SNAP and *after* they leave the program (than while enrolled in SNAP) suggests that the program functions as a temporary safety net for the working poor. In addition, some SNAP participants are employed even though they are exempt from the general work requirements. Altogether, in an average month of FY 2015, an estimated 32 percent of all SNAP households had earnings from work (Gray et al., 2016).

SNAP has increasingly served the working poor. Among all SNAP households, the share with earned income has increased from about one-fifth (21 percent) in FY 1995 (Smolkin and Howard, 1997), the year preceding the welfare reform act (P.L. 104-193), to nearly one-third (32 percent) in FY 2015 (Gray et al., 2016).

### *Time Limits and Waivers for ABAWDs*

Welfare reform legislation in 1996 added a time limit on receipt of SNAP benefits, which was linked to a new work-related requirement for able-bodied adults without dependents (ABAWDs). Unless they worked or participated in a qualifying work activity (such as education or vocational training) for at least 20 hours per week, or participated in a work experience program, ABAWDs were limited to 3 months of SNAP receipt in a 36-month period. States could request that FNS grant waivers of the ABAWD time limit in areas with high unemployment or an insufficient number of jobs, and could exempt an additional 15 percent of ABAWDs based on State-developed criteria (U.S. General Accounting Office, 2003).

In response to the Great Recession, the American Recovery and Reinvestment Act suspended the time limit from April 1, 2009 through September 30, 2010, after which the time limits once again became effective. During the slow recovery that followed the recession, many States waived the time limit for their entire State because of continued high unemployment rates. For example, in FY 2014, 32 States and the District of Columbia had statewide waivers for the entire year, and 10 additional States had waivers that applied to certain areas or for part of the year (USDA, no date d). More recently, as unemployment rates fell further, 22 States with statewide waivers implemented time limits in January 2016 for the first time since before the recession; of these, 19 States no longer



qualified for a statewide waiver (although sub-State areas could remain eligible), while 3 States that qualified for a statewide waiver chose to adopt time limits in some or all of their States (Bolen et al., 2016). As a result, over half a million ABAWDs were estimated to be no longer participating in SNAP over the course of 2016 (Rosenbaum and Keith-Jennings, 2016).

As of January 2017, only seven States (Alaska, California, Illinois, Louisiana, Nevada, New Mexico, and Rhode Island, along with District of Columbia, Guam, and the Virgin Islands) had statewide waivers (USDA, FNS, 2017b). Some observers view the reinstatement of work requirements as a way to increase work and earnings among SNAP participants, and to increase public confidence in the program (Rachidi, 2015). Others have expressed concerns that imposing the time limit will increase hardship among those who are unable to find work (Bolen et al., 2016).

### *SNAP Employment and Training Program*

The SNAP Employment and Training (E&T) Program was established in 1985 to help SNAP participants gain the skills, training, or work experience needed to increase their ability to obtain regular employment. Each State is required to operate a SNAP E&T program under a federally approved plan, but they have flexibility in the design. Services may include job search, job search training, workfare, work training or re-training programs for the recently unemployed, basic education, and English as a second language classes and job retention services (USDA, FNS, 2013b). States also have flexibility on where services are offered and may choose to focus resources on ABAWDs or a broader population of SNAP participants.

As described by Klerman (2014), many have argued that the effectiveness of work requirements to encourage the disadvantaged to become self-sufficient depends on the quality of work-support services available to them. SNAP E&T expenditures are limited, amounting to less than 1 percent of total Federal SNAP expenditures in FY 2015, and the population subject to work requirements and the subgroup subject to time-limited benefits face significant barriers to work.<sup>73</sup> In addition, concerns have been raised about the effectiveness of the methods used in SNAP E&T Programs. In 2014, legislation authorized \$200 million in funding for pilot projects to allow up to 10 States to develop and evaluate innovative strategies to increase employment of SNAP participants in E&T Programs (P.L. 113-79). The legislation also required USDA to establish expected outcomes of all State SNAP E&T Programs and to evaluate and regularly report on those outcomes (USDA, FNS, 2016a).

Bolen et al. (2016) argue that, to truly accomplish the goal of encouraging work, Federal legislation should require States to offer a job or training position or other work activity for all ABAWDs subject to the time limit. States have the option—but are not required—to offer ABAWDs (and other work registrants) a slot in an E&T program or a workfare program to fulfill their work requirement. Regardless of whether a State offers its ABAWDs a slot in an employment and training or workfare program, “benefits can be terminated for those without at least a half-time job once the three-month limit is reached, unless the individual is covered by an exemption or a ‘waiver’ of the ABAWD requirement” (Aussenberg, 2014, p. 11). Due to the expense of operating a work program for everyone at risk of hitting the 3-month time limit, few States offer these programs. In 2016, only

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<sup>73</sup>Among the subgroup of persons likely to be cut off from SNAP by the time limit, only half have a high school diploma (one-quarter have not completed high school), and 97 percent live in households with incomes below the Federal poverty guideline (Bolen et al., 2016).

five States (Colorado, Delaware, South Dakota, Texas, and Wisconsin) pledged to offer all ABAWDs a slot in these programs (Bolen et al., 2016).<sup>74</sup> In 2016, USDA argued that “all States should be utilizing their E&T resources to help ABAWDs prepare for and find employment so that these individuals both are able to move toward self-sufficiency and so that they can continue receiving SNAP while preparing for employment programs. Unfortunately, too many States do not take this responsibility seriously and leave substantial E&T resources, including 100 percent Federal funding, unused” (Concannon, 2016).

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<sup>74</sup>“States that offer a training slot to all individuals facing the time limit can receive a pro-rata share of \$20 million in federal funding to defray the cost” (Bolen et al., 2016).

## Conclusions

With origins in the Great Depression, the Food Stamp Program began as a pilot program in 1961 and was permanently authorized in 1964. The program, now called the Supplemental Nutrition Assistance Program's (SNAP), has undergone numerous changes to become a major U.S. social safety net program. These changes have been driven by policy changes that affect program operations as well as by economy-related factors that reflect changes in the need for assistance.

Some of the fundamental design features of today's program resemble those of the original Food Stamp Program, including using the retail food system to distribute foods and giving participants a wide choice of foods to purchase. However, many other structural features with long-term implications took shape in the half-century that followed, including nationwide eligibility standards (1971); work requirements (1971); entitlement program status (mid-1970s); elimination of the purchase requirement (1977); a gross income eligibility criteria (1981); categorical eligibility (1985); time limit for ABAWDs (1996); increased flexibility to States to simplify and streamline their programs through BBCE (2000); electronic benefit transfer (EBT) to issue benefits (nationwide as of 2004); and the large, but temporary increase in benefit levels as a means to stimulate the economy (2009).

SNAP is now the cornerstone of the nutrition safety net for low-income Americans. In FY 2016, SNAP served about one in seven Americans each month, making it one of the country's largest—and most expensive—income-security programs. As a result, SNAP continues to be closely scrutinized by policymakers tasked with ensuring that the program operates both effectively and efficiently.

A number of issues that have recurred throughout SNAP's history continue to resurface in response to shifts in the political, economic, and budgetary environments. For example, in May 2017, President Trump released his proposed budget for FY 2018 that, if passed by Congress, would make a number of policy changes to the program (Office of Management and Budget, 2017a). These changes include reconfiguring the Federal/State partnership by establishing a State match for benefit costs whereby a State would cover a portion of its participants' benefits; limiting categorical eligibility; limiting the use of waivers that exempt ABAWDS from work; giving States more authority to determine the level of SNAP benefits; and establishing application fees for retailers seeking to participate in the program (Office of Management and Budget, 2017b). The proposed budget represents a starting point for negotiations between the executive and the legislative branches and points to how SNAP issues continue to be a part of public debate.

Just as SNAP's current issues reflect in part the results of past policy decisions, policymakers' responses to today's issues will shape the food and nutrition assistance environment in the future and affect participants, as well as farmers, food retailers, food manufacturers, and taxpayers.

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