

The Changing Food Assistance Landscape: The Food Stamp Program in a Post-Welfare Reform Environment. By Craig Gundersen, Michael LeBlanc, and Betsey Kuhn. Food and Rural Economics Division, Economic Research Service, U.S. Department of Agriculture. Agricultural Economic Report No. 773.

Abstract

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) dramatically transformed and continues to transform the food assistance landscape in the United States. The Act cut more funds from the Food Stamp Program than it did from any other program, through reductions in benefits per person and restrictions in eligibility. Despite these cuts, food stamps now have a more prominent role in the post-welfare reform social safety net because the largest cash-assistance entitlement program, Aid to Families with Dependent Children (AFDC), was replaced with the Temporary Assistance to Needy Families (TANF) program, a nonentitlement program. This leaves the Food Stamp Program as one of the only remaining entitlement programs available to almost all low-income households.

Keywords: Food stamps, transfer payments, food consumption, nutrition

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Summary

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) dramatically transformed and continues to transform the food assistance landscape in the United States. This report analyzes the effects of PRWORA on the Food Stamp Program.

PRWORA cut more funds from the Food Stamp Program than any other program, through reductions in benefits per person and restrictions in eligibility. Despite these cuts, food stamps now have a more prominent role in the post-welfare reform social safety net because the largest cash-assistance entitlement program, Aid to Families with Dependent Children (AFDC), was replaced with the Temporary Assistance for Needy Families (TANF) program, a nonentitlement program. This leaves the Food Stamp Program as one of the only remaining entitlement programs available to almost all low-income households. Its prominence will be especially apparent during recessions.

The Food Stamp Program is the cornerstone of the U.S. Department of Agriculture's domestic food assistance programs. Food stamps help low-income families and individuals purchase nutritious low-cost meals. It is the largest non-categorical Federal welfare program, serving nearly 23 million people a month—9 million families—and providing nearly \$20 billion in benefits in 1997.

Cutbacks in food stamps will lead to reduced expenditures on food, changes in the kinds of food consumed, and reduced expenditures on other necessities (like rent, clothing, and medical care) by low-income households. These lower outlays for food mean declines in gross farm income. This report suggests declines in gross farm income of between \$1 to \$2 billion over a 5-year period due to a \$20-billion decline in food stamp expenditures. The largest impacts are expected for meat, dairy, and vegetables. Food processing and distribution sector annual output losses range from \$1.3 billion to \$2.5 billion.

The new role of food stamps in the social safety net implies that changes in macroeconomic conditions will have an even more significant impact on both food stamp participation rates and expenditures. Even in the event of a mild recession, food stamp participation rates could rise as high as 10.58 percent—slightly above the previous high of 10.49 percent in 1994. Expenditures would rise by almost 9 percent in the peak year under such a scenario. These estimates are based on historical data and do not incorporate the new stature of the program; the eventual impact of a recession may exceed these estimates.

The fiscal decisions of States are affected by the Food Stamp Program's role as the largest remaining entitlement program. Under AFDC, the State cost for an additional dollar of cash assistance was, on average, 50 cents; under TANF, States receive a block grant and, upon spending the full block grant, the State cost for an additional dollar of cash assistance is now \$1. Because the Federal Government funds the benefits under the Food Stamp Program (sharing the costs to administer the program with State and local governments), States have an incentive to shift welfare costs to the Food Stamp Program. Conservative estimates of only a 9-percent decline in State TANF expenditures will lead to a \$2.3-billion increase in food stamp expenditures, even in the absence of a recession.