

Policy Analysis

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SNAP Failure *The Food Stamp Program Needs Reform*

by Michael Tanner

Executive Summary

The Supplemental Nutrition Assistance Program (SNAP), the food assistance program formerly known as food stamps, has become America's fastest growing social welfare program. As recently as 2000, just 17 million Americans participated in the program at a cost of less than \$18 billion. Today, roughly 48 million Americans receive SNAP benefits, costing taxpayers more than \$78 billion per year. Yet according to the U.S. Department of Agriculture (USDA), nearly 18 million American households remain "food insecure."

This many households living in hunger has raised significant questions about whether the growth of SNAP has been justified and whether it successfully addresses hunger in America.

The evidence suggests that much of the increase was due not to the economy but to de-

liberate policy choices by both federal and state governments, which loosened eligibility standards and actively sought new participants. At the same time, evidence that the expansion of SNAP has significantly reduced hunger or improved nutrition among low-income Americans is scant at best.

SNAP is a deeply troubled program. It has high administrative costs and significant levels of fraud and abuse. The program's work requirements are weak and frequently evaded at the state level. The program increasingly breeds greater dependence on government. It has little "bang for the buck."

The time has come to reform the food stamp program by reducing its spending and enrollment and, ultimately, by returning responsibility for its operation to the states.

SNAP has been one of this country's fastest growing social welfare programs in recent years.

Introduction

This country's first food stamp program was temporary, running from 1939 to 1943. It allowed low-income Americans to purchase food that the USDA considered surplus. In some ways, it was as much a farm price support program as an anti-poverty one. At its peak, 4 million Americans participated at a cost to the government of \$262 million.¹ The program was phased out as food surpluses were depleted, and concerns were raised about the lack of congressional authorization and about highly publicized instances of fraud and abuse.

In the years following, several attempts were made to re-establish the program, but it wasn't until 1959 that Congress passed legislation authorizing the USDA to again issue food stamps to low-income Americans. Even then, the Eisenhower administration ultimately decided not to go forward with implementation. The Kennedy administration did implement several food stamp pilot programs, but it wasn't until Congress passed the Food Stamp Act of 1964 at the urging of President Lyndon B. Johnson that the modern food stamp program began.

Food stamps were always seen as fulfilling two separate goals—"improved levels of nutrition" and "strengthening the agricultural economy."² The food stamp program has been this two-pronged mission that has ensured bipartisan support over the years, with traditional liberal advocates for the poor joined by farm state conservatives in backing the program.

However, beginning under President George W. Bush, and even more rapidly under President Barack Obama, the number of Americans receiving food stamps and the associated cost of the program have risen dramatically. For example, the 2002 farm bill—the Farm Security and Rural Investment Act of 2002—expanded eligibility to noncitizens, increased benefits for large families, and made it easier for people to claim benefits. As a result, participation increased from 17 million Americans at the start of the Bush

administration in 2000 to 26 million people by 2006. The 2008 farm bill—the Food, Conservation, and Energy Act of 2008—continued this trend. It simplified the application process further and made it easier still for people to enroll, indexed the asset limits to inflation, and changed the name from food stamps to the Supplemental Nutrition Assistance Program. President Obama's 2009 stimulus bill further expanded the program, increasing benefits by 13.6 percent and suspending the time limits for SNAP benefits for Able-Bodied Adults without Dependents (ABAWDs). As a result, roughly 48 million Americans receive SNAP benefits today, thereby costing taxpayers more than \$78 billion per year.³

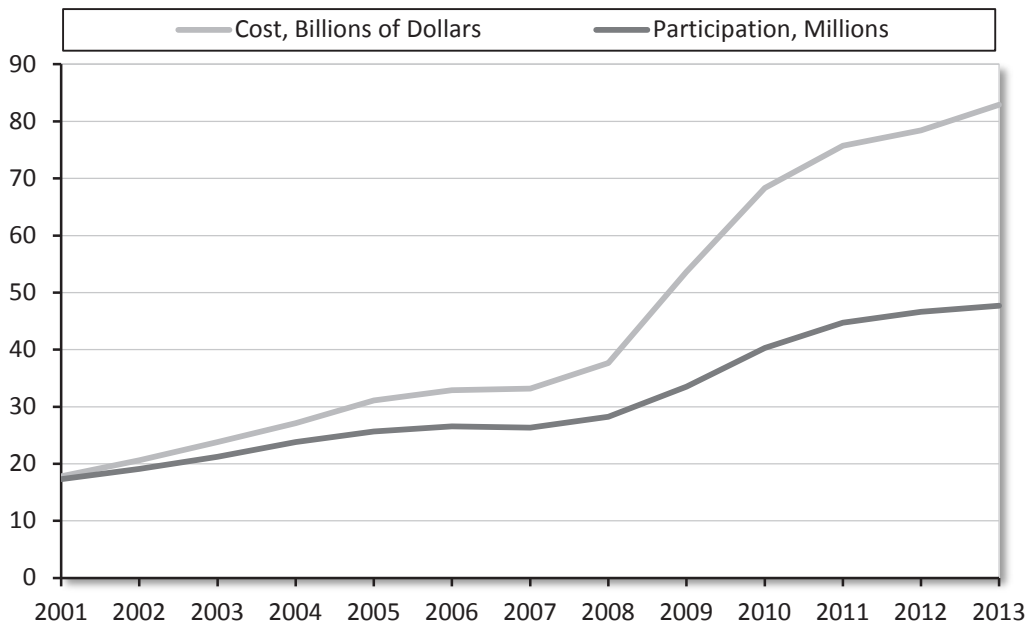
This rapid growth has forced a reassessment of the program. This year, for the first time since the program began, the House of Representatives voted to consider food stamps separately from the farm bill, thereby breaking up the political coalition that had traditionally backed the program.⁴ Congress is also expected to consider cuts in program spending as well as other reforms to the program.

Therefore, it is important to consider the causes of the recent growth in SNAP, to consider whether that growth has been justified, and, perhaps more important, to consider whether the program has succeeded in addressing hunger in America.

Explosive Growth

As noted, SNAP has been one of this country's fastest growing social welfare programs in recent years, and it is now the nation's second most costly means-tested program behind Medicaid. Whereas the program has grown steadily since its inception, rapid expansion started under President Bush and then escalated even more rapidly under President Obama (Figure 1). Since 2000, spending on SNAP increased from just \$17 billion per year to more than \$78 billion in 2012, a greater than fourfold

Figure 1
Cost and Enrollment Growth 2001–13



Source: U.S. Department of Agriculture “Supplemental Nutrition Assistance Program Participation and Costs,” Food and Nutrition Services, <http://www.fns.usda.gov/pd/SNAPsummary.htm>.

increase. The increased spending was driven both by an increase in the number of recipients (a surge from 17 million in 2000 to more than 48 million today) and an average benefit per person that has almost doubled. Today, nearly one out of every six Americans receives SNAP.

SNAP is jointly administered by federal and state governments, thereby giving states more leeway to set eligibility rules than with some other welfare programs. As a result, the program’s growth has varied significantly from one state to another. For example, since 2008, the number of people receiving SNAP benefits has doubled or more in Florida, Idaho, Nevada, Rhode Island, and Utah.⁵

Of course, some of this increase could be considered countercyclical because welfare programs automatically expand during economic downturns, such as in the recent recession. However, increases in both participation and spending were bigger during this recession than in previous ones. For example, during the 1980–82 recession, en-

rollment in food stamps increased by only 635,000, and spending rose by just \$124 million (in constant 2012 dollars). During the 1990–92 recession and jobless recovery, enrollment increased by 5.2 million, and spending rose by \$9.1 billion. During the most recent recession (over a comparable three-year period), enrollment increased by 12 million people, while spending increased by \$30 billion.⁶ The Congressional Budget Office (CBO) estimates that about 35 percent of the program’s growth from 2007 to 2011 was caused by non-economic factors. This CBO estimate suggests that much of the increase was due to deliberate policy choices.⁷

In addition, if one looks at food stamp receipt rates state by state, one finds little correlation between unemployment rates or poverty rates and the number of people on food stamps. Thus, poor states such as Louisiana and Mississippi have high food stamp participation (above 20 percent), but so does Oregon, where more than 21 percent of the

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SNAP’s eligibility requirements have been significantly relaxed.

population receives food stamps in a state with an unemployment rate of just 8 percent and an average wage above the national average.⁸ Tennessee has very high participation, but Alabama, Georgia, and Kentucky, with similar demographics, do not. Vermont has high participation; New Hampshire has much lower participation.⁹

Moreover, both enrollment and costs are expected to remain high for the next several years, despite the economic recovery and declines in unemployment. As Figure 2 shows, participation is expected to peak in 2013 at 47.7 million recipients, before starting to decline slightly. However, participation will remain above 40 million until 2019 and would still be more than 34 million in 2023, double the number of recipients in 2000.¹⁰ Food stamp participation at levels far in excess of historical averages will become the new normal.

Program costs will also peak in 2013, at \$83 billion, before leveling off. However, SNAP will remain one of the most expensive social welfare programs throughout the

rest of the decade and beyond (Figure 3). Indeed, in 2023, SNAP will still cost taxpayers at least \$73.2 billion, more than double the total cost in 2007 and more than four times the cost of the program in 2000.¹¹

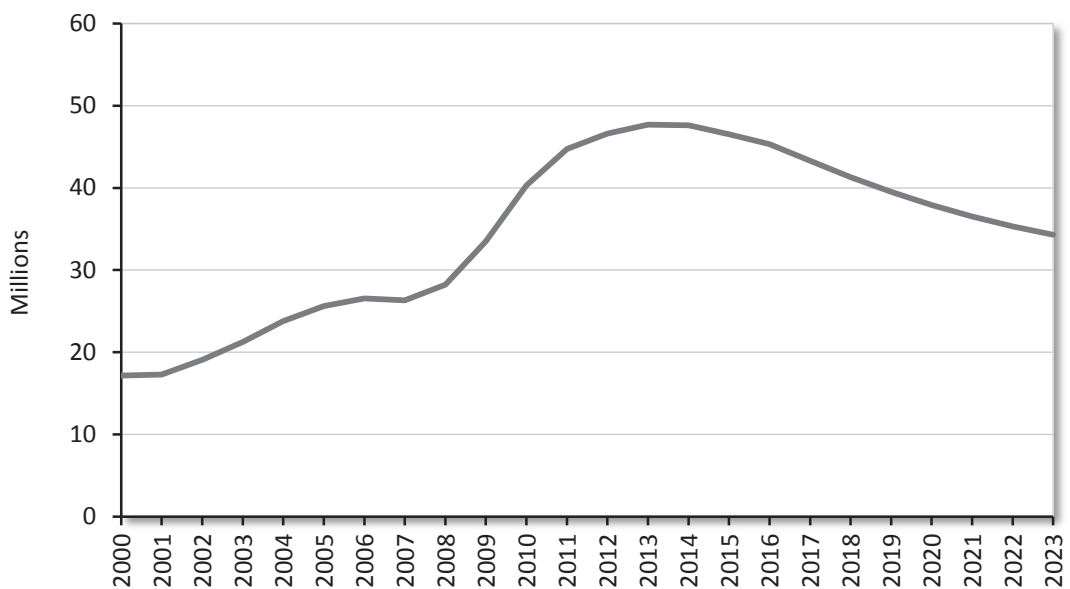
Three Factors of Expansion

Aside from the recession, three factors have driven the expansion of SNAP.

Relaxed Eligibility. First, and perhaps most important, SNAP’s eligibility requirements have been significantly relaxed. SNAP is no longer a program targeted at the poorest Americans who may need some temporary help, but it has become part of an ever-growing permanent welfare state. Today, nearly 17 percent of SNAP households have incomes above the poverty line.¹² And almost 4.5 million recipients are ABAWDs, a group that accounts for more than 10 percent of the beneficiaries.¹³

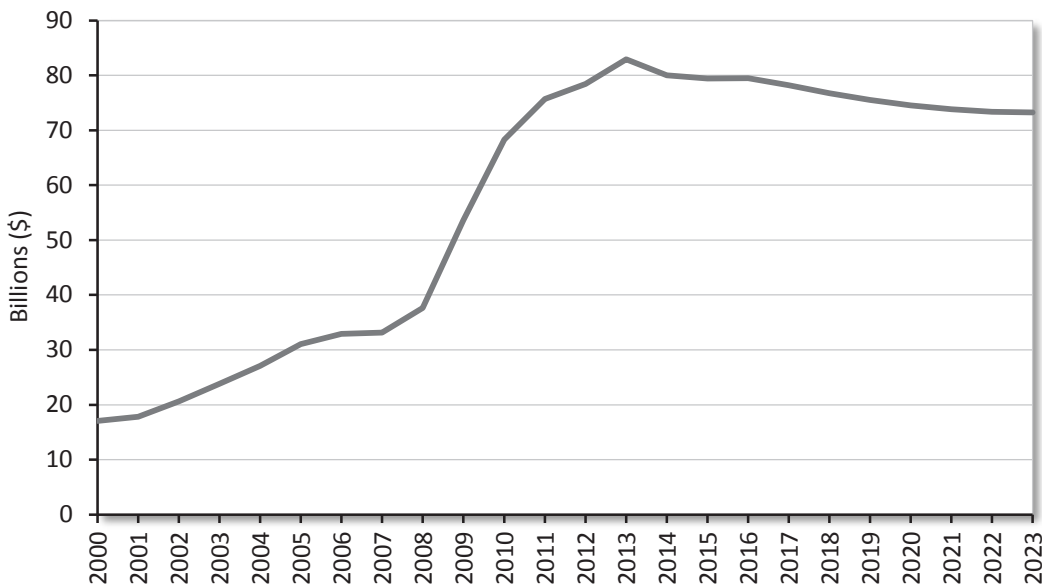
Low-income families can become eligible for SNAP in several ways. For instance, households can qualify for SNAP benefits if they meet the program’s income and as-

Figure 2
Projected Average Monthly SNAP Participation 2000–23



Source: Congressional Budget Office, “Supplemental Nutrition Assistance Program: May 2013 Baseline,” <http://www.cbo.gov/publication/44211>.

Figure 3
SNAP Costs 2000–23



Source: Congressional Budget Office, “Supplemental Nutrition Assistance Program: May 2013 Baseline,” <http://www.cbo.gov/publication/44211>.

set test: a gross income below 130 percent of the poverty level and a net income below 100 percent of poverty, as well as less than \$2,000 in assets (although there are some exemptions, such as the value of houses, a car, and retirement accounts). Households with a person over age 60 or who is disabled have a higher asset threshold.

However, more often participants become eligible for SNAP because they are also eligible for other government welfare programs. Nearly two-thirds of households receiving SNAP qualify through this type of categorical eligibility and were not subject to asset tests or certain income tests (although they remain subject to the net income test).

Initially, categorical eligibility was limited to those receiving TANF (then called Aid to Families with Dependent Children, but now changed to Temporary Assistance for Needy Families). However, the 1996 welfare reform allowed states to expand the definition of TANF benefit far beyond the actual cash payment to include things like childcare and transportation, or even in some cases allow enrollment from something as minimal as

a brochure or referral to an “800” number telephone hotline.¹⁴

Because the cash assistance component of TANF is more tightly targeted than its other benefits, expanding categorical eligibility for SNAP to include these other components means that some households with higher income can qualify for benefits.¹⁵ Some of this shift to more people qualifying through broad categorical eligibility is due to the effectiveness of the TANF reforms in reducing welfare caseloads; because significantly fewer people receive cash assistance from TANF compared to its peak years, then naturally fewer people qualify for SNAP through the receipt of cash assistance. But much of the shift is due to the spread of broad-based categorical eligibility throughout the states in recent years. The number of states using the broad categorical eligibility policies has expanded rapidly in the wake of the recession, increasing from 29 states in fiscal year (FY) 2009 to 39 to 42 states by the end of FY2011.¹⁶

In recent years, USDA has been actively encouraging states to expand categorical eli-

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gibility. As the Congressional Research Service reported:

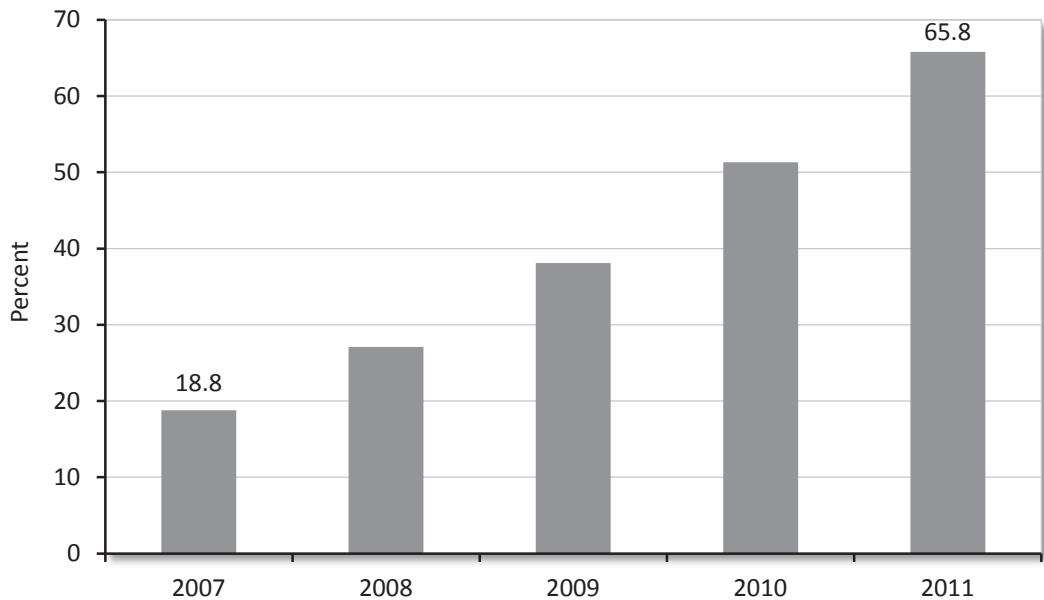
The USDA’s Food and Nutrition Service has taken an official stance encouraging states to use so-called “categorical eligibility” authority to expand eligibility to significant numbers of households by (1) increasing or completely lifting limits on assets that eligible households may have and (2) raising dollar limits on households’ gross monthly income.¹⁷

The effect of this explicit encouragement can be seen in the drastic increase in the proportion of SNAP households qualifying through categorical eligibility in just the past few years.

As can be seen, the share of households qualifying through categorical eligibil-

ity has more than tripled since 2007, and these households now account for almost two-thirds of SNAP households. Whereas many of these would qualify under the old requirements as well, there is the danger that as the economy eventually improves and some of these households see their income and assets increase, they will continue to improperly receive benefits for some months because they are subject to relaxed tests. Concern exists that states will continue to shift toward categorical eligibility even as the economy improves because it potentially saves them some administrative costs in oversight. Meanwhile, states bear none of the costs of increased benefit payments. The spread of broad-based categorical eligibility has likely increased program costs and could contribute to keeping them higher than they otherwise would be in the coming years.

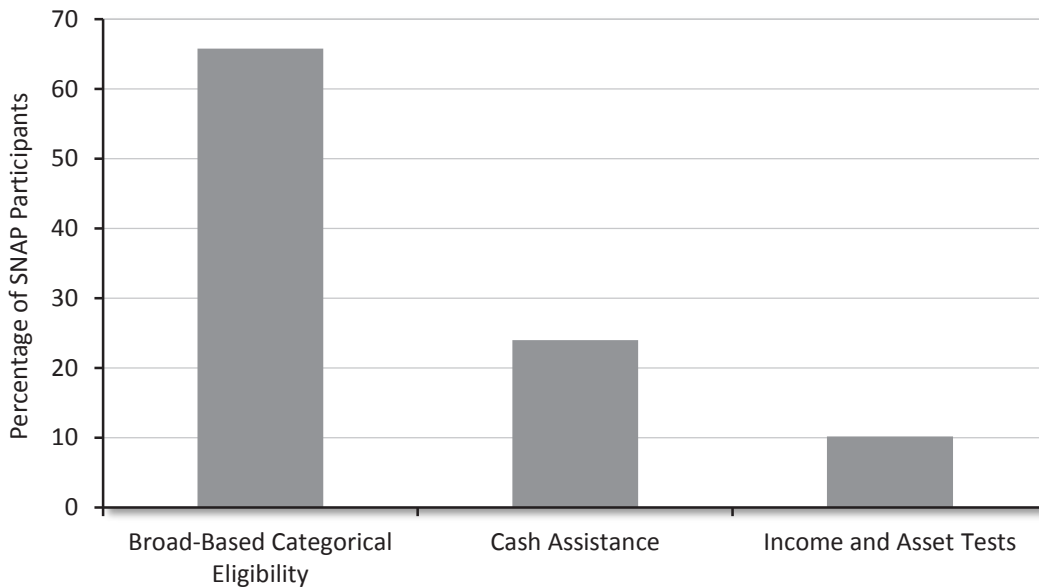
**Figure 4
Increase in Proportion of SNAP Households Qualifying Through Broad-Based and “Other” Categorical Eligibility**



Source: U.S. Department of Agriculture, “Characteristics of Supplemental Nutrition Assistance Program Households: Fiscal Year 2011,” Report No. SNAP-12-CHAR, Food and Nutrition Service, November 2012.

Note: This figure displays the percentage of all recipients who qualify through categorical eligibility other than the more traditional, narrowly defined mechanism of qualifying through receipt cash assistance through Supplemental Security Income or TANF. This assistance includes Broad-Based Categorical Eligibility, receipt of noncash TANF benefits or services, and transportation subsidies, among others.

Figure 5
Method of Qualification for SNAP, 2011



Source: U.S. Department of Agriculture, “Characteristics of Supplemental Nutrition Assistance Program Households: Fiscal Year 2011,” Report No. SNAP-12-CHAR, Food and Nutrition Service, November 2012.

In 2011, only a little more than one in ten households still qualified through the traditional income and asset tests. Now almost two-thirds of SNAP households qualify through expanded categorical eligibility, and a further quarter qualify through traditional categorical eligibility.¹⁸ Although many of these households would still qualify if they were subject to the traditional income and asset tests, this qualification is not uniformly the case.

Increased Participation from Outreach. Second, at the same time that eligibility for SNAP has been broadened, the federal government has also embarked on a massive outreach program designed to increase participation by those who are eligible. As the CBO found in a 2013 report, between 2002 and 2007, “greater participation mainly resulted from outreach initiatives, including efforts to increase awareness of SNAP and streamline the application process.”¹⁹

Federal and state governments now spend more than \$41.3 million annually on advertising and outreach for food stamps, a six-fold increase since 2000.²⁰ Some states have

even hired so-called food stamp recruiters with monthly quotas of recipients to sign. For example, Florida SNAP recruiters have a quota of 150 new participants per month, which may help account for that state’s tremendous growth in food stamp receipt.²¹

Rhode Island, another state that has seen SNAP receipt double over the past five years, hosts SNAP-themed bingo games for the elderly. Alabama hands out fliers that read: “Be a patriot. Bring your food stamp money home.” A USDA brochure advises its field offices to

Throw a Great Party. Host social events where people mix and mingle. Make it fun by having activities, games, food and entertainment, and provide information about SNAP. Putting SNAP information in a game format like BINGO, crossword puzzles . . . is fun and helps get your message across in a memorable way.²²

The USDA also advertised food stamps in a 10-part serialized Spanish language ra-

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Work participation by SNAP recipients remains low.

dio novella, until public outcry forced them to cancel the program.²³ And, in one notorious incident, an official in Ashe County, SC, received an award for developing a strategy to counteract what they described as “mountain pride” and appealing to “those who wished not to rely on others.”²⁴

This outreach has resulted in a significant increase in participation by those eligible for SNAP. In 2010, 75 percent of people estimated to be eligible for SNAP received benefits, a substantial increase from 66 percent in 2008.²⁵ Significantly, increased participation has taken place primarily among higher income households; lower income households have always had high participation rates.

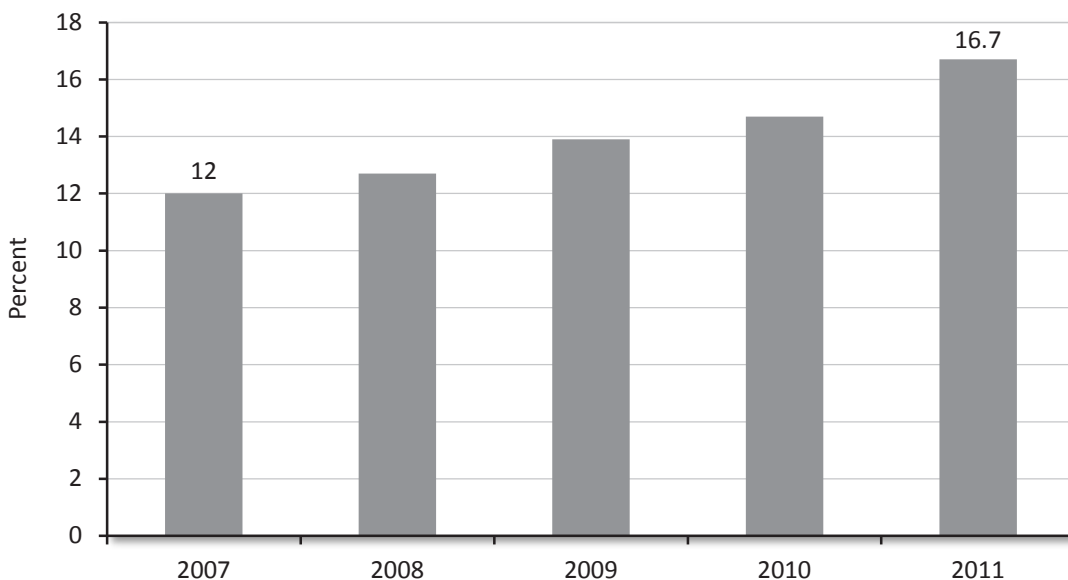
With categorical eligibility making it easier for participants to avoid the program’s strict income limits and higher income eligibles increasing their participation, the proportion of SNAP households with incomes above the poverty line has risen significantly. As Figure 6 shows, since 2007, SNAP re-

ipients with incomes above the poverty line have risen from 12 percent of SNAP households to 16.7 percent, a nearly 40 percent increase in just 4 years.

The current SNAP program does have work requirements that, at first glance, seem comparable to the TANF work requirements that were so successful in helping beneficiaries transition into the labor market and reduce TANF caseloads. However, loopholes and selective enforcement have significantly limited their effectiveness in helping SNAP beneficiaries find jobs and transition out of the program.

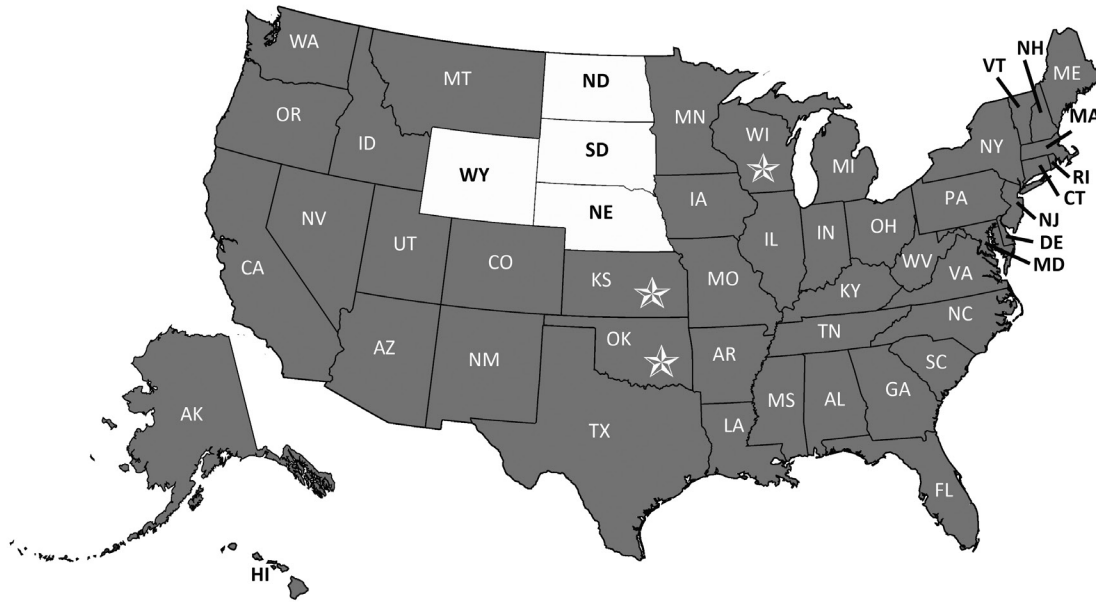
On paper, the program currently requires all nondisabled and nonelderly recipients to register for the SNAP Employment and Training Program, to accept a job if offered, to search for work, or to meet other work requirements that states impose. Able-bodied adult recipients between the ages of 18 and 50 without children, must work, must participate in an employment and training program, or must participate in a SNAP “work-

Figure 6
Percentage of SNAP Households with Gross Income Above 100 Percent Federal Poverty Level



Sources: U.S. Department of Agriculture, “Characteristics of SNAP Households, 2009–2011,” <http://www.fns.usda.gov/ora/MENU/Published/snap/FILES/Participation/2011Characteristics.pdf>; USDA, “Program Participation Trends 2001–2008,” <http://www.fns.usda.gov/ora/menu/Published/snap/FILES/Participation/Trends2001-2008.pdf>.

Figure 7
Map of States with ABAWD Waiver for FY2013



Source: U.S. Department of Agriculture, “Supplemental Nutrition Assistance Program (SNAP)—Able Bodied Adults without Dependents Waivers for Fiscal Year 2013,” March 2012.

Note: Able-Bodied Adults without Dependents (ABAWD) waivers are in effect for the shaded states. Kansas, Oklahoma, and Wisconsin have signaled that they will let the ABAWD waiver expire in FY2014.

fare” program for at least 20 hours per week. Otherwise they can collect SNAP benefits for only 3 months in a given 36-month period.²⁶ In addition, recipients cannot quit a job or voluntarily reduce their hours of work below 30 hours per week. (States can exempt up to 15 percent of able-bodied recipients from work requirements for hardship or other reasons without a waiver).²⁷

Yet actual work participation by SNAP recipients remains low. In 2011, the most recent year for which data are available, only 27.7 percent of nonelderly adult participants were employed, while another 28.0 percent reported that they were looking for work. That means that fully 44 percent were neither employed nor actively searching for work. Looking specifically at working age, childless, able-bodied adults, more than half, or 2 million SNAP households, had no earned income.²⁸

Similarly, fewer than half of those adults not otherwise exempt from work require-

ments were required to participate in SNAP employment and training programs, whereas only 3 percent of this population participated voluntarily.²⁹ The low voluntary participation could be because SNAP participants view the employment and training programs as ineffective, or because they have little incentive to find employment given weak work requirements.

The inherent weakness of SNAP work requirements was briefly made even worse as a result of the 2009 federal stimulus bill, which suspended work requirements for ABAWDs for one year. The blanket suspension was not extended in 2010. However, states with high unemployment rates were still given greater flexibility to loosen work requirements. Today, waivers are still in effect for 44 states and the District of Columbia, covering 92 percent of able-bodied adult recipients without dependents.³⁰

No accurate data are now available on which states are or are not meeting work re-

Recently states have begun to use a loophole in the law to increase the amount of benefits that a family can receive.

Surprisingly little data exist about the program's effectiveness.

quirements for SNAP. Indeed, states are not even required to report such information. However, given how low work participation is for other welfare programs such as TANF, where only 42 percent of adults nationwide are engaged in even broadly defined work activities, there is ample reason for concern. Moreover, states with some of the lowest TANF work participation rates, such as Massachusetts, Missouri, and Rhode Island, are among those with waivers in effect.

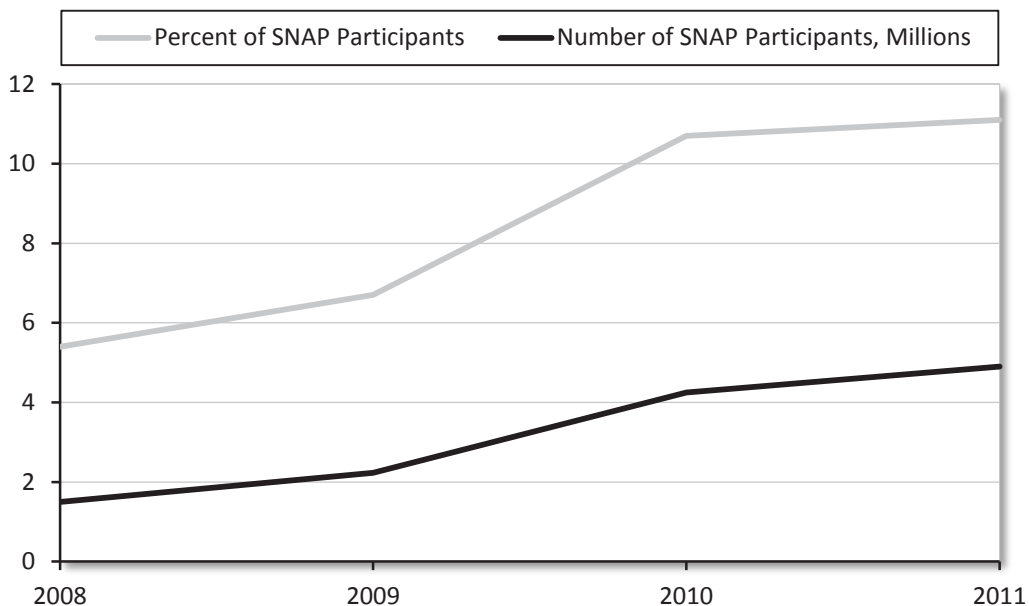
As Figure 8 shows, both the number of able-bodied adults without children participating in SNAP and the share of total participants has grown significantly in recent years, with a particularly sharp uptick after work requirements were suspended in the American Recovery and Reinvestment Act of 2009. In fact, able-bodied adults without children have been the fastest growing beneficiary group, more than tripling in the past four years.³¹

Increased Benefits. The third factor driv-

ing increased SNAP costs is an increase in the benefits themselves. The 2009 federal stimulus boosted the maximum monthly benefit in 2009 for a family of three from \$463 to \$526. As a result, CBO “estimated that 20 percent of the spending growth can be attributed to the benefit increases in the ARRA.”³² As Figure 9 shows, the average benefit per person has almost doubled since 2000.

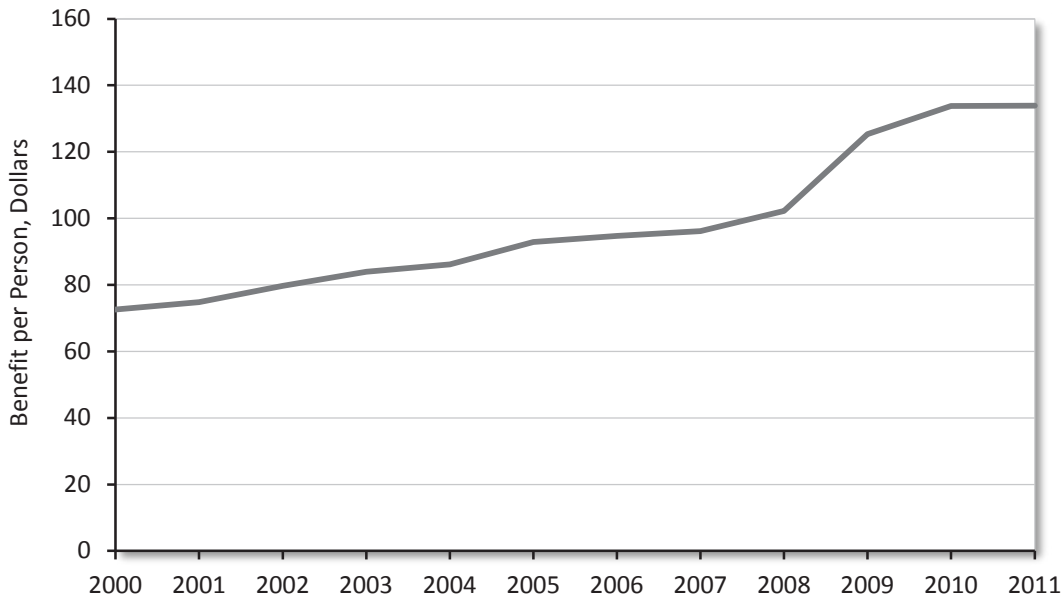
Recently states have begun to use a loophole in the law to increase the amount of benefits that a family can receive. Because SNAP benefits phase out with higher levels of income, the lower the countable income of an individual, the higher that person's benefits will be. If a person or family pays for utility costs separately from rent, they can deduct both the utility cost and the rent from their countable income, which will allow them to receive higher SNAP benefits. The law currently allows states to assign the higher utility allowance to anyone who re-

Figure 8
Increase in ABAWDs 2008–11



Sources: U.S. Department of Agriculture, “Characteristics of Supplemental Nutritional Assistance Program Households, Fiscal Years 2008–2011,” Table A.1. Distribution of Participating Households, Individuals, and Benefits by Household Composition, Locality, Countable Income Source, and SNAP Benefit Amount, <http://www.fns.usda.gov/ora/MENU/Published/snap/FILES/Participation/2011Characteristics.pdf>.

Figure 9
Average Benefit per Person 2000–11



Source: U.S. Department of Agriculture, “Supplemental Nutrition Assistance Program Participation and Costs,” Food and Nutrition Services, <http://www.fns.usda.gov/pd/SNAPsummary.htm>.

ceives aid from the Low Income Energy Assistance Program (LIHEAP), even if heating and air conditioning are already included in the individual’s rent or shelter deduction. In recent years, this deduction that LIHEAP helps more beneficiaries qualify for has become the most claimed deduction besides the standard one. Almost 72 percent of households claimed it in 2011.³³

The federal government pays for both SNAP benefits and LIHEAP, so states have an incentive to extend LIHEAP to as many beneficiaries as possible. These residents can then receive more benefits at no additional cost to the states. As such, some states send a minimal amount of LIHEAP benefits, sometimes as low as \$1, to SNAP participants to allow them to automatically qualify for the related allowance and the resulting higher benefits. The program’s flawed structure creates perverse incentives by which the states bear no additional costs and actually have incentive to inflate the benefits to their residents.

Questionable Bang for the Buck

Considering SNAP’s growing cost and enrollment, surprisingly little data exist about the program’s effectiveness. And many of the studies that do exist date from before the program’s recent expansion.

The USDA, which administers SNAP, claims that the program is one of the federal government’s most effective for reducing poverty. One USDA study found “an average decline of 4.4 percent in the prevalence of poverty due to SNAP benefits, while the average decline in the depth and severity of poverty was 10.3 and 13.2 percent, respectively.”³⁴ A second USDA study found that SNAP reduces food insecurity by 5 to 10 percentage points.³⁵

These results should not be especially surprising. It would be next to impossible for the federal government to spend \$75 billion annually to provide food assistance (counting just SNAP benefits) to low-income people

The literature is inconclusive regarding whether SNAP alleviates hunger and malnutrition.

There is an inherent danger that SNAP can make recipients dependent on government.

without having *some* impact on poverty. The real question is whether marginal increases in SNAP expenditures have a substantial effect on poverty or nutrition, or whether SNAP provides more benefits than would private charitable alternatives.

Despite the massive increase in SNAP spending and participation since 2000, the federal government currently classifies 17.9 million American households as “food insecure,” that is, “uncertain of having, or unable to acquire, enough food to meet the needs of all their members because they had insufficient money or other resources for food” at some point during the year.³⁶ Of these, 39 percent, or 6.8 million households were considered to have “very low food security,” where “normal eating patterns of one or more household members were disrupted and food intake was reduced.”³⁷

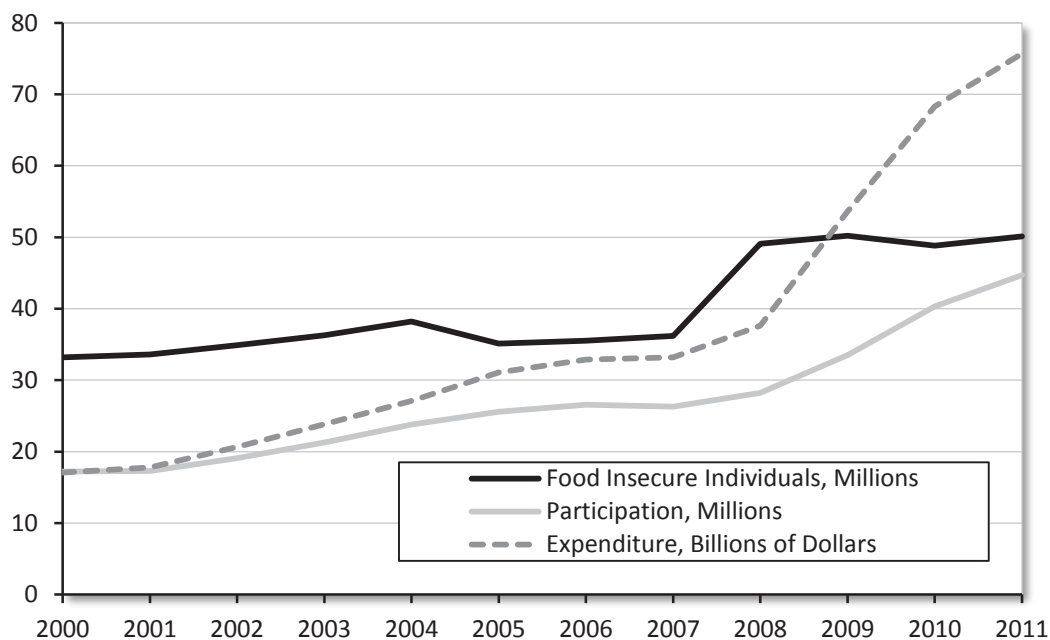
Indeed, as Figure 10 shows, a direct relationship between SNAP spending or partici-

pation and food insecurity is difficult to see.

Of course, Figure 10 does not show whether the problem of food insecurity might have been even worse in the absence of SNAP. Here, the limited academic research is ambiguous. For example, according to the Government Accountability Office (GAO) “the literature is inconclusive regarding whether SNAP alleviates hunger and malnutrition for low-income households.”³⁸ The GAO found that participants in SNAP and other federal food programs “tend to be more food insecure compared to others that are eligible for programs but do not participate.”³⁹ However, as the USDA warns, there is bit of a chicken-and-egg problem in drawing a causal relationship between SNAP and food insecurity because “households that have recently experienced unusually high levels of food insecurity” could be more likely to enroll in SNAP.⁴⁰

The Urban Institute estimates that food stamps have a modest effect on severe food

Figure 10
Food Insecurity and SNAP since 2000



Sources: U.S. Department of Agriculture, “Food Security in the U.S., Key Statistics and Graphics,” Economic Research Service, <http://www.ers.usda.gov/topics/food-nutrition-assistance/food-security-in-the-us/key-statistics-graphics.aspx#foodsecure>; U.S. Department of Agriculture, “National Level Annual Summary” Food and Nutrition Services, <http://www.fns.usda.gov/pd/SNAPsummary.htm>.

insecurity and a larger one on the broader measure of food insecurity.⁴¹ However, research by Huffman and Jensen was unable to find any effect, concluding that “[n]either participation in the FSP [food stamp program] nor the size of the FSP benefit reduced the probability of the household’s being food insecure.”⁴²

Looked at in terms of nutrition and health, SNAP’s effect is again difficult to determine. Evidence suggests that SNAP may indeed make healthy food more available to low-income Americans, but it may not actually increase the consumption of nutritional food by recipients. For example, a 2008 report by Nancy Cole and Mary Kay Fox for the USDA concluded that for nearly all vitamins, minerals, and macronutrients assessed, the dietary intake among SNAP participants was comparable to that of nonparticipants.⁴³ This finding appears to confirm older research that SNAP participation does “not lead to greater intake of food energy or vitamins and minerals overall.”⁴⁴ A more recent review of the literature by the GAO similarly concluded that “research finds little or no effect on the dietary or nutrient intake of individuals.”⁴⁵ Perhaps this conclusion is because SNAP subsidizes unhealthy food as much as healthy foods. For example, SNAP subsidizes “soft drinks, candy, cookies, snack crackers, and ice cream.”⁴⁶

A study from the Institute of Medicine and the National Research Council also raised questions about food stamp effectiveness, for example, about the program’s slow response to changing prices.⁴⁷

Little evidence exists to support claims that the program provides a stimulus for the economy as a whole. Indeed, the agriculture department’s own Inspector General concluded that the department was unable to determine whether the additional dollars in the stimulus were in any way effective in meeting the 2009 Recovery Act’s goals because three of the four performance measures “reflected outputs, such as the dollar amount of benefits issued and administra-

tive costs expended” and did not provide any insight into outcomes.⁴⁸

At the very least, therefore, the research calls into question claims about the program’s effectiveness and suggests that additional study should precede any increase in spending.

The Dependency Trap

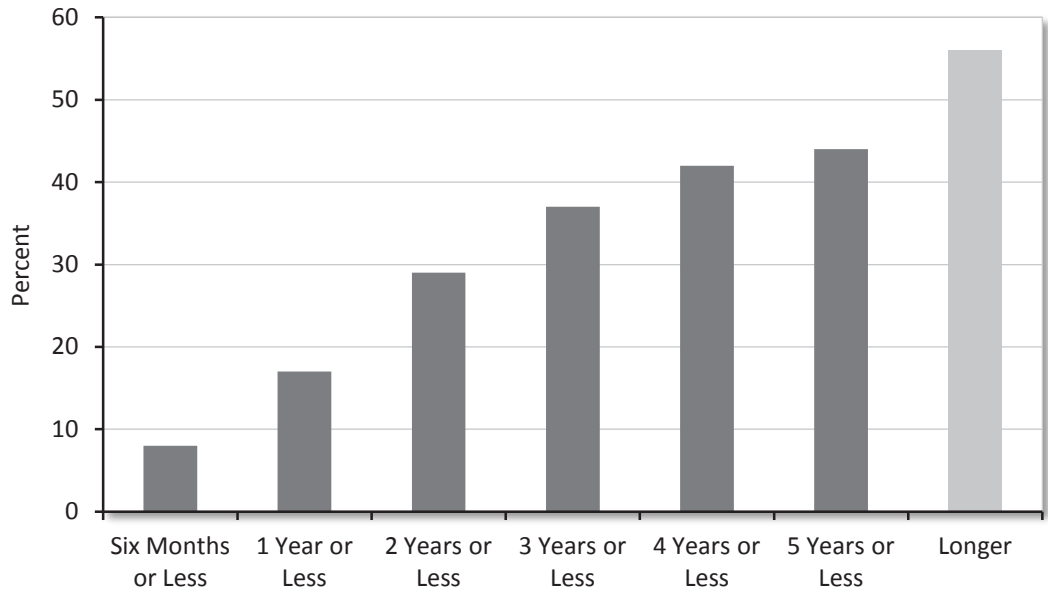
As with all welfare programs, there is an inherent danger that SNAP can make recipients dependent on government. As shown in Figure 11, a surprising proportion of SNAP recipients remains on the program for long periods of time, almost 56 percent for longer than five years.⁴⁹ This fact suggests that SNAP is not being used as a temporary safety net, but rather as a permanent source of income.

The limited scholarship available on the issue suggests that SNAP does result in some level of government dependence. For example, a study by scholars at Virginia Polytechnic and Agricultural University found that “SNAP participation in the previous period increases the propensity to participate in the SNAP in the current period by 30 percent.” As a result, they concluded “[a] major policy implication of the results is that FSP policies aimed at reducing the initial entrance into the FSP through changes in benefit levels or certification requirements can have long-term benefits in terms of reducing dependence among low-income households.” Conversely, a study for the *Journal of Sociology and Social Welfare* agreed that dependency did increase in the short term for mothers with children on SNAP, that is, over the first five years, but it concluded that the effect disappeared over the long term.⁵⁰

The evidence is much stronger that receipt of food stamps reduces work effort. For example, a study by Hilary Hoynes and Diane Schanzenbach in the *Journal of Public Economics* found “modest reductions in employment and hours worked after food stamp benefits are introduced.”⁵¹ This study

SNAP is an inefficient, fraud-ridden, and deeply troubled program.

Figure 11
SNAP Cumulative Exit Rate



Source: U.S. Department of Agriculture, “Dynamics of Supplemental Nutrition Assistance Program Participation in the Mid-2000s,” Food and Nutrition Service, Table II.17, September 2011.

found significant differences by gender, with men showing very little change in labor participation, but a nearly “50 percent reduction in total hours worked” for women.⁵² And a study by Udaya Wagle of Western Michigan University confirmed the work disincentive effect of food stamps, concluding “that a one percent increase in FSP receipts reduces work hours for families by about one half of one percent.” Moreover, Wagle found “these are consistent across all families and families with children.”⁵³

These findings really should not be a surprise. As Casey Mulligan of the University of Chicago testified before Congress,

Both the 2008 Farm Bill and the 2009 ARRA increased the amount of the SNAP benefits paid to eligible households, and thereby increased job acceptance penalty and layoff subsidy rates Earning income requires sacrifices, and people evaluate whether the net income earned is enough to justify the sacrifices. When the food stamp or

unemployment programs pay more, the sacrifices that jobs require do not disappear. The commuting hassle is still there, the possibility for injury on the job is still there, and jobs still take time away from family, schooling, hobbies, and sleep. But the reward to working declines, because some of the money earned on the job is now available even when not working.⁵⁴

Fraud, Waste, and Abuse

Even setting aside the growing cost and doubtful effectiveness, SNAP is an inefficient, fraud-ridden, and deeply troubled program.

For example, SNAP’s administrative costs are considerably higher than those of most other social welfare programs. In 2013, the program’s total administrative expenses at both the federal and state level are expected to top \$7 billion, more than 9 percent of program costs.⁵⁵ The federal share of admin-

The federal government currently funds 21 different programs providing food or food-purchasing assistance.

istrative expenses alone is more than \$4.5 billion, and that is expected to increase to almost \$6 billion by 2023.

SNAP also has a high rate of fraud and abuse. Officially, the USDA puts program fraud at around \$858 million last year, which would amount to just a bit more than 1 percent of SNAP expenditures.⁵⁶ But this calculation only refers to direct fraud, such as trafficking in benefits. It does not include roughly \$2.2 billion annually in erroneous payments to individuals who were not properly eligible for participation or who received benefits in excess of the amount to which they should have been entitled.⁵⁷ The erroneous payments raise the total fraud and abuse rate to more than 3.9 percent, making SNAP one of the most frequently abused non-health care social welfare programs.

As bad as this fraud rate is, it does represent an improvement over the past few years. The error payment rate has actually fallen from 5.64 percent in FY2007 to 3.80 percent in FY2011.⁵⁸ USDA officials and program advocates credit this improvement to the transition from physical food stamps to the Electronic Benefit Transfer (EBT) cards. However, part of the decline is an indirect result of the program's eligibility changes. Because, as described above, the vast majority of recipients now qualify through categorical eligibility, fewer beneficiaries are subject to the program's asset tests. Some states have virtually eliminated asset tests altogether. Many payments that previously would have been considered improper are no longer flagged as such because without the asset test there is no way to verify that the payments are improper. Thus, at least part of the apparent decline in erroneous payments is due to moving the foul lines rather than to greater program efficiency.

And none of this fraud includes highly publicized abuses in recent years, which, while not technically fraudulent, nevertheless violate the spirit of the program. This abuse includes use of SNAP EBT cards at liquor stores and even strip clubs, as well as the shipment of SNAP-funded foodstuffs to

overseas relatives of recipients.⁵⁹ Such abuses should be kept in perspective—they are tiny in comparison to the program's overall costs—but they still undermine faith in the government's ability to successfully conduct its operations.

SNAP in the Context of the American Welfare State

One of the biggest mistakes in evaluating SNAP is to consider the program in isolation rather than as part of a much larger U.S. welfare state. For example, the average benefit amounts to just \$4.50 per day, not a great deal with which to feed a family. This daily dollar amount has led to much grandstanding on the part of program supporters, frequently taking the "food stamp challenge," in which they demonstrate how difficult it is to eat on \$4.50 per day. However, as *Washington Post* reporter and "The Fact Checker" columnist Glenn Kessler pointed out, "the name of the program refers to 'supplemental' assistance."⁶⁰

Fewer than 20 percent of SNAP recipients rely solely on the program for their income. More than 30 percent of SNAP households have some form of earned income, that is, they are working, whereas 60 percent of SNAP households had unearned income, such as cash assistance from TANF, general assistance, Supplemental Security Income or another related program, or more than one of these.

Indeed, SNAP may not even be the only food assistance program that they receive. The federal government currently funds 21 different programs providing food or food-purchasing assistance, administered by 3 different federal departments and 1 independent agency. This funding is just part of a massive structure of 126 often overlapping federal anti-poverty programs, 72 of which provide either cash or in-kind benefits to individuals (the remainder fund community-wide programs for low-income neighborhoods), at a cost of more than \$668 billion

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annually.⁶¹ State, county, and municipal governments operate additional welfare programs. Of course, no individual or family receives benefits from all 72 programs, but many recipients do receive aid from a number of them at any given time.

For an individual receiving major welfare programs such as TANF; Medicaid; public housing assistance; Women, Infants, and Children; LIHEAP; and free commodities, in addition to SNAP, total benefits would range from \$49,175 in Hawaii to \$16,984 in Mississippi. Nationwide, in a medium-level welfare state benefits total \$28,500.⁶² SNAP therefore becomes a component of a large and growing welfare system and needs to be evaluated in that context.

The current welfare system has done a poor job of reducing poverty. Since President Johnson declared “war on poverty” in 1965, the United States has spent more than \$15 trillion on anti-poverty programs.⁶³ Yet the poverty rate has remained relatively constant since 1965, despite rising welfare spending. In fact, the only appreciable decline occurred in the 1990s, a time of state experimentation with tightening welfare eligibility, culminating in the passage of national welfare reform (the Personal Responsibility and Work Responsibility Act of 1996). Since 2006, poverty rates have risen despite a massive increase in spending.⁶⁴

Of course, this increase in poverty rates does not mean that anti-poverty spending has had no impact. Certainly one could argue that without such spending poverty levels would be even higher. As noted above, the USDA suggests that without SNAP, poverty rates could be four to eight percentage points higher than they are.⁶⁵ Welfare spending may also reduce the severity of that poverty. According to the alternative poverty measure, for instance, taking into account the full range of welfare benefits received reduces the number of Americans living in extreme poverty—that is below 50 percent of the poverty level—from 6.2 percent to 5.4 percent.⁶⁶ These people remain poor, but less poor than before.

Still, given the level of welfare spending, we seem to be having little success at getting people out of poverty over the long term, or making them less dependent on government. This lack of success should suggest that we are doing something wrong. That “something” is unlikely to be remedied simply by spending more on food stamps.

Proposals for Reform

SNAP is unusual among government programs in that it combines aspects of both an entitlement and a discretionary program subject to appropriation. On the individual level, SNAP functions as an entitlement: if a person meets eligibility standards, he or she receives benefits. In addition, authorization for SNAP and its funding levels remain in place unless otherwise changed by legislation. Traditionally, Congress has also set 5- or 10-year funding totals as part of periodic farm bills.

Congress is now debating a farm bill again this year. As a result, there is a rare opportunity to reform the program. Much of the debate so far has revolved around funding levels. Republicans in the House of Representatives have passed legislation that returns SNAP funding to 2010 levels, a reduction of roughly \$39 billion over 10 years from the projected baseline.⁶⁷ Whereas such cuts would be welcome in light of the overall budget picture, simply changing appropriation levels do little to change the program’s fundamental flaws.

More comprehensive reforms, some of which are included in the House legislation, would also make the following five changes:

1. Change the incentive structure for states. Currently, the federal government provides bonus funding to states, which makes it easier for people to enroll in food stamps. In 2011, states received \$48 million in bonus payments. Bonus payments encourage states to expand their programs beyond the truly needy. Notably, states such as Oregon, which have received bonus payments,

are among those with the largest program growth in the past five years.

The problem is not the modest amount that such bonuses cost but the incentives that they establish. The participation rates for the most needy families are much higher than those near the margin of eligibility, in part because these neediest families likely already receive cash assistance from other government programs and are thus categorically eligible. But also these families with little earned income qualify for higher benefits, further creating incentives for them to participate in the program.

At the same time, the federal government fails to adequately penalize states for erroneous payments. Now, a state is only penalized if erroneous payments total more than 6 percent.⁶⁸ In 2012, only six states exceeded that ceiling.⁶⁹ If all erroneous payments had had to be repaid, the federal government would have saved more than \$2.5 billion in 2010.⁷⁰ Some states could be hit with repayments of as much as \$250 million.⁷¹ More important, requiring repayment may encourage states to become more efficient in determining eligibility and avoiding mistaken payments.

2. End broad-based categorical eligibility. As discussed previously, most SNAP beneficiaries qualified for the program through broad-based categorical eligibility and therefore were not subject to the same income and asset tests as other program participants. Whereas the vast majority of categorical eligibles would likely continue to qualify under the traditional asset and income tests, at least some would not. CBO estimates that eliminating categorical eligibility and subjecting all SNAP applicants to traditional asset and income tests would reduce SNAP participation by 1.8 million annually, at a savings of \$1.2 billion per year.⁷² Ending categorical eligibility would also serve the valuable function of refocusing SNAP benefits to those individuals most truly in need, allowing spending to be reduced without harming those who truly need assistance.

3. End LIHEAP loophole. More and more beneficiaries in recent years are qualifying for

higher SNAP benefits through their receipt of LIHEAP. One reform proposal would seek to prevent states from providing token LIHEAP payments by requiring them to provide LIHEAP benefits of at least \$10 to qualify for the exemption. This proposal would save about \$4.5 billion over 10 years and would affect roughly 500,000 SNAP households.⁷³ Because states do not bear any of the cost for LIHEAP, they could simply increase LIHEAP benefits to whatever the new threshold is as much as their block grant permits, thereby allowing their residents to continue to receive higher SNAP benefits without incurring additional state costs.

A second proposal, therefore, would repeal the entire LIHEAP–SNAP link so that families who receive the allowance would need to show their utility bills to receive the utility portion of the deduction. CBO estimates that ending automatic qualification would save roughly \$1.5 billion annually. It would affect approximately 1.3 million SNAP households and lower their benefits by roughly \$90 per month.⁷⁴ Families would still receive SNAP benefits, but they would be more in line with the level of benefits that they should be eligible for.

4. Strengthen work requirements. Most Americans would agree that able-bodied food stamp recipients should be required to work or to actively seek work as a condition for receiving benefits. The current SNAP program has work requirements that look strong on paper but fail to achieve their goals in practice. The fact that states do not even report their rates of work participation should be especially troubling. Therefore any reform of the food stamp program should prioritize work as a condition for participating in SNAP.

For example, there should be clear statutory standards for the percentage of non-exempt adults receiving SNAP who must engage in a specified number of hours of work-related activity each week. Exemptions should be narrowly tailored to cover only those who are aged, disabled, or parenting very young children. To enforce this require-

Any work requirement should strengthen the definition of work.

There is little proof that the expansion of SNAP has significantly reduced hunger or improved nutrition.

ment, the program would have to authorize stronger penalties, including complete disqualification from the program, for non-compliance with work requirements.

An example can be found in TANF, which requires states to meet a 50 percent participation standard. There is no reason that a similar requirement should not be established for SNAP. However, TANF also shows the problems that can develop if the definition of work activities is too broad or if states fail to cooperate. In fact, despite TANF's stated work requirements, participation varies widely by state, ranging from nearly 88 percent in Idaho to just 17 percent in Missouri. Nationwide, barely 42 percent of TANF recipients are actually taking part in "work activities." Moreover, work activity frequently does not mean work. Only about one in five TANF recipients works in an unsubsidized job. Others engaged in work activities are really taking part in education or training programs or are participating in job search activities (i.e., looking for work).⁷⁵

Therefore, any work requirement should strengthen the definition of work to ensure that more SNAP participants are actually working. In addition, to ensure that states implement and enforce work requirements, those states that fail to meet their work requirements should lose a portion of their SNAP funding. And finally, states should be given greater freedom to shift SNAP funds from individual benefits to the administration of employment and training programs.

5. Convert SNAP to block grant. Whereas each of the previous four reforms would improve the program in some way, none of them are sufficient; they either unnecessarily limit state flexibility or would not have a large enough effect on program costs. Ultimately, as with other social welfare programs, responsibility for the program—and authority over it—should be turned back to the states.

One approach would be to follow the successful model of welfare reform and convert SNAP into a block grant. The federal government would appropriate an amount that

states could spend on the program, but the states would have vastly increased authority over administering the program, such as setting their own eligibility criteria and benefit levels. States would also be free to allocate funds between traditional food benefits and other programs such as job training or education. For example, since the 1996 welfare reform, a significantly higher proportion of TANF funds have been used on ancillary benefits such as transportation assistance and other benefits designed to focus on employment.⁷⁶

Congress could also fix the amount of the block grant in either nominal or inflation-adjusted dollars, thereby preventing the program from growing in the future. States that wished to expand their program by either increasing participation or benefits would be free to do so, but they would have to use their own funds, thereby making themselves answerable to taxpayers and voters. If economic conditions changed in the future, whether for better or worse, Congress would be free to revisit the level of funding.

Block grants, however, are simply a partial step toward state control. Notably they split responsibility for funding and administering the programs, meaning that it is often difficult to hold any party responsible for the program's failures. In addition, the history of block grants suggests that states may interpret block grant funds as free money, encouraging waste and inefficiency rather than experimentation. Moreover, states become dependent on federal largess in the same way that individuals do. After all, today the federal government spends more than \$561 billion on grants and other aid to the states, fully 16 percent of federal spending.⁷⁷

Nor should we forget that federal funds, aside from that which is borrowed, come from taxpayers in the 50 states. Simply moving money to Washington and then back to the states with various redistributive formulas does not improve the efficiency of programs. Therefore, over the longer term, both operational control and the responsibility for financing SNAP (along with other

social welfare programs) should be returned to the states. That would mean phasing out federal funding in its entirety, leaving the decision about what types of food and nutrition programs to pursue directly to the states and their taxpayers.

Conclusion

SNAP has been growing rapidly since at least 2000, and today it is the second largest means-tested social welfare program in the United States. The evidence suggests that much of this growth is the result of both federal and state policy decisions, rather than economic conditions. Both states and the federal government have loosened eligibility standards and increased outreach efforts in an attempt to enroll more participants. In addition, work requirements are far weaker than they appear on paper, and many states have availed themselves of waivers and other maneuvers to weaken them still further. The result is that today roughly one of every seven Americans receives food stamps.

Yet there is little proof that the expansion of SNAP has significantly reduced hunger or improved nutrition among low-income Americans. In the absence of much stronger research, continued expansion of the program seems to be based more on faith than evidence.

Although SNAP does not seem to improve nutrition, there is evidence that SNAP, like other welfare programs, can increase dependence and undermine the work ethic. Food stamps are intended to be short-term assistance, and too many recipients are remaining on the program for far too long. However, SNAP represents just one portion of a much larger welfare state that includes 21 federal food and nutrition programs.

Backers of SNAP argue that food stamps have had a long history of bipartisan support. Indeed they have. Liberal Democrats have unsurprisingly backed an expansion of the welfare state, while farm-state Republicans have been happy to have govern-

ment-subsidized purchases of their states' products. But "bipartisan policy" and "good policy" rarely mean the same thing.

Because Congress will be debating the reauthorization of the farm bill this year, there is an opportunity to reexamine SNAP and begin to reform this expensive, bloated, and inefficient program.

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