CLASP

SNAP Contributes to a Strong Economy

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The Supplemental Nutrition Assistance Program (SNAP)—formerly known as food stamps—embodies our country's long-standing commitment to ensure that everyone has access to food. SNAP is our nation's most effective program to combat hunger and has successfully decreased food insecurity and poverty for many decades. U.S. Census data show that 4.6 million people were raised out of poverty in 2015 because of SNAP.[1] The program provides food assistance without caps or waiting lists to all who apply and meet the eligibility criteria, allowing it to respond automatically during periods of regional or national recession. This means that, in addition to its critical role in reducing food insecurity and decreasing poverty, SNAP is an important tool for improving the purchasing power of participants and providing an economic boost during downturns by infusing money into local businesses where participants purchase food.

SNAP serves a variety of people and household types, helping those who are especially poor and vulnerable. Nearly 90 percent of participants live in a household with a child, elderly person, or an individual with disabilities. In the federal fiscal year 2015 (FY2015), 82 percent of SNAP households had income at or below the poverty level.[2] The average monthly benefits in FY2017 are $124.88 per person and $252.64 per household.[3] These monthly allotments for purchasing food are fully financed by the federal government and account for nearly all spending in the program. With less than 8 percent of its budget covering administrative costs, SNAP is a highly efficient program. States, and in some cases counties, administer SNAP with federal oversight. Many of the eligibility rules are established at the federal level, with narrow options for state variation, which ensures that participants have access to food regardless of where they live. The federal financing and oversight structure guarantees that states have the funding necessary to ensure their residents get food assistance. During economic downturns or when budgets are squeezed, states are guaranteed the ability to feed those in need. Any proposals to alter this federal financing structure would create budgetary challenges for states, especially in the most dire of times.

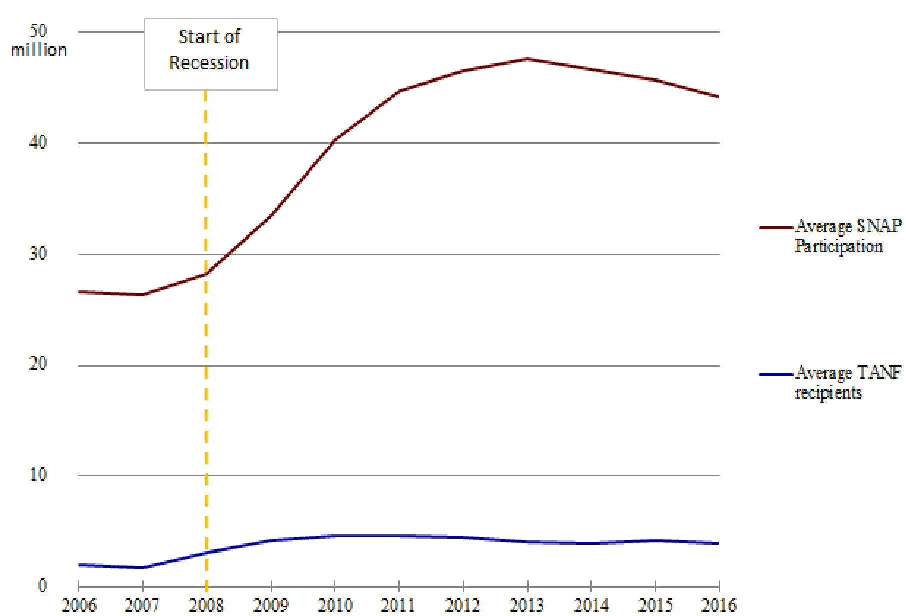
SNAP's Strong Response during the Great Recession

The Great Recession, the most severe financial crisis since the founding of the food stamp program more than 50 years ago, proved that during an intense economic downturn, SNAP worked just as it was intended, as an automatic stabilizer.[4] In so doing, the program was able to meet the increased need for food assistance, offsetting the intense nationwide economic downturn.

SNAP participation increased significantly as the unemployment rate peaked at 10 percent during the Great Recession. In FY2008, over 28 million people received SNAP, and rates steadily climbed as the Recession continued—peaking at over 47 million in FY2013—and has since declined consistent with decreased unemployment and an improved overall economy.[5] For several reasons, overall SNAP participation is still higher than pre-Recession rates. Technological improvements and administrative streamlining over the last several years have enabled states to ensure that those who qualify can receive SNAP for as long as they remain eligible.[6] Additionally, changes in the economy as a result of the Recession have created more low-wage jobs with inadequate and volatile working hours, which are disproportionately held by low-skilled and low-income workers[7]—many of whom still require food assistance. The rate of SNAP participants who work has increased over the last several decades. In 2015, 60 percent of SNAP households with children and at least one non-elderly, non-disabled adult had earnings while receiving benefits. Many more SNAP participants work just before or after receiving food assistance, highlighting the role of SNAP as a support during and between periods of employment.[8]

The increase in the number of people receiving SNAP during the Recession shows the program's responsiveness to increased need. As the unemployment rate increased, the need for SNAP also increased. The program's federally financed structure means it is available to an uncapped number of people as long as they meet eligibility requirements, allowing it to provide a safety net to historic numbers of people during the Recession who found themselves in need of food assistance and qualified due to their low income. Participation among already-eligible households also increased during the Recession. By comparison, the federal Temporary Assistance to Needy Families (TANF) program, which provides cash assistance to the very poor, did not respond during the Recession. As shown in Figure 1, TANF caseloads grew slowly during the Great Recession, at a rate that did not keep up with rising need.[9] TANF is structured as a block grant, meaning that states receive a fixed amount of funding each year, which has not been adjusted for inflation since its inception in 1996. Because states often use TANF as a funding source for other budgetary shortfalls, they were able to divert the program's fixed funding to other needs before and during the Recession rather than directing them to assist the growing unemployed population.[10]

SNAP vs TANF Participation Over the Last 10 Years



Sources: U.S. Department of Agriculture, SNAP National Level Annual Summary, https://www.fns.usda.gov/pd/supplemental-nutrition-assistance-program-snap
U.S. Department of Health and Human Services, TANF Caseload Data, https://www.acf.hhs.gov/ofa/programs/tanf/data-reports

SNAP Benefits Local and State Economies

SNAP's economic benefits extend beyond providing food assistance to those in need. When SNAP participants redeem their monthly allotments at grocery retailers throughout their community, it boosts local and state economies and creates positive and immediate downwind effects for many. Large superstores, grocery stores and supermarkets, corner stores, farmers' markets, and convenience stores all see revenue from SNAP.[11]

Research has proven that SNAP plays an integral role in stimulating local economies and that expansion of it is one of the quickest ways to create much-needed growth. Prominent economist Mark Zandi (previously an advisor to Senator John McCain) testified to Congress in 2008 about SNAP's effect as an economic stimulus. Zandi's research showed that each $1 increase in SNAP payments generates $1.73 of economic activity, a fiscal impact greater than any other public benefit program or tax cuts.[12] Most SNAP participants spend their monthly food allotments very soon after receiving them, so the effects are particularly quick. Receiving SNAP also allows households to spend money elsewhere in the economy that would have otherwise gone toward food.

In addition to the infusion of stimulus into the economy and the benefit to SNAP households, the U.S. Department of Agriculture's Food and Nutrition Service (FNS) has documented the role of SNAP in generating local farm jobs, which further benefits state economies.[13] Research shows that every $1 billion increase to SNAP helps create an additional 9,000-18,000 (full-time, part-time, and self-employment) jobs.[14]

SNAP's Structure allows it to Respond Effectively

In the first of a series of SNAP hearings, the House Committee on Agriculture Chairman Michael Conaway highlighted the importance of the program: "We can all agree that no one ought to go hungry in America, and SNAP is essential in protecting the most vulnerable citizens during tough times. For many it is a vital lifeline to keeping food on the table."[15] To protect SNAP, it is crucial to leave its structure as-is. Altering the federal oversight and funding structure of SNAP would irreparably damage the safety net and could contribute to an increase in hunger and food insecurity. Any proposals to require states to contribute to the cost of the program, as recommended in President Trump's FY2018 budget, would undermine the program's role as an automatic stabilizer, which would have larger repercussions during economic downturns. Many states are constitutionally required to balance their budgets, which forces them to make difficult choices, particularly during tough years. When state economies experience economic downturns and periods of high unemployment, tax revenues decline at the very same time that the need for food assistance and other safety net programs increases. If required to contribute to the cost of SNAP, states would be unable to serve their residents during the time of greatest need.

Shifting costs to states would be most damaging if they are also given the flexibility to reduce benefit levels or restrict eligibility criteria, as proposed in the President's FY2018 budget. Because of states' strained budgets, many would use their flexibility to cut benefits and impose additional eligibility restrictions, leading to fewer people getting the food assistance that they need.

TANF provides a cautionary tale of how states are unable (or unwilling) to expand benefits in a period of economic distress because they have to bear the cost of caseload increases. Even though the American Recovery and Reinvestment Act of 2009 (the so-called "stimulus package") included additional temporary TANF funding for 2009 and 2010, states did not ease eligibility rules. Based on this example, requiring states to shoulder a portion of the burden for SNAP would likely result in cuts to monthly food assistance allotments and restrictions on the number of people in the program. Furthermore, giving states that autonomy would allow for different eligibility requirements and monthly allotments to SNAP across states, the same variation that we see in TANF, creating geographic barriers for individuals and families needing assistance to purchase food.

Proposals that seek to alter SNAP's structure are merely a means to leave vulnerable people unable to feed themselves and their families. Changes to SNAP's basic guarantee of benefits would cause permanent damage to the most effective program in the country's safety net. Future economic downturns would be worsened and more people would go hungry.

SNAP works so well, in part, because of its design as a program that expands, contracts, and responds to economic conditions. SNAP's effectiveness ensures that as the need increases, the program is available to all who meet the eligibility requirements. To enable SNAP to remain as one of the most efficient safety net programs and to maintain its crucial role in a strong economy, SNAP's fundamental structure should not change. Federal funding and oversight serve as a safeguard for this crucial food assistance program.

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