The Food Stamp Program

Food stamps help low-income families and individuals purchase nutritious low-cost meals. The Food Stamp Program is the largest noncategorical Federal welfare program, serving approximately 23 million people a month—9 million families—and providing nearly $20 billion in benefits in 1997. Federal spending on food stamps has traditionally exceeded Federal expenditures on both Aid to Families with Dependent Children (AFDC) and housing assistance programs. The Federal Government funds the benefits under the Food Stamp Program but shares costs to administer the program with State and local governments.

History

The original legislation authorizing food assistance for low-income persons in the United States was passed during the Great Depression. Section 32 of Public Law 72-320 (The Potato Control Act of 1935) allowed the Secretary of Agriculture to use 30 percent of the receipts from U.S. Customs to encourage exports of agricultural products, finance agricultural production, and "...encourage the domestic consumption of such commodities or products by diverting them, by payment of benefits or indemnities, or by other means from the natural channels of trade and commerce."

In 1961, President Kennedy instituted eight pilot food stamp projects affecting 392,400 people at a Federal cost of $29 million. Secretary of Agriculture Orville Freeman gradually expanded the pilot program under the auspices of Section 32 of the Agriculture Adjustment Act and then institutionalized it under the Food Stamp Act of 1964. The 1964 Act was initially authorized for 3 years to:

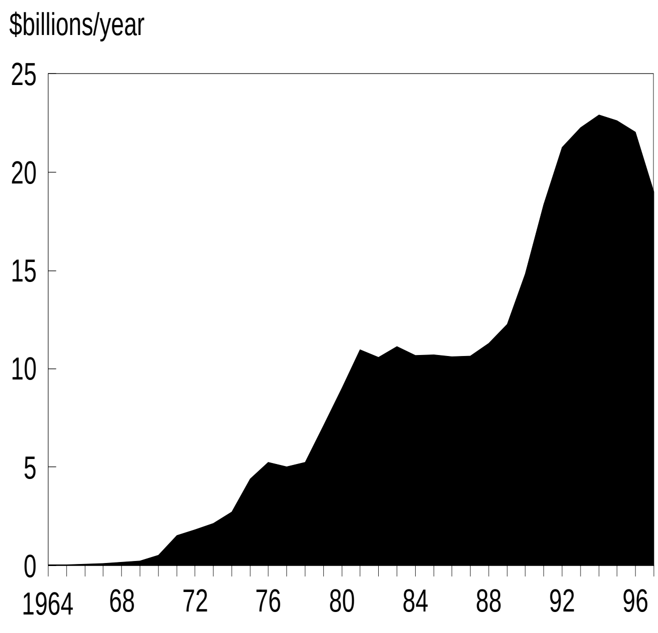
> promote the general welfare, that the nation's abundance of food should be utilized cooperatively by the State, the Federal Government, and local government units to the maximum extent practicable to safeguard the health and raise the levels of nutrition among low-income households [P.L. 8-525, 78 Stat.].

The Food Stamp Act defined the essential objectives of the program as: using the Nation's food supply, removing surplus, and promoting the nutritional well-being of low-income people. Although the specific characteristics, requirements, and emphasis of the Food Stamp Program have changed over the last 35 years, these objectives continue to guide the Food Stamp Program.

The largest expansion of the program occurred from 1974 to 1994 (fig. 1). This growth occurred for three reasons. In 1974, a congressional amendment extended the Food Stamp Program to all counties and second, 1974 was hit hard by a recession, which combined with food price inflation, increased the need for food assistance to low-income households. This 1974 amendment ensured that all eligible residents of a State could receive benefits. The Food Stamp Act of 1977 made further changes. Most notable for increasing participation was the elimination of the purchase requirements. Households no longer had to pay for the maximum benefits, instead they are issued the net benefit (their maximum minus what the program rules determine what they are expected to pay for food from their own resources). A number of causes led to expanding the Food Stamp Program in the late 1980's. These included increased participation due to program changes expanding eligibility, lower wages due to a bifurcated labor market, changing family structure, strategic behavior by States, and declining macroeconomic conditions.

The total Food Stamp Program cost declined from $24.3 billion in 1996 to $21.5 billion in 1997. By

Figure 1
Food Stamp Program benefits, 1964-97



Source: U.S. Department of Agriculture, 1998.

comparison, in 1990, the program served an average of 20.1 million people a month and cost $15.5 billion; in 1985, 19.9 million people and $11.7 billion; in 1980, 19.2 million people and $8.4 billion; in 1975, 16.3 million people and $4.4 billion; and in 1970, 4.3 million people and $577 million. The program's all-time high participation was 28 million people in March 1994.

Participation

To participate in the Food Stamp Program, households must meet eligibility requirements based on citizenship, income, and asset ownership. U.S. citizens and some aliens who are admitted for permanent residency may qualify. PRWORA ended eligibility for many aliens, and placed time limits on benefits for able-bodied, childless adults. Households may have no more than $2,000 in assets, such as a bank account ($3,000 if at least one person in the household is age 60 or older). The value of a vehicle above $4,500 (or the entire equity, whichever is larger, for some vehicles) is also considered as an asset unless it is used for work or for transporting disabled persons. Certain resources such as a home are not counted.

The gross monthly income of most households cannot exceed 130 percent of the Federal poverty guidelines. The 1998 Federal poverty guidelines define the poverty threshold for a family of three with two children as $1,445 per month. Gross income includes all cash payments to the household. Net monthly income must be 100 percent or less of the Federal poverty guidelines. Net income is computed by subtracting a standard deduction, deductions for child and dependent care expenses, court-ordered child support payments made to nonhousehold members, excess shelter expenses, out-of-pocket medical care expenses in excess of $35 per month for elderly or disabled members, and 20 percent of earned income. Households with an elderly or disabled member are subject only to the net income test. PRWORA placed caps on the amount of extra shelter costs that could be deducted, froze the standard deduction at $134, and required most able-bodied adult applicants to meet certain work requirements.

The maximum amount of food stamps a household receives varies by household size and is adjusted annually for changes in the cost of the Thrifty Food Plan (suggested amounts of foods that make up a nutritious diet and can be purchased at a relatively low cost). Because households are assumed to spend about 30 percent of their income on food, an individual household's food stamp allotment is equal to the maximum allotment for that household's size, less 30 percent of the household's net income. Households with no countable income receive the maximum allotment. In 1998, single-person households were eligible for a maximum of $122 worth of coupons a month, and a family of eight for a monthly maximum of $735 in coupons (table 1). In 1996, the average food stamp household received a monthly food stamp benefit of $174 and had an average household size of 2.5 persons (U.S. Department of Agriculture, 1998).

Characteristics of Participants

In fiscal year 1996, 59.5 percent of food stamp households had children, 16.2 percent had elderly persons, and 20.2 percent had disabled persons. About 60 percent of the children were school age, and over two-thirds of the adults were women. Over 90 percent of the food stamp households lived in poverty and 42 percent of participating food stamp households had gross income of less than 50 percent of the poverty threshold. Eighty-five percent of food stamp households, receiving 89 percent of food stamp benefits, contained a child, an elderly person, or a disabled person. Households with children, because of their larger average household size (3.3 compared with 2.5 persons), received a larger average monthly food stamp benefit ($237). Most food stamp households with

Table 1—Monthly food stamp allotments, fiscal year 1998

People in household	Maximum monthly allotment
	Dollars
1	122
2	224
3	321
4	408
5	485
6	582
7	643
8	735

Source: U.S. Department of Agriculture, 1998.

children were single-parent receiving support from the Temporary Assistance to Needy Families Program (TANF). About one-quarter of food stamp households had earned income. (Table 2 has more details about the characteristics of the program and participants.)

For many low-income households, food stamps provide a major share of the family's total purchasing power. For the average food stamp household consisting of a single female head of household with two children, food stamps comprise about 25 percent of the family's household resources. In States with relatively low benefits through the AFDC program, this share exceeded 50 percent (Ohls and Beebout, 1993).

Food stamps have a significant impact on the extent of poverty in the United States. If the nominal dollar value of food stamp benefits is added to food stamp recipients' income, there is a significantly different distribution of poverty status among food stamp recipients (table 3). Specifically, this alternative measure of income is sufficient to move an additional 6 percent of food stamp recipients above the poverty threshold. Food stamp benefits had an even greater impact on the poorest households, moving an additional 23 percent of food stamp households above 50 percent of the poverty guideline.

Changing Welfare Legislation

Prior to welfare reform, the main cash assistance program was Aid to Families with Dependent Children (AFDC), established as part of the Social Security Act of 1935 to serve single parents with children under age 18. Each State set its own eligibility requirements and support levels, and these varied widely. In 1994, for a family of three, Mississippi provided the lowest benefits ($120 per month) in the 48 contiguous States, and Connecticut provided the highest ($680 per month). The inflation-adjusted value of AFDC payments had declined dramatically. The median amount paid by a State was $792 per month (in 1994 dollars) to a three-person family in 1970, but had declined to only $435 by 1993, a drop of nearly 45 percent.

Table 2—Program and participant characteristics for the Food Stamp Program (current dollars)

Characteristics	1980	1990	1995
Program characteristics:			
Total Federal outlays (million dollars)	9,188	16,512	24,600
Participation rate (percentage of U.S. population)	8.4	8.0	10.1
Average monthly participation (millions)	21.1	21.5	26.6
Average monthly benefit per person (dollars)	34.4	59.0	70.0
Participant characteristics (percentages)			
Food stamp recipient households:			
With gross monthly income—			
Below the Federal poverty level	87	92	90
Between 100 and 130 percent of poverty level	13	8	10
With earnings	21	19	25
With public assistance income*	70	73	73
With AFDC income	41	43	42
With Supplemental Security Income (SSI)	19	19	20
With children	59	61	53

*Public assistance income includes AFDC, SSI, and general assistance.

Source: *Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means*. Washington, DC: Government Printing Office, 1989, 1995.

Table 3—Effect of food stamp benefits on poverty, 1995

Gross income as a percentage of the poverty threshold	Distribution of household income relative to poverty threshold		
	Without food stamps	Food stamps included as income	Percent change
<50%	42	19	-23
50-100%	50	66	16
>100%	9	15	6

Source: U.S. Department of Agriculture, 1998.

With the passage of welfare reform, AFDC was replaced with a new program called Temporary Assistance for Needy Families (TANF). Under AFDC, States committed a certain amount of assistance per recipient, and the Federal Government matched every dollar of State aid with approximately $1.10 of Federal aid. Under the block-grant structure of TANF, however, every State is given a fixed sum of Federal money (based on recent spending levels for AFDC) and, with a wide amount of latitude, the States are free to design how to provide this assistance. For example, States can use what was previously cash assistance to set up job training programs to give recipients skills to enter the work force. The assumption is that this increased freedom enables States to construct welfare programs that meet the particular needs of their low-income population.

The Act also ended the Federal guarantee of some minimum standard of living for poor families with children. Under AFDC, this guarantee was made without employment demands placed on the heads of families and without time limits. PRWORA stipulated that by 1997, 25 percent of the single-parent families receiving TANF benefits must be working at least 20 hours a week, and, by 2002, 50 percent must be working at least 30 hours a week. For two-parent families, 90 percent must be working a combined 35 hours a week by 1999. If States do not meet these requirements, their grant from the Federal Government will be cut by 5 percent the first year and an additional 2 percent in each subsequent year. This provides an impetus for States to move families into the workplace and off welfare.

The unrestricted nature of AFDC was also changed. Under TANF, recipient families can receive benefits funded by Federal monies for a lifetime total of only 5 years. States can make this limit less binding by exempting up to 20 percent of their families from the 5-year limit. But, they can also impose stricter limits—as little as 2 years of receiving assistance.

The Act cut more funds from the Food Stamp Program than any other program, through reductions in household benefits and restrictions in eligibility. Expenditures for the Food Stamp Program are projected to decline by about $22 billion during 1997 to 2002 from what expenditures would have been without reforms. The benefit levels for recipients fell from an average of 80 cents per person per meal to 75 cents. This reduction occurs for several reasons: a family (one or more persons) can now receive food stamps worth a maximum of 100 percent of the cost of USDA's Thrifty Food Plan, down from 103 percent; the standard deduction used in calculating the benefit levels of households is capped at 1996 levels; increases in the deduction for shelter expenses are specified through 2001, after which it no longer increases (whereas it would have been unlimited); some non-Federal energy assistance is now counted toward household income; and the earnings of primary or secondary school students older than age 17 (instead of 22) are now counted toward household income.

Along with reducing household benefits, the Act generated cost savings by making approximately 1.3 million food stamp recipients ineligible. Most legal immigrants are now ineligible. In 1996, about 7 percent of all Food Stamp Program participants were legal immigrants. However, refugees and those with political asylum may be eligible for 5 years from the date admitted or granted asylum. Immigrants admitted for lawful permanent residence may be eligible if they have U.S. military service or if they can be credited with at least 40 quarters of qualified work (their own or a spouse or parent). Forty quarters of work is approximately 10 years of work. Eligibility was restored, however, for some legal immigrants who were present before 1996: children under age 18, persons over age 65, and disabled persons.

Able-bodied adults between the ages of 18 and 50 and without dependents who are working fewer than 20 hours a week are eligible for food stamps for only 3 months in any 36-month period. However, States can apply for waivers that exempt these adults from the work requirement in areas where the unemployment rate exceeds 10 percent or where employment opportunities are scarce. Forty-three States and the District of Columbia have applied for waivers for at least one area in their State.

The Balanced Budget Act of 1997 further changed the Food Stamp Program, especially in terms of able-bodied adults without dependents (ABAWDs). It allows States to grant exemptions of the work requirements for up to 15 percent of ABAWDs not otherwise subject to those requirements. In addition, due to concerns that some nonexempted ABAWDs living in non-waived areas who wanted to work but were unable to find work and/or did not have the necessary skills to work were being removed from the Food Stamp Program, the Balanced Budget Act increases the amount of money available for the Food Stamp Employment and Training (E&T) Program. The Act also requires at least 80 percent of E&T funds be used to provide qualifying services to ABAWDs.

PRWORA promotes self-sufficiency among food stamp recipients by strengthening existing work requirements, simplifying program administration by expanding the States' flexibility in setting requirements for service to recipients, and strengthening program integrity by increasing penalties against retailers and recipients who violate program rules. By not block granting the Food Stamp Program, the program's entitlement status was retained, thus preserving the national nutritional safety net.

Other titles of the PRWORA also affect the Food Stamp Program. Most estimates, CBO (Congress of the United States, 1996) for example, suggest households will receive lower average cash assistance payments relative to the old law and consequently, higher food stamp benefits. Under current rules, each dollar lost in cash would increase a participating household's food stamp benefits by 30 cents. CBO estimates the incomes of AFDC families would decline relative to current projections by $2.3 billion in 2002, generating a food stamp cost of nearly $700 million. By 2002, the block grant amount is 10 percent lower than projections of spending under the old law on AFDC and related programs. For the purposes of determining food stamp costs, CBO assumes cash benefits funded by the block grant will be 10 percent lower than under the old law in 2002. In addition, CBO assumed that by 2002 States, on average, would spend 15 percent less of their own funds on cash benefits than under the old law. Similarly, tighter eligibility criteria for children seeking disability benefits under the Supplemental Security Income Program are expected to increase expenditures on food stamps by $290 million in 2002 and by $1.2 billion over 1997-2002.