

The Value of Food Stamp Benefits in Missouri Is Getting Worse: Congress Should Address This Issue in the 2007 Farm Bill

One of the most important issues Congress will address in this year's Farm Bill is the future of the Food Stamp Program. 26 million Americans, including 796,350 Missourians, rely on Food Stamps to help them purchase a nutritionally adequate diet.

Unfortunately, the average Food Stamp benefit is about 86 cents per meal per Missourian. Because the Food Stamp benefits do not keep up with the cost of living, the amount of food that Food Stamp households can purchase is steadily declining. As a result, Food Stamp households are increasingly likely to run out of food before the end of the month, which can affect everything from their health to their ability to succeed at work and in school.

When Congress renews the Food Stamp Program in the Farm Bill, the Food Stamp benefits should be improved to the point where families can get adequate help in buying healthier, but more expensive, foods. At a minimum, Congress must stop the erosion in the value of Food Stamp benefits. Such a change would provide needed help to poor Missourians who depend on the Food Stamp Program to help meet their nutrition needs. And, it would also provide a significant boost to Missouri's economy by increasing overall food purchases.

How Missouri Is Harmed by the Continuing Erosion in Food Stamp Benefits:

- Every year, the Food Stamp benefits received by roughly 477,000 Missourians can buy less food.
- Next year, a typical working parent with two children will receive roughly \$300 less in Food Stamp benefits because of the freeze of the standard deduction.
- The declining value of Food Stamp benefits means that Missouri will lose about \$86.5 million in economic activity next year.

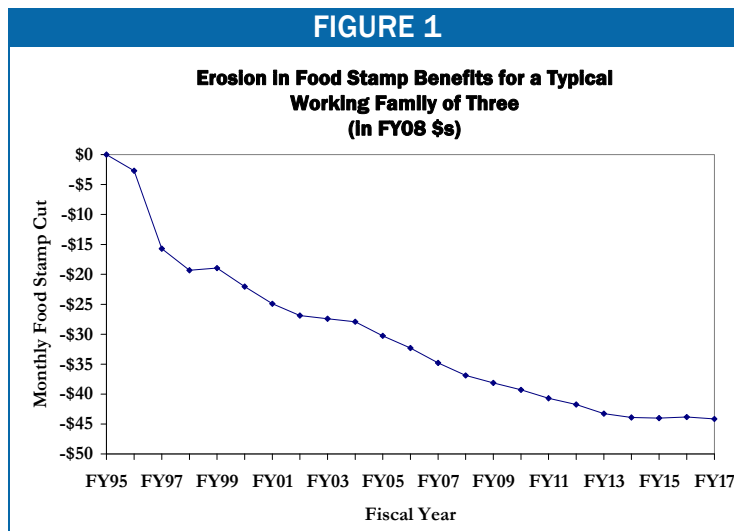
Background on the Food Stamp Program

The nation's largest and most comprehensive nutrition program, the Food Stamp Program is primarily responsible for this country's significant progress against hunger and malnutrition in recent decades. In the late 1960s, medical research exposed the fact that American children suffered and died from diseases related to severe malnutrition that usually are thought of as occurring only in third-world countries. But in 1979, after the Food Stamp Program became available nationwide, physicians found that severe malnutrition had become rare. They attributed this dramatic improvement to the Food Stamp Program.¹

Food Stamp benefits generally go to households that include children, elderly people, or people with disabilities. Many Food Stamp households, however, are working families. When combined with the federal Earned Income Tax Credit, Food Stamp benefits enable a family supported by a full-time, minimum-wage worker to approach the poverty line, thereby helping the family make ends meet each month.

Recently *National Journal*, an influential Washington, DC magazine, called the Food Stamp Program one of government's top successes, citing its effectiveness in helping victims of the 2005 hurricanes and its high efficiency. (To prevent fraud, the old food coupons have been replaced by electronic benefits cards that can be used only to purchase food.) The Food Stamp Program is a "case study in effective government aid," *National Journal* concluded.²

Why Food Stamp Benefits Are Eroding — and How Missouri Is Affected



The Food Stamp program rules allow applicants to subtract a "standard deduction" from their income to reflect the cost of non-food necessities such as housing, clothes, transportation, and school supplies. The standard deduction represents the portion of household income that is not available to purchase food because it must be used for other basic expenses. Food Stamp benefit levels are based on a household's income minus the standard deduction and other important deductions – such as the medical expense deduction. Households with lower incomes (after all the available deductions are taken) receive larger Food Stamp benefits because they are presumed to have less money available to purchase food.³

Until 1996, the standard deduction went up each year to account for the fact that basic living expenses go up due to inflation. In 1996, however, Congress froze the value of the standard deduction at \$134, a freeze that remains in effect today. If the standard deduction had continued to keep pace with inflation, it would be \$184 this fiscal year, \$205 in fiscal year 2012, and \$229 in fiscal year 2017.⁴ The annual increase in the standard deduction levels would have allowed many working families' Food Stamp benefits to keep pace with the rising costs of food, thereby assuring that these families will have adequate access to food.

In 2008, the Food Stamp benefit will be about \$37 per month (\$450 per year) less than it would have been absent the 1996 cuts for a typical working parent with two children. However, approximately \$24 of the lost benefits (\$288 per year) are attributable to the freeze in the standard deduction and the remaining \$13 (\$160 per year) is due to an across the board reduction in Food Stamp benefit levels. (See Figure 1.)⁵ Thus, the standard deduction freeze is a major reason for the substantial erosion in the purchasing power of Food Stamp benefits.

By 2012, the Food Stamp benefit will be about \$42 per month (\$500 per year) less than it would have been, absent the 1996 cuts, for the same family. The standard deduction freeze will cost this family approximately \$29 per month or (\$350 per year) in food stamp benefits, measured in 2008 dollars and not including any loss due to reductions in Food Stamp benefit levels (the loss due to the permanent across the board cut in benefit levels will remain the same in 2012 -- \$13

per month). Thus, under current rules regarding the standard deduction, this lost ground will never be recovered and the Food Stamp benefit erosion gets deeper with each passing year.⁶

In all, Missouri residents will lose \$47 million in Food Stamp benefits in FY2008 due to the freeze in the standard deduction. Over the course of the next ten years, the standard deduction freeze will result in approximately \$611 million that needy Missourians will *not* have available to buy groceries.

This lost income harms not only the Missouri households that need Food Stamp benefits to put food on the table every day, but also weakens the Missouri economy by reducing low-income households' purchasing power. According to the United States Department of Agriculture (USDA), which administers the Food Stamp Program, "[The FSP] also serves as an economic stimulus, creating an economic boost that ripples throughout the economy when new food stamp benefits are redeemed. By generating business at local grocery stores, new Food Stamp benefits trigger labor and production demand, ultimately increasing household income and triggering additional spending."⁷ USDA estimates that every \$5 in food stamp benefits generates \$9.20 in local economic activity.⁸ Based on that estimate, the \$47 million that Missouri residents will lose next year because of the standard deduction freeze will result in a loss of approximately \$86.5 million in economic activity in Missouri.

In short, the erosion in Food Stamp benefits due to the standard deduction freeze doesn't just hurt poor children, elderly people, and working-poor families. It also hurts local businesses, farmers, and everyone else in Missouri who depend on a strong economy.

The Difference \$37 Makes in the average Grocery Bill	
Apples (1 lb)	\$1.49
Bananas (1 lb)	\$0.49
Cheddar Cheese (8 oz)	\$2.00
Eggs (1 doz, large)	\$1.39
Flour (5 lb)	\$1.95
Smuckers Grape Jam (32 oz)	\$2.59
Lettuce (1 lb)	\$1.99
Milk (1 gal)	\$3.69
Pasta (16 oz)	\$1.60
Pasta Sauce (26 oz)	\$2.19
Peanut butter (28 oz)	\$3.49
Roma tomatoes (1 lb)	\$1.49
Wheat bread (1 loaf)	\$1.79
Russet Potatoes (5 lb bag)	\$2.99
Carrots (1 lb bag)	\$0.99
Orange Juice Concentrate (makes 48 oz)	\$2.19
Frozen Corn (1 lb)	\$1.59
Instant Oatmeal, Apple Cinnamon (10 ct)	\$2.99
TOTAL	\$36.90

Many Low-Income Missouri Households Need Help Obtaining an Adequate Diet

While the severe malnutrition documented in the United States in the 1960s is now rare, about 35 million Americans — including *nearly one in five American children* — do not always have access to sufficient food.⁹ The Agriculture Department calls this condition “food insecurity,” or “limited or uncertain access to nutritionally adequate food for an active and healthy life for all family members.”

Food insecurity is a problem in Missouri too: about 274,000 households in Missouri are food insecure.¹⁰ This large group includes low-income working families and senior citizens living on fixed incomes. It also includes households with young children; such households are more than twice as likely to lack food than households without children.

Lack of food can have devastating effects, particularly during the critical periods before birth and in early childhood. Infants and toddlers in food-insecure families are 90 percent more likely to be in fair or poor health – and 30 percent more likely to require hospitalization – than other children. In older children, food insecurity contributes to poor physical health, lower school achievement in reading and math, and behavioral and emotional problems, including a higher risk of suicide in adolescent girls.¹¹

Conversely, low-income families that receive Food Stamp benefits are less likely to be food insecure, which in turn means their children are less likely to suffer from anemia or malnutrition (or child abuse) and tend to do better in reading and math. In older children, particularly girls, Food Stamp benefits have been shown to decrease the risk of obesity.¹²

Food insecurity remains a serious problem because of the rising cost of living and the growth of poverty. Costs for housing, utilities, gas, transportation, and other necessities have climbed, but most working families' wages have remained stagnant. And when budgets are tight, food is usually the first place where families cut back.

Since Food Stamp benefits are small and steadily shrinking, even Food Stamp benefits are no guarantee that a household will be able to afford sufficient food; many of the millions of Americans who are food insecure receive Food Stamp benefits. For many households receiving Food Stamp benefits, these benefits often do not last a household through the month and this situation is getting worse each year as the purchasing power of the Food Stamp benefit continues to decline. As an Ohio Food Stamp recipient recently told a congressional hearing:

In the months when my food stamp benefits are lower, I run out of food stamps before the end of the month and I'm always watching the calendar for the first of the month to come so I'll have access to my new benefits and we can eat again.¹³

In the 2007 Farm Bill, Congress Can Improve the Value of Food Stamp Benefits

In this year's Farm Bill, there are a number of steps Congress could take to strengthen the Food Stamp Program and thereby reduce hunger and food insecurity in Missouri and the United States. These steps include restoring Food Stamp eligibility to groups that have been excluded from the program, allowing people with modest retirement savings to receive Food Stamps to help them meet daily food expenses, and allowing working families to deduct the full cost of their child care in determining their food stamp benefit levels.

One of the most important improvements Congress can make this year is to restore the purchasing power of the Food Stamp benefit. More than ten years after enactment of the 1996 law, the cuts in Food Stamp benefits contained in that law continue to deepen with each passing year and to affect more Food Stamp households each year, including most of the working poor and the elderly poor. Each year, Food Stamp households are able to purchase less food than the year before. Congress should undo these cuts. At a minimum, Congress should prevent the further erosion of the purchasing power of Food Stamp benefits. Failing to stop this erosion now leads to deeper and deeper cuts as time goes by. Only by stabilizing Food Stamp benefits now can participants even maintain this year's Food Stamp purchasing power.

Congress could restore the standard deduction to its pre-1996 level by raising the deduction to \$188 in 2008 and setting it to adjust annually for inflation in the future.¹⁴ A typical household of three or fewer members would see its benefits increase by about \$24 a month next year. This change would be expensive, however, costing about \$9 billion over five years. This level of resources is unlikely to be available in the 2007 Farm Bill.

Accordingly, we recommend simply maintaining the value of the standard deduction at its current level, at a substantially lower cost. Congress can do this by simply reinstating its earlier policy of adjusting the standard deduction annually for inflation, beginning in 2008.¹⁵ That would cost about \$1.3 billion over five years.¹⁶ Low income families receiving Food Stamp benefits would not regain any of the ground lost since 1996, but the real value of their Food Stamp benefits would stop deteriorating.

Conclusion

The Food Stamp Program has been a resounding success, which is why polls show a large majority of Americans strongly support it. However, the erosion of the benefit level is making it increasingly difficult for Food Stamp recipients to obtain an adequate diet. In addition to any other improvements Congress may make in the program in the new Farm Bill, it is vital that Congress prevent this erosion from continuing. Such a step would help low-income Missourians and the entire State economy.

Endnotes

¹ See, e.g., testimony of Dr. Aaron Shirley, Project Director, Jackson-Hines Comprehensive Health Center, Jackson, Mississippi and Leslie Dunbar, Executive Director, Field Foundation, at “Hunger in America: Ten Years Later”, Hearing before the United States Senate, Subcommittee on Nutrition of the Committee on Agriculture, Nutrition and Forestry, Monday April 30, 1979.

² Carl M. Cannon and Jerry Hagstrom, “10 Successes, 10 Challenges”, *National Journal* (January 20, 2007), pp18-39.

³ The methodology for determining the amount of the grant is found in 7 U.S.C. § 2017(a) and 7 C.F.R. § 273.10. The standard deduction is established in 7 U.S.C. § 2014(e). The 2002 Farm Bill changed the standard deduction so that it once again rises with inflation for households with four or more members. However, for households of one, two, or three members the deduction remains frozen at \$134, the 1996 level.

⁴ These and all other calculations of the numbers of people affected and the dollar amount of the impact of the freezing of the standard benefit are from *Families’ Food Stamp Benefits Purchase Less Food Each Year*, by Dorothy Rosenbaum, Center On Budget and Policy Priorities, March 2007, <http://www.cbpp.org/3-6-07fa.htm>. These standard deduction amounts are based on inflation projections from the Congressional Budget Office.

⁵ *Ibid.*

⁶ As a result of the 2002 Farm Bill, larger households (with four or more members) are no longer losing ground, although most of them continue to have their benefits calculated using a standard deduction that is lower than it would have been under the pre-1996 rules.

⁷ USDA website, at <http://www.fns.usda.gov/fsp/outreach/business-case.htm>

⁸ United States Department of Agriculture, *The Benefits Of Increasing Food Stamp Program Participation In Your State*, 2005 (available at: http://www.fns.usda.gov/fsp/outreach/pdfs/bc_facts.pdf).

⁹ Mark Nord, Margaret Andrews, and Steven Carlson, *Household Food Security in the United States, 2005*, United States Department of Agriculture, Economic Research Service, 2006, (available at: <http://www.ers.usda.gov/Publications/ERR29/ERR29.pdf>.)

¹⁰ Ibid at Table 7.

¹¹ Testimony of Deborah Frank, M.D. Director, Grow Clinic for Children, Boston Medical Center, before the Committee on the Budget, U.S. House of Representatives, February 15, 2007. (available at: http://budget.house.gov/hearings/2007/08frank_testimony.pdf). See also Children's Sentinel Nutrition Assessment Program, *Food Stamps as Medicine: A New Perspective on Children's Health*, February 2007, (available at: <http://dcc2.bumc.bu.edu/csnappublic/Food%20Stamps-Medicine%202-12-07.pdf>

¹² Ibid, at pp 6-7.

¹³ Testimony of Rhonda Stewart before the U.S. Senate Committee on Agriculture, Nutrition and Forestry, January 31, 2007, (available at: <http://agriculture.senate.gov/Hearings/hearings.cfm?hearingid=2511&witnessId=6029>)

¹⁴ This would recover much, but not all, of the ground lost as a result of the 1996 food stamp cuts because it would not undo the effects of the 1996 benefit cut in the size of the maximum food stamp benefit.

¹⁵ Benefits for households of four or more would not be affected by this change, since their standard deduction already rises with inflation each year. *See* endnote 2, *supra*.

¹⁶ Dorothy Rosenbaum, *Families' Food Stamp Benefits Purchase Less Food Each Year*, Center On Budget and Policy Priorities, March 2007 (available at: <http://www.cbpp.org/3-6-07fa.htm>.)