THE HAMILTON PROJECT

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Strengthening SNAP for a More Food-Secure, Healthy America

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MISSION STATEMENT

The Hamilton Project seeks to advance America's promise of opportunity, prosperity, and growth.

We believe that today's increasingly competitive global economy demands public policy ideas commensurate with the challenges of the 21st Century. The Project's economic strategy reflects a judgment that long-term prosperity is best achieved by fostering economic growth and broad participation in that growth, by enhancing individual economic security, and by embracing a role for effective government in making needed public investments.

Our strategy calls for combining public investment, a secure social safety net, and fiscal discipline. In that framework, the Project puts forward innovative proposals from leading economic thinkers — based on credible evidence and experience, not ideology or doctrine — to introduce new and effective policy options into the national debate.

The Project is named after Alexander Hamilton, the nation's first Treasury Secretary, who laid the foundation for the modern American economy. Hamilton stood for sound fiscal policy, believed that broad-based opportunity for advancement would drive American economic growth, and recognized that "prudent aids and encouragements on the part of government" are necessary to enhance and guide market forces. The guiding principles of the Project remain consistent with these views.

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Strengthening SNAP for a More Food-Secure, Healthy America

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NOTE: This discussion paper is a proposal from the author. As emphasized in The Hamilton Project's original strategy paper, the Project was designed in part to provide a forum for leading thinkers across the nation to put forward innovative and potentially important economic policy ideas that share the Project's broad goals of promoting economic growth, broad-based participation in growth, and economic security. The authors are invited to express their own ideas in discussion papers, whether or not the Project's staff or advisory council agrees with the specific proposals. This discussion paper is offered in that spirit.

BROOKINGS

Abstract

The Supplemental Nutrition Assistance Program (SNAP) is the fundamental safety-net program in the United States. Over its fifty-year history, it has effectively reduced hunger and buffered American families against economic downturns. This paper provides an overview of SNAP's shortcomings, and a proposed detailed policy agenda to improve SNAP's effectiveness. In particular, I propose to subsidize healthy foods in order to encourage better nutrition among SNAP recipients and to reform eligibility and payment rules to enable SNAP to better fight hunger and support program beneficiaries.

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Chapter 1: Introduction

A. THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

The Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp Program, is designed to supplement a family's cash resources so that it can purchase an adequate and nutritional diet. The Food Stamp Program was first enacted into law with the passage of the Food Stamp Act of 1964, appropriating $75 million to 350,000 recipients. To reduce stigma, the name of the program was changed in 2008 to the Supplemental Nutrition Assistance Program (U.S. Department of Agriculture [USDA] 2013a). Today, as the largest antihunger program in the United States, SNAP provides almost $75 billion in benefits to approximately one in eight American families. As the economy recovers, fewer American households will need to rely on SNAP benefits.

SNAP benefits can be used to purchase most foods at grocery stores and farmers markets. Exemptions include prepared foods (such as hot foods intended for immediate consumption), vitamins, paper products, pet foods, alcohol, and tobacco. Benefits are typically paid once per month on an electronic benefit transfer (EBT) card, similar to a debit card, that recipients can use in a checkout line. Benefits tend to be modest. Average benefits in 2013 were $275 per household per month, or $133 per person. In 2013 the maximum monthly SNAP benefit for a single individual was $200 per month, which means that if a single individual has no income other than SNAP, she is able to consume at a level equal to 20 percent of the poverty threshold.

Families qualify for SNAP benefits based on income and deductions for living expenses. In general, to qualify for benefits family income before deductions must be less than 130 percent of the poverty line. In 2013, the poverty line for a four-person family was $23,550, meaning that a family of four earning less than $30,615 could qualify for benefits (U.S. Department of Health and Human Services [HHS] 2013). The level of benefits is determined by a formula that accounts for cost-of-living items such as housing and child-care costs; only those families with incomes below the poverty line after deducting these costs qualify for benefits.

The population of SNAP beneficiaries is diverse, but most beneficiaries are children, elderly individuals, or persons with disabilities. In 2011 nearly half of SNAP beneficiaries were children, and an additional 19 percent were elderly or disabled adults. An increasing share of the caseload combines benefit receipt with employment. Among households with working-age, nondisabled adults, the majority of adults are employed the month they receive SNAP benefits (Rosenbaum 2013). Overall, almost 30 percent of SNAP households reported earned income, up 5 percentage points since 1997 (Institute of Medicine [IOM] and National Research Council [NRC] 2013).

SNAP targets benefits toward households based on demographic characteristics. In particular, working-age adults without dependents are severely limited in their eligibility to receive regular SNAP assistance. These adults, often referred to as ABAWDs (able-bodied adults without dependents), can receive only three months' worth of SNAP benefits every three years; this restriction is temporarily lifted in times of economic distress.

B. THE CURRENT POLICY CONTEXT

Escalating costs and rising participation rates in SNAP have caused some policymakers to question the program's cost effectiveness. Some are concerned that work requirement guidelines and time limits among childless adults are not strict enough, while others are concerned that the program may be too generous, and may serve as a disincentive to work.

By design, SNAP expenditures and participation levels rise during economic downturns; during the Great Recession SNAP benefits were expanded to better meet the nutrition needs of families and communities in economic distress. Notably, the American Recovery and Reinvestment Act (ARRA) of 2009 temporarily raised maximum monthly benefits by 13.6 percent for all participating households—an added monthly SNAP benefit of about $80 for a four-person family. However, this provision expired on November 1, 2013, after which monthly benefits fell by $36 for a four-person family (Dean and Rosenbaum 2013).[1]

Despite the recent decline in funding, recent Congressional proposals have sought to cut SNAP even further. The Federal Agriculture Reform and Risk Management Act of 2012 (the Farm Bill) that the House Agriculture Committee approved last year would have cut SNAP benefits by $16.5 billion over ten years—eliminating benefits for 2 million to 3 million low-income recipients (Rosenbaum and Dean 2012). The Nutrition Reform and Work Opportunity Act of 2013, which the House passed this past September, would cut SNAP benefits by at least $39 billion over the next decade. The Congressional Budget Office (CBO) estimates that an average of 3 million people a year would lose benefits if the bill were enacted (CBO 2013). The Senate-passed Farm Bill of 2013 would reduce SNAP by about $4 billion over ten years. Despite some opposition in Congress, SNAP is recognized by many as America's key antihunger and antipoverty program.

C. OVERVIEW OF PROPOSED REFORMS

Together with the Earned Income Tax Credit (EITC), SNAP is the cornerstone of the social safety net for families with children, and is credited for lifting 2.2 million children out of poverty in 2012 (Center on Budget and Policy Priorities [CBPP] 2013b). But because the EITC is designed to provide benefits only when a household has an employed worker, its effectiveness is limited in times of high unemployment. In contrast to the EITC, SNAP is designed with flexibility both to support work and to ensure consumption during unemployment. SNAP is especially effective during economic downturns because benefits are not contingent on wages, a policy that becomes increasingly important for workers when unemployment is high. Though SNAP payments and caseloads increased during the Great Recession, CBO predicts that these numbers will fall over the coming years as the economy hits its stride.

In this discussion paper I argue that SNAP has proven to be an efficient and effective program. I recommend that policymakers protect and maintain existing budget resources for this effective antihunger program. However, despite the overall high level of effectiveness of SNAP, there are nonetheless ways in which the program can be strengthened. Specifically, I propose five targeted reforms to SNAP to ensure improved administration, superior incentives for healthy eating, improved coverage during economic recessions, and benefit levels that more adequately meet nutritional needs.

First, I propose offering a price rebate for every $1.00 that recipients spend on targeted fruits and vegetables in order to offset the recent price increase for healthy foods and to promote better nutrition. This rebate is based on the Healthy Incentives Pilot (HIP) program, in which SNAP recipients were given a rebate of $0.30 for every $1.00 they spent on a narrowly defined group of fruits and vegetables. The results from HIP were promising: as a result of the rebate, consumption of the targeted goods increased by 25 percent.

I next propose three modifications to the current SNAP benefit formula in order to better estimate the value of benefits a family will need. Currently, the benefit formula is based on two major inputs: a family's diet cost—determined using the Thrifty Food Plan (TFP)—and a family's net income. The first modification is to establish a more realistic minimum spending target for food consumption than the outdated approximation of the TFP by updating the TFP with a time adjustment. The second modification is an increase in the earned income deduction to 30 percent—which currently stands at 20 percent and exists to help families offset employment costs—in order to more aggressively limit disincentives for work. The final modification to the benefit formula is an increase in the cap on the deduction for excess shelter costs—which acts similarly to the earned income deduction to offset the cost of housing—to raise benefits for recipients living in areas of high-cost housing.

Finally, I propose, at a minimum, to preserve the current state-level waivers that allow out-of-work adults to receive food benefits when an area has unemployment exceeding 10 percent, or when it has insufficient jobs. Periods of high unemployment can be especially challenging for unskilled and undereducated job seekers, and the waiver provision allows these individuals access to adequate nutrition during prolonged job searches. In addition to maintaining these safeguards, I propose relaxing the benefit restriction on ABAWDs to allow up to six months of benefits every twelve months. Currently, ABAWDs are restricted to receiving benefits for only three months every three years; such a time restriction does not provide a sufficient window for many low-skilled job seekers to find employment.

Together these three sets of reforms will strengthen SNAP through a series of targeted adjustments while maintaining its role as a key part of our nation's safety net.

Chapter 2: The Crucial Role of SNAP in the Social Safety Net

A. SNAP AS AN ANTIHUNGER PROGRAM

One key measure of hunger is the official U.S. measure of food insecurity, which is tracked by USDA. To measure a household's food security status, adults in the Current Population Survey are asked a series of questions ranging from questions about whether they experienced worry that they would run out of money for food; to whether an adult in the family has had to skip a meal, go hungry, or go for a day without eating because there was not enough money for food; to whether a child in the family had to skip a meal, go hungry, or go for a day without eating. If a household answers "yes" to none or very few of the questions, it is considered to be food secure. Households that answer "yes" to more of the questions are classified as food insecure or as having very low food security (Coleman-Jensen, Nord, and Singh 2013).

SNAP benefits are an effective tool for mitigating food insecurity since they increase a family's ability to purchase food. A recent study by USDA revealed that SNAP participation is associated with a reduction in overall food insecurity rates by 10 percentage points over a six-month period from the time a household enters the program. Furthermore, food insecurity rates for children decreased by about one-third during this same period, from about 32 percent among SNAP-participating households to about 22 percent (Mabli et al. 2013). Additional USDA research has found that the temporary benefit boost under ARRA decreased the number of food-insecure and very-food-insecure households by about 530,000 and 480,000, respectively (Nord and Prell 2011). Similarly, another study found that for school-aged children without access to USDA's summer food program, boosting summer SNAP benefits reduced the number of households

FIGURE 1.

Rates of Food Insecurity, 1998–2012

Source: Anderson et al. 2013.

Note: Vertical gray line denotes Great Recession.

with very low food security by nearly 20 percent (Dean and Rosenbaum 2013).

Hunger in the United States spiked both during and after the Great Recession. As shown in figure 1, in 2012 over 14 percent of all households were food insecure at some point throughout the year. Furthermore, 20 percent of households with children experienced food insecurity. These rates increased nearly 35 percent from their pre-recession levels (Anderson et al. 2013).

Furthermore, this increase in food insecurity has not merely been driven by declining incomes during the recession. Figure 2 illustrates food insecurity rates before and after the Great Recession, conditional on income. As evidenced by the position of the purple line (post–Great Recession) above the teal line (pre–Great Recession), a larger percentage of households at every income level experienced food insecurity following the recession. This implies that, regardless of income, food insecurity became increasingly prevalent for many households during and after the Great Recession (Anderson et al. 2013).

An additional concern is that food insecurity may be intensifying. Americans are not only feeling more insecure about food, as measured by reports of worry and anxiety, but they also report less access to food. Referring back to the definition of how the U.S. government tracks food insecurity with household surveys, there has been an increase in affirmative responses to almost every question that is asked in the food insecurity questionnaire. In fact, recent data show that there has been an increase in reported skipped meals and hunger among both adults and children (Anderson et al. 2013). These unfortunate trends underscore the critical role of a support program to prevent hunger among U.S. households.

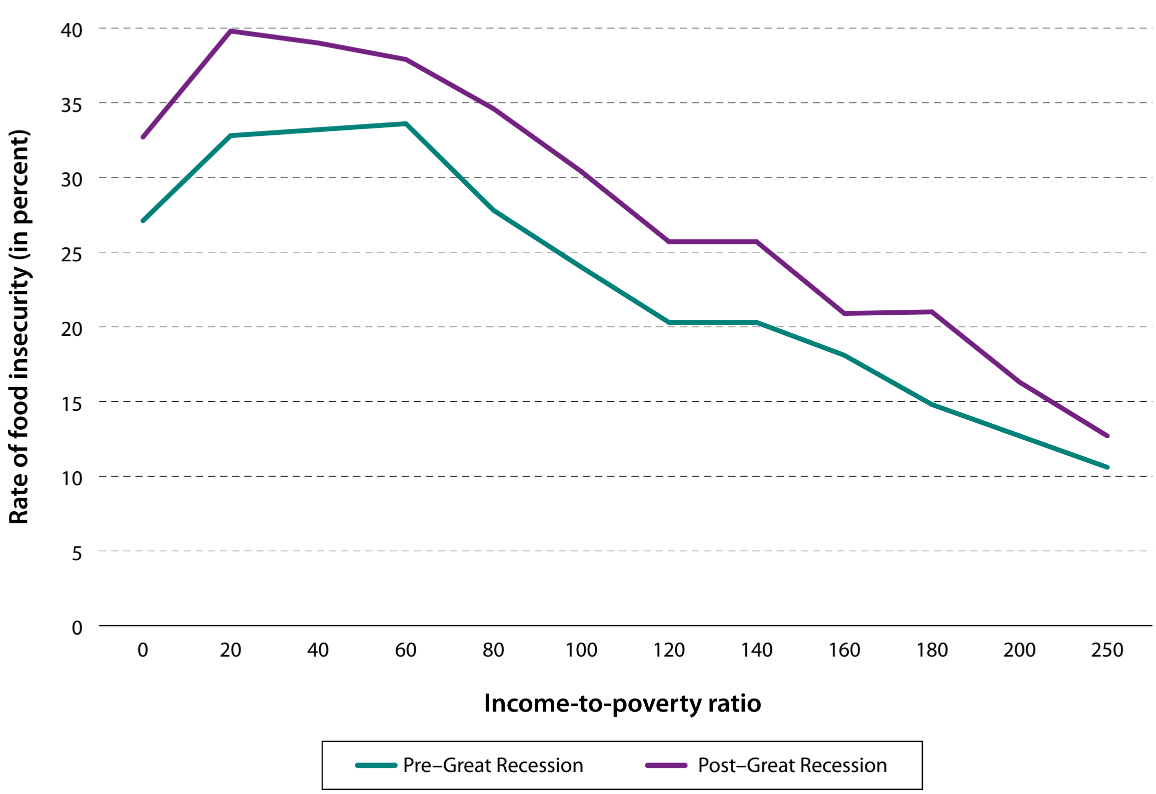
B. SNAP AS AN ECONOMIC STABILIZER AND SOCIAL SAFETY NET

SNAP plays the important role of an economic stabilizer, meaning that caseloads rise during economic downturns and fall when the economy is strong. It is by design of the safety-net program that when households' economic security decreased—that is, when unemployment and joblessness rose, leaving families with lower levels of income—eligibility for SNAP increased.

SNAP's role as an economic stabilizer was highlighted during and after the Great Recession; figure 3 shows the relationship between the change in SNAP caseloads per capita and the change in the unemployment rate between 2007 and 2009. During the Great Recession, states with higher unemployment rates had higher per capita levels of SNAP spending. Note that the sizes of the circles are proportional to population levels;

FIGURE 2.

Rates of Food Insecurity by Income-to-Poverty Ratio

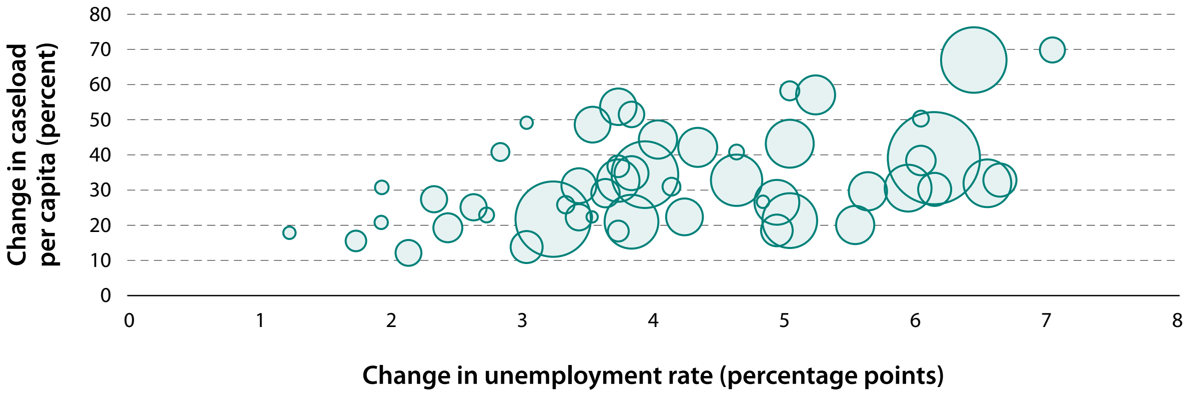


Source: Anderson et al. 2013.

Note: Pre–Great Recession data average 2001–2007, post–Great Recession data average 2008–2010.

FIGURE 3.

Change in Unemployment Rate and SNAP Caseload, 2007–2009



Source: Bitler and Hoynes 2011.

Note: The center of each circle plots the change in the unemployment rate and the percent change in food stamp caseloads for each U.S. state between 2007 and 2009. Circle sizes are proportional to state populations.

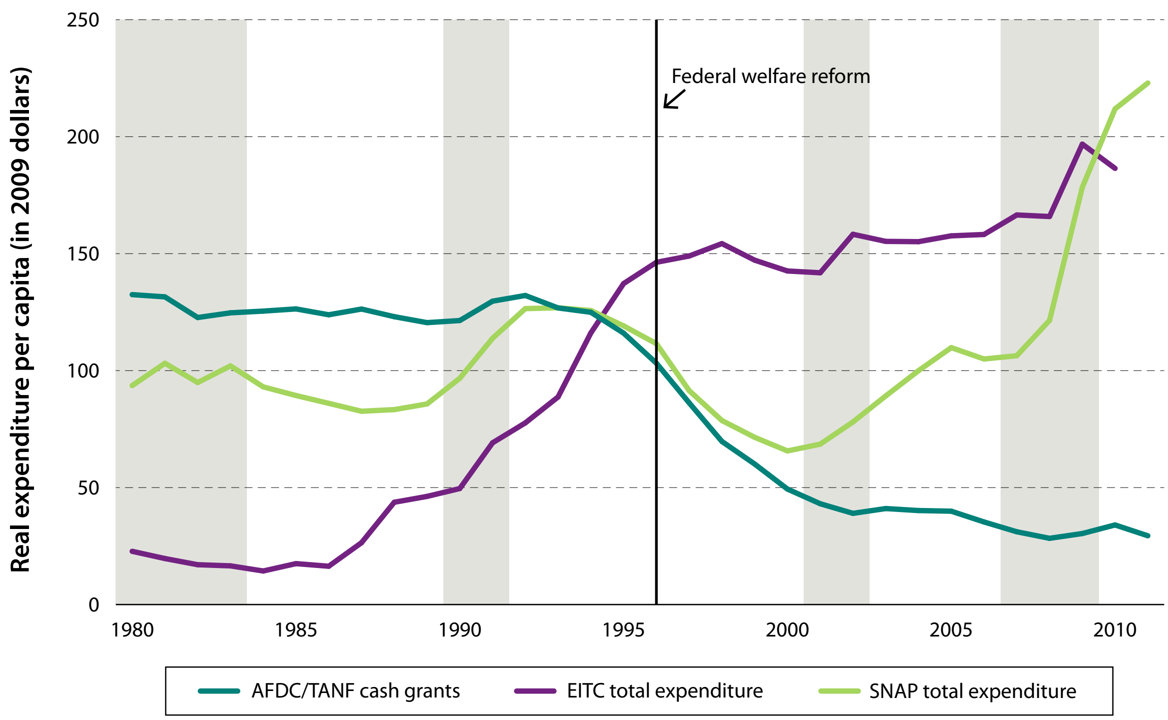
larger states, such as California and Texas, are represented by larger circles, while smaller states, such as Rhode Island and Delaware, are represented by smaller circles.

SNAP also stimulates the economy and provides benefits beyond the additional food security for recipients. Since SNAP benefits are spent quickly, they provide a boost to local economies through channels such as the retail, wholesale, and transportation systems that deliver the food purchased. The USDA estimates that every $5 in new SNAP benefits generates as much as $9 of economic activity. This translates into almost 10,000 jobs created for every $1 billion in total SNAP spending (Hanson 2010).

SNAP's role as a safety-net program has increased in importance over the last decade. Spending per capita on three

FIGURE 4.

Real Expenditure per Capita on Cash and Near-Cash Safety-Net Programs, 1980–2011



Source: Hoynes 2012.

Note: Shading indicates years of labor market contractions. AFDC is Aid to Families with Dependent Children, TANF is Temporary Assistance for Needy Families.

major social safety-net programs—cash welfare, SNAP, and the EITC—is shown in figure 4. After the 1996 welfare-reform law, and particularly during the Great Recession (represented by the vertical black line and the right-hand gray shaded area, respectively), spending on SNAP and the EITC increased dramatically. Perversely, though, high unemployment has the potential to undermine the ability of the EITC to offset economic downturns; if an individual has no earnings, the EITC provides no subsidy. This speaks to the limitation of the EITC as a safety-net program per se, and to the need for a program such as SNAP, which is designed to serve more households precisely when economic conditions worsen.

C. SNAP AS AN INVESTMENT IN CHILDREN

Recent research has documented that the benefits of the SNAP safety net for children are broader than previously thought. SNAP is among the most effective policies currently on the books for reducing child poverty. According to the Census Bureau's Supplemental Poverty Measure, in 2012 SNAP lifted almost 2.2 million children out of poverty, second only to the EITC (CBPP 2013b).

Furthermore, not only do food stamp benefits reduce poverty, but they also help prevent the lasting negative effects of hunger during childhood. Growing literature in economics and medicine has documented the importance of early-life events on adult outcomes such as earnings and mortality (Almond and Currie 2011). Recent evidence has quantified the spillover and long-term impacts of SNAP benefits by studying birth cohorts that had differential access to SNAP—originally known as the Food Stamp Program—in utero and during childhood. Almond, Hoynes, and Schanzenbach (2011) found not only that the Food Stamp Program led to higher birth weight overall, but also that this effect was strongest in counties with higher rates of baseline poverty. A separate study found that adults' health—as measured by self-reported health status, obesity, and reported diagnoses of diabetes and other chronic conditions—was markedly improved if they had access to the safety net during childhood, with heightened impacts for younger children (Hoynes, Schanzenbach, and Almond 2012). Among women, the study found improvements in adult economic outcomes ranging from increased high school diploma attainment and higher earnings, to reduced likelihood of being reliant on the safety net during adulthood. Providing benefits to children at important stages of their development allows them to invest in the skills that will enable them to escape poverty as they grow up. Overall, the results suggest that SNAP complements and enriches human capital investment.

Chapter 3: The Challenge

A. HIGH OBESITY RATES

SNAP aims not only to mitigate food insecurity, but also to promote access to healthy foods. Yet Americans across the income spectrum do not eat enough healthy foods. For example, fewer than half of the U.S. population meets current dietary guidelines for the consumption of fruits or vegetables. Furthermore, members of low-income households are even less likely to meet dietary guidelines for fruits and vegetables than are members of higher-income households (Government Accountability Office [GAO] 2008).

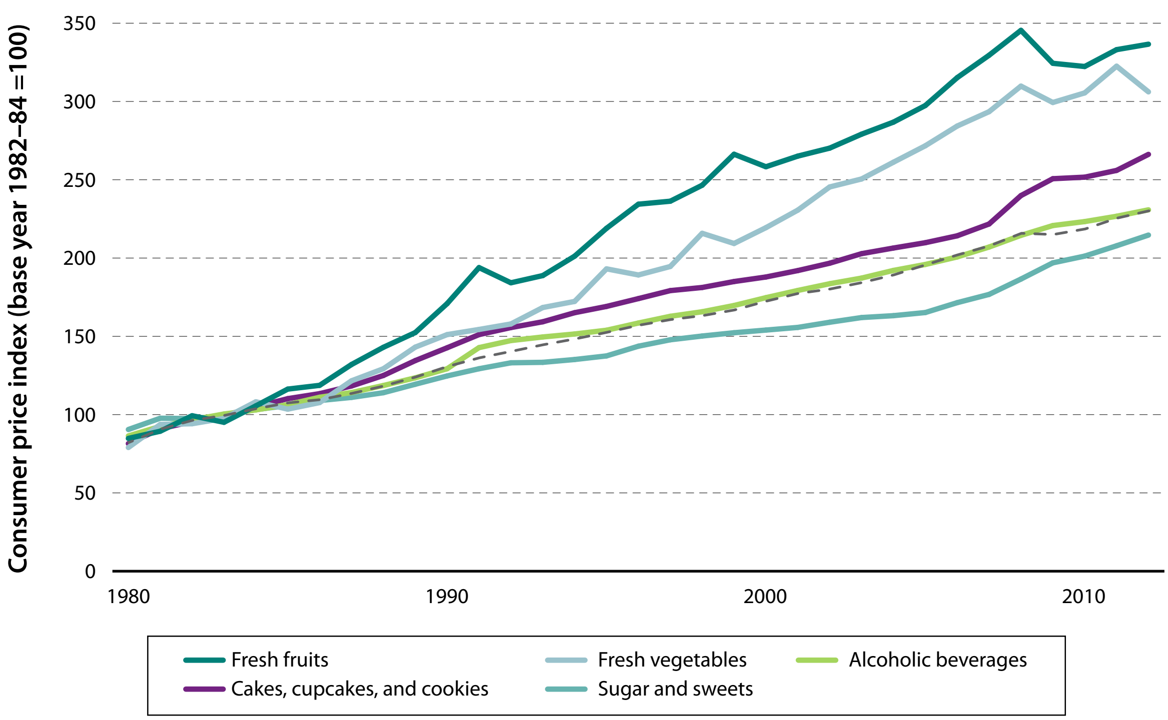
Nationwide, the prevalence of obesity has soared in recent years with more than one-third of adults and almost 17 percent of youth obese (Ogden et al. 2012), suggesting that the latter goal is not being met. Furthermore, obesity rates are higher among lower-income populations, and especially among low-income women. While SNAP has aimed to address the obesity epidemic in recent years through expanded access to fresh produce and other healthy foods by increasing the number of farmers markets that accept benefits by 400 percent, it has not gone far enough in promoting the purchase of healthy foods (USDA 2012b).

Perhaps contributing to the increase in obesity and lack of good nutrition among low-income families is the relative price increase over the past thirty years of healthy foods such as fresh fruits and vegetables, compared to unhealthy foods such as cakes and cookies, as documented in figure 5. This has led to recent concern that healthy food options may not be priced affordably, and that SNAP recipients lack the information and funds to have a balanced diet (IOM 2012).

Currently, SNAP offers a program referred to as SNAP-Ed, which aims to provide nutrition education for both SNAP

FIGURE 5.

Price Levels by Food Category, 1980–2012



Source: Bureau of Labor Statistics (BLS) 2013c, 2013d.

Note: The dotted gray line represents the Consumer Price Index for All Urban Consumers (CPI-U).

recipients and low-income individuals. According to the USDA, the goal of SNAP-Ed is to "improve the likelihood that persons eligible for SNAP will make healthy food choices within a limited budget and choose physically active lifestyles consistent with the current *Dietary Guidelines for Americans* and MyPlate" (USDA 2012a). For example, these programs encourage recipients to fill half of their plates with fruits and vegetables, and to increase physical activity.

There is little evidence that these SNAP-Ed programs are effective at improving health outcomes among SNAP recipients. A recent evaluation by USDA of three SNAP-Ed interventions that aimed to increase the consumption of fruits and vegetables among preschoolers and elementary-age children found that the programs had no significant impact on the desired outcomes (Gabor et al. 2012). While there have been numerous studies on nutrition education programs, SNAP-Ed has yet to be rigorously evaluated. Despite ambiguity over the program's efficacy, $388 million in SNAP funding was allocated for nutrition education in 2012 alone.

B. THE BENEFIT FORMULA

As it currently stands, the SNAP benefit formula is fundamentally sound, but could be improved with minor adjustments. The primary concern regarding the formula is that earned income leads to rapid reductions in SNAP benefits, which might discourage work for some beneficiaries.

Under the present formula, a family's SNAP benefit is the difference between the maximum benefit—equal to the cost of food under the USDA's TFP—and the household's expected contribution, which is based on the assumption that families receiving benefits spend 30 percent of their net income on food. Specifically, the family benefit is calculated as

$$\text{family benefit} = \text{diet cost} - 0.3^*(\text{net income}).$$

Many factors figure into this calculation, which has remained largely unchanged since 1978. With regard to the net-income calculation, the program allows for several deductions to the household's gross monthly income—which includes both earned

BOX 1.

SNAP Benefit Calculation for a Family of Three

Gross income (monthly earnings at minimum-wage level): $1,256

Standard deduction for three-person household: $152

Earned income deduction (20 percent of gross income): $251

Dependent care deduction: $74

Shelter costs (e.g., housing, rent): $833

2014 maximum benefit for a family of three (TFP): $497

STEP 1. Add the standard, earned income, and dependent care deductions	$477
STEP 2. Subtract the resulting value from step 1 from gross income	$779
STEP 3. Divide the resulting value from step 2 by two	$390
STEP 4. Subtract the resulting value from step 3 from shelter costs (this will yield the excess shelter deduction)	$443
STEP 5. Subtract the resulting value from step 4 from the resulting value from step 2 (this will yield net income)	$336
STEP 6. Calculate 30 percent of net income	$101
STEP 7. Subtract the resulting value from step 6 from the maximum benefit (this will yield the monthly SNAP benefit for this family)	**$396**

Source: CBPP 2013a.

Note: In this calculation, the family of three consists of one full-time, minimum-wage worker with two children. The federal minimum wage is currently $7.25 an hour. This family's medical expenses deduction and child support deduction are both equal to $0.

There are several steps for calculating a family's net income based on their gross monthly income and the six deductions; the table above illustrates the calculation of SNAP benefits for a sample family of three. First, a family must add the values for the standard, earned income, dependent, child support, and medical expenses deductions (step 1). (Note that for this family, the medical expense deduction and child support deduction are both equal to $0.) Subtracting this sum from the gross monthly income yields a family's "adjusted income" (step 2). In order to calculate the value of the excess shelter deduction, a family must subtract half of their "adjusted income" from their shelter costs (steps 3 and 4). This step determines if shelter costs are more than half of the adjusted income, and the calculated difference is equal to the excess shelter deduction. This excess shelter deduction is then subtracted from the family's adjusted income to yield the family's net income (step 5). Mirroring the above formula, a family must then take 30 percent of their net income and subtract that value from their maximum benefit (steps 6 and 7). This final value is equal to the family's monthly SNAP benefits.

and unearned income, such as Social Security and unemployment insurance (UI)—in order to reflect the fact that not all of a household's income is available for food purchases (CBPP 2013a).

Specifically, the SNAP benefit formula allows for six deductions to gross monthly income. First, every family is allowed a standard deduction, based on family size, to take into account basic unavoidable costs. Second, in order to take into account work-related expenses and payroll taxes, families can apply the earned income deduction, which is equal to 20 percent of earnings. Families with dependents can also apply a dependent care deduction (equivalent to out-of-pocket child-care expenses for dependents) and a child support deduction (equal to any legally obligated child support a member of the household must pay). For families with an elderly or disabled adult, families can apply the medical expenses deduction, which is equal to out-of-pocket medical expenses greater than $35 a month. Finally, families can apply the excess shelter cost deduction to take into account the household's housing costs, although there is a cap on this deduction unless at least one of the household members is elderly or disabled.

This formula indicates that if a family has no net income, then it receives the maximum benefit amount, which is equal to the cost of food adjusted for family size under the TFP. For those families with some net income, a family's benefit is reduced by $0.30 for every additional $1.00 of net income based on the above assumption of a household's expected contribution. In other words, as income rises a family is expected to spend more of its own cash resources on food purchases, with the program making up for any remaining shortfall between the family's expected contribution and the price of an adequate diet. Fundamentally, the effectiveness of the program depends on whether the cost of an adequate diet is set appropriately, and whether net income is defined reasonably.

Level of benefits. SNAP is designed to supplement recipients' purchasing power so that through a combination of SNAP benefits and their own spending out of available cash resources recipients can afford to purchase enough food to feed their families under the TFP. The TFP is intended to be a "national standard for a nutritious diet at a minimal cost" (Carlson et al. 2007, ES-1). Under the TFP for a family of four, the estimated monthly cost of food is $632 as of June 2013 (USDA 2013b).

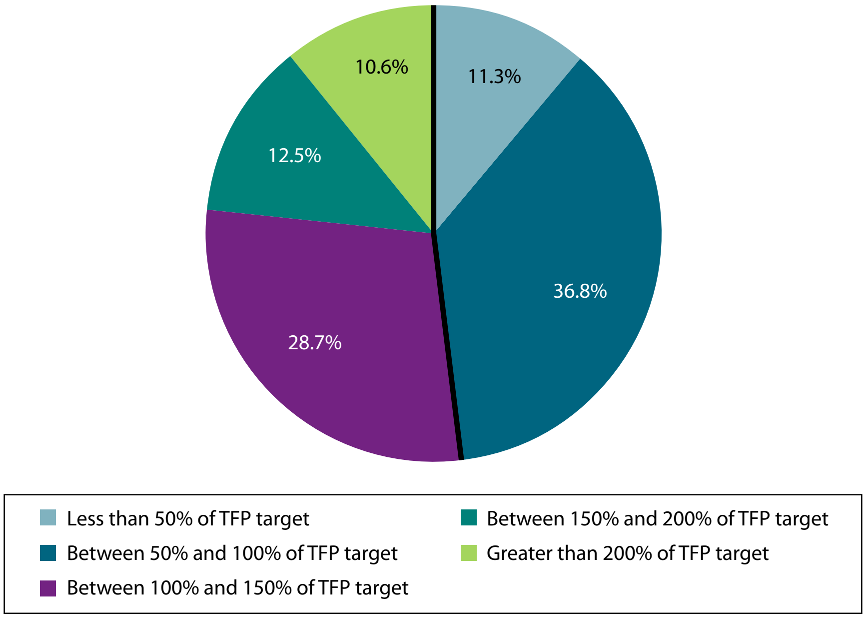
However, the TFP minimum spending target for food is based on outdated and inappropriate assumptions. In particular, the TFP implicitly assumes that households have unlimited time to prepare food (Davis and You 2010), and therefore are able to cook meals primarily from scratch instead of using prepared ingredients. Since householders add value to raw ingredients through their own cooking labor, scratch cooking is generally less expensive in terms of cash outlays. Davis and You (2011) estimate the amount of weekly labor assumed in TFP calculations to be thirteen hours of food preparation per week, almost twice the time it takes at the 95th percentile of time spent in food preparation among working single mothers. While the TFP assumptions about time use may have been defensible in the early days of the program, today more women have entered the labor force and more SNAP recipients are employed. Consequently, the embedded assumption that households primarily cook from scratch should be modified, understanding that this more-realistic dietary plan will likely cost more.

Fundamentally, the effectiveness of the program depends on whether the cost of an adequate diet is set appropriately, and whether net income is defined reasonably.

To further illustrate the unreasonably low minimum spending target set by the TFP, figure 6 compares the level of a household's spending on food to the TFP level for its family size using data from the Consumer Expenditure Surveys from 1989 through 2011 (Hoynes, McGranahan, and Schanzenbach 2013). Note that the figure is limited to households with income less than 200 percent of the poverty line, and that spending includes all spending on food, whether for consumption at home or away from home. Because food consumed away from home is more expensive on a per calorie basis, spending on food away from home is adjusted downward to a home-equivalent cost. Over the past twenty years the majority of low-income families spent more on food than would have been suggested by the cost of a minimally adequate food budget that the benefit formula is based on. This difference in spending compared to the TFP target may

FIGURE 6.

Household Food Spending as a Fraction of the Thrifty Food Plan Minimum Spending Target for Households under 200 percent of the Federal Poverty Level



Source: Hoynes et al. 2013.

indicate that some families face higher food prices than those assumed by the TFP, or that they choose to purchase a higher share of prepared foods.

Definition of net income. In addition to diet cost, the other primary input to the benefit formula is the calculation of net income. Net income is calculated as gross income (earned plus unearned income) minus a series of deductions (described above) representing an estimate of required household expenses. This subtraction of deductions from gross income is intended to provide a better measure of how much income a household has available for food purchases.

Two deductions, in particular, merit extra attention. First is the earned income deduction, which allows a household to deduct 20 percent of its earned income when calculating net income. This is intended to offset some of the additional costs a household incurs when working (e.g., commuting costs). The earned income deduction both promotes and supports work, since it ensures that SNAP recipients are financially better off even if they have increased earnings.

One concern, however, is that a 20 percent deduction is not enough to offset the increased costs associated with working. For example, if employment reduces the amount of time available for food preparation, a SNAP recipient might instead replace her own cooking time with the purchase of more-expensive prepared ingredients and foods, such as frozen dinners. Raising the earned income deduction would increase the incentive to work, and would increase the SNAP benefits paid to working households.

Second is the excess shelter cost deduction, which is claimed by 70 percent of households participating in SNAP. This deduction is designed to assist families with especially high housing costs. If a household's rent and utilities payments total more than half its disposable income, it is allowed to deduct the excess cost in the net income calculation. In 2011, nearly 30 percent of SNAP recipients reached the shelter deduction cap of $458 (Strayer, Eslami, and Leftin 2012). It is possible that the shelter deduction cap is set too low, and that increasing it would modestly raise the level benefits awarded to recipients who reside in areas of high-cost housing.

C. PROGRAM TARGETING

One highly publicized concern with SNAP is that it provides benefits to those with the ability, but not the desire, to obtain a sufficient diet without public assistance. Recently there has been policy debate about the availability of benefits to unemployed, childless adults, or so-called ABAWDs. In reality, ABAWDs compose a very small percentage of SNAP recipients. In 2011 ABAWDs made up approximately 10 percent of all SNAP participants (Lee 2013) and received average benefits of approximately $160 per month ($5.30 per day).

In most states SNAP is the only safety-net program available to this population (Rosenbaum 2013). In particular, UI is not available to all unemployed workers: for instance, it is not available to workers who previously worked in jobs not covered by the UI system, lacked sufficient earnings, or recently entered the labor force.

Under normal circumstances, ABAWDs are time-limited to receive SNAP benefits for only three months within a three-year period unless they either are employed for at least twenty hours per week or are engaged in a workfare or training activity. However, if a state has an unemployment rate of 10 percent or higher, or otherwise if a local labor market in that state has insufficient job availability, that state can apply for a temporary waiver to these time limits for the local labor market with insufficient job opportunities. In addition, states can designate exemptions for up to 15 percent of ABAWDs who are not residing in distressed local markets.

Overall, SNAP is designed to limit penalties for work. The benefit formula allows families to disregard a portion of their earnings for the purpose of benefit eligibility. However, as with other guaranteed transfer programs, the net return to work is lessened by the presence of the program. Empirical evidence suggests that this impact is small in SNAP. For example, Rosenbaum (2013) reports that 96 percent of SNAP recipients who were working when they enrolled in SNAP continue to work after joining the program.

The program's flexibility to serve populations impacted by high unemployment is one of its most important strengths. Since SNAP is the only benefit available to many low-income, unemployed workers without dependents, it is appropriate to retain its flexibility to provide modest benefits to these workers in economic downturns. When the economy is once again growing and adding jobs, the temporary waivers to time limits will automatically be lifted, and the time limits will once again be binding.

Chapter 4: A New Approach: Maintain the Benefits of SNAP While Fixing Its Shortcomings

The Farm Bill is a comprehensive piece of legislation that guides and authorizes funding for most federal farm and food policies, including SNAP. Every five years since 1913, Congress has renewed the Farm Bill through a reauthorization process. Specifically, Title IV of the Farm Bill covers SNAP, commodity distribution programs, and a few small domestic nutrition programs. The Farm Bill is up for reauthorization in 2013, providing its supporters with opportunities to strengthen the program, and its detractors with opportunities to reduce its effectiveness.

The fundamental structure of SNAP is strong. Currently, SNAP provides moderately sized food vouchers that can be used at most grocery stores and farmers markets. It makes use of the highly efficient private sector food-distribution system in the United States, and promotes normal channels of trade.[2] It is an effective countercyclical safety-net program that can expand quickly in response to increases in unemployment. Recognizing the importance of SNAP, and the opportunity to improve the program through modest adjustments, I provide the following recommendations to strengthen the program as a cornerstone of our country's social safety net.

A. SUBSIDIZE HEALTHY FOODS

To offset the recent price increase in healthy foods and to promote better nutrition, SNAP should provide an incentive to purchase fruits and vegetables. New research has suggested that low-income households increase their purchase of healthy foods when either their own incomes go up or prices fall (Bartlett et al. 2013; McGranahan and Schanzenbach 2013).

One particularly important finding is from the recent HIP program in Massachusetts—that ran from November 2011 through April 2013—in which SNAP recipients were given an immediate $0.30 rebate on their EBT card for every $1.00 that they spent on a narrowly defined group of fruits and vegetables. (These targeted fruits and vegetables are the same fruits and vegetables that are eligible in the Special Supplemental Nutrition Program for Women, Infants, and Children.) This incentive could then be spent on any food or beverage eligible under SNAP. In response to this price rebate, consumption of the targeted goods increased by 25 percent (Bartlett et al. 2013).

The HIP program has been shown to be an effective and efficient way to encourage healthy eating. I propose that such an incentive scheme be adopted as part of the federal SNAP program, and structured along the same lines as the successful HIP demonstration project. In particular, SNAP recipients would receive an incentive payment of $0.30 for each $1.00 they spend on a set of HIP-eligible fruits and vegetables, with a cap of $60 per month in incentive payments received. The refund would be automatically credited to their EBT card at point of sale, as in the pilot program, and would be available during the next transaction for use just as any other SNAP benefit. Eligible foods would include most fruits and vegetables that are sold as fresh, frozen, canned, or dried, and that are packaged without added sugar, salt, fat, or oil.

The evaluation of the HIP program found an average of a little less than $45 per year per recipient in incentive payments. Based on this and CBO predictions of participation, this is estimated to cost approximately $824 million per year for incentive payments if the program were expanded nationwide.

To offset this increased cost, some or all of the $388 million per year set aside for nutrition education in SNAP could be redirected toward incentive payments, reducing the cost of providing a financial incentive to SNAP recipients to under $500 million. As noted above, recent evaluations of these nutrition education programs (e.g., SNAP-Ed) found that they were not particularly effective at increasing fruit and vegetable consumption among the target population. Reallocating these resources from ineffective programs toward expanding the incentive system would promote healthy eating and better nutrition among SNAP recipients.

Note that not all nutrition education programs would be eliminated, but rather resources would be redirected from SNAP-Ed toward paying incentive payments. The federal government has multiple nutrition education programs, including the Expanded Food and Nutrition Education Program, which has been in existence since 1969 and is operated through land-grant universities.

B. IMPROVE THE BENEFIT FORMULA

One reason why SNAP has been so successful is because it is designed well. There is a minimum spending target, and benefits are awarded as the difference between the minimum spending target and the available resources. Policymakers have been able to make small modifications to the benefits formulas over time to strengthen the program's ability to supplement income; for example, in response to the increased emphasis on employment among low-income families, the deduction for child-care expenses was increased. To improve the benefit formula, I propose three additional adjustments:

1. Update the existing minimum spending target to reflect today's economy. The available evidence suggests that the TFP is no longer a reasonable minimum spending target. The TFP is only one of four food plans developed by the USDA—the other three being the Low-Cost Food Plan, the Moderate-Cost Food Plan, and the Liberal Food Plan—and is the most inexpensive representation of a family's diet. For reference, if the USDA adopted the Low-Cost Food Plan, the second-least expensive of the plans, monthly SNAP benefits for a family of four would rise to $822, as opposed to only $627 under the TFP (USDA 2013b).

The inadequacy of the TFP is due in large part to unreasonable assumptions about food preparation time. When recipients are employed, the time they have to prepare food is significantly reduced; these costs are understated in the current benefits formula. Many low-income workers simply do not have the time to substitute intermediate and prepared foods with scratch cooking, as assumed by the TFP budget.

To make SNAP benefits more in line with today's economy, I propose to adjust the TFP by a factor that accounts for the circumstances of low-income families. Specifically, I propose that the USDA annually adjust benefits by a constant factor to account for constraints on time available for food preparation. For example, the TFP might be adjusted upward by 15 percent to account for limited time for food preparation. This recommendation is in line with one proposed by the IOM, which advocated for the application of a time-adjustment multiplier to the TFP-based minimum food spending target in recognition of the cost-to-time trade-offs that low-income families face (IOM and NRC 2013).

Modifications to the current TFP would more accurately reflect the spending patterns and time constraints of low-income families, and would lead to other benefits as well. Increased food expenditure is associated with higher consumption of fruits and vegetables, suggesting that an increase in benefit levels could also lead to healthier eating (Mabli et al. 2010). Moreover, food insecurity can be expected to decline as SNAP benefits rise.

2. Aggressively limit penalties for work by increasing the earned income deduction. There are many costs associated with employment, such as transportation and child-care expenses. In order to offset these costs, SNAP recipients can deduct 20 percent of their earned income from their gross income in the SNAP benefit calculation. In many cases this deduction rate is inadequate to cover the costs of working. For example, when recipients are employed, the time they have to prepare food is significantly reduced; time-constrained workers must substitute more intermediate and prepared goods instead of having the time to cook from scratch. In addition, the limited deduction for earned income reduces the incentive for beneficiaries to seek additional earnings.

To better account for the costs of working, I propose to increase the earned income deduction to 30 percent of earned income—increasing average monthly benefits by $40 for households with earnings. Under this change, a worker who earned an additional $100 could deduct $30 under the benefit formula for work costs, rather than $20. This change would increase work incentives among SNAP recipients and improve purchasing power for families with workers. Moreover, this change would redistribute benefits toward workers, who have become an increasing share of SNAP participants. CBO predicts that this reform would increase program spending by $2.7 billion per year (CBO 2012).

3. Increase the cap on the deduction for excess shelter costs using county-level multipliers and close the Low-Income Home Energy Assistance Program (LIHEAP) benefit loophole. Another expense that factors into net income is the shelter deduction, which takes into account rent or mortgage payments, and utilities. If a family's shelter expenses are more than half of its net income, the portion above that threshold is deducted from its income (after all other deductions). In 2011 more than 70 percent of households claimed the excess shelter deduction, and nearly 30 percent of those households claimed the maximum allowable deduction of $458 (Strayer, Eslami, and Leftin 2012).

In order to more adequately adjust for the high costs of living in certain areas, I propose that the cap on the excess shelter deduction be adjusted based on geographic variation. Currently the shelter deduction cap, which has already been set as $478 for FY2014, is adjusted annually for inflation (IOM and NRC 2013).[3] The proposed cap will continue to be adjusted by inflation, but will be subsequently adjusted using county-level multipliers based on the U.S. Department of Housing and Urban Development's (HUD) Fair Market Rent (FMR). These rents are based on average recent rents (including tenant-based utility costs) and vary by county; using FMRs as a basis for these multipliers will allow the proposed cap to better reflect the variation of shelter costs both throughout the country and within each state.

For counties with the minimum FMR within a state, the cap on the excess shelter deduction would remain unchanged. For example, the FMR for thirty-seven counties in Virginia for FY2014 is set as $617, so for these counties the cap on the excess shelter deduction would remain $478 (HUD 2013).[4] For counties where housing prices are higher, the multiplier would be the ratio of the FMR for that county to the minimum FMR in that state. For example, the FY2014 FMR is $1,469 in Arlington County, Virginia; this means that the cap on the shelter deduction would be equal to 2.38 (or $1,469 divided by $617) times the basic cap of $478, or around $1,138.

To offset the cost of increasing the cap on the shelter deduction, I propose to reform the utility allowance for heating and cooling. This allowance is given to households that provide proof that they pay heating or cooling expenses, or households that receive assistance through LIHEAP. Allowing SNAP participants to document utility expenses through LIHEAP reduces the administrative burden. Unfortunately, some states take advantage of this rule and now send token LIHEAP benefit amounts (less than $5 and typically once per year) to SNAP recipients to make them eligible for additional SNAP benefits (CBO 2012). This practice is sometimes referred to as a "heat and eat" policy (Aussenberg and Perl 2013). As a result, the number of households claiming the utility allowance has increased in recent years.

I do not propose eliminating the automatic eligibility for the utility payment deduction for LIHEAP recipients altogether, which would reduce the program's payments by $1.5 billion per year, because it would substantially increase administrative burdens. A better alternative is to close the loophole for providing token LIHEAP amounts by requiring LIHEAP payments to meet a higher floor such as $10 per year. This higher LIHEAP threshold would reduce the incentives for states to game the system because they are less likely to be able to afford to send larger payments to SNAP recipients. At the same time, the basic flexibility in the law would be retained. Other higher LIHEAP floors, such as $20 per year, could be considered, but as the floor increases so does the likelihood that households with legitimate LIHEAP payments will be inadvertently screened out.

C. PRESERVE SAFEGUARDS AND RELAX RESTRICTIONS FOR ABAWDS

Recent legislation has proposed to remove time-limit waivers for ABAWDs. These state-level waivers, which allow out-of-work adults to receive food benefits when an area has unemployment over 10 percent or when it has insufficient jobs, are a critical aspect of the program. As an integral part of the social safety net, SNAP should have the flexibility to provide additional benefits when opportunities for work are compromised.

Periods of high unemployment can be especially challenging for workers with low levels of skills and eduction. During the Great Recession, for example, unemployment rates peaked at 14.9 percent in 2010 for workers without a high school diploma (BLS 2013a). This rate was even higher in some states. For example, workers without a high school diploma in Nevada experienced an unemployment rate of 23.4 percent in 2010 (BLS 2010). For many of these workers, unemployment is not a choice but rather a condition to be endured. Thus, at a minimum, the existing safeguards for workers living in areas of high unemployment should be protected.

While the time-limit waiver for high unemployment should be preserved, restrictions on ABAWDs in healthy labor markets should be eased. Many workers may have trouble finding consistent work even when the unemployment rate falls below 10 percent. Workers with low education, poor cognitive abilities, and insufficient training may not be able to find enough work to meet the twenty-hour per week threshold for SNAP benefits. To make matters worse, in many states unskilled workers have poor access to educational and training programs. SNAP limits on ABAWDs are practical only in communities that provide sufficient opportunities for training; most communities do not provide them. And even for workers with adequate training, the job search can often take longer than three months. The share of long-term successful job searches increased dramatically from 2007 to 2011; in 2011, over one-quarter of successful job searches lasted longer than six months (Ilg and Theodossiou 2012). Even today, with national unemployment well below the 10 percent threshold for SNAP waivers, 4.1 million Americans are classified as long-term unemployed (BLS 2013b).[5]

To better serve unemployed workers seeking employment, I propose the SNAP restrictions on ABAWDs be relaxed to allow up to six months of benefits every twelve months. (Under current law, ABAWDs receive a maximum of three months of benefits every thirty-six months.) Relaxing the restriction on ABAWD benefits will allow job seekers and undertrained adults to receive better access to a nutritious diet, while limiting incentives for job seekers to remain unemployed for longer durations.

Chapter 5: Costs and Benefits of Strengthening SNAP

High rates of food insecurity and joblessness mean that antihunger programs are an especially important part of the social safety net. The five proposals presented here aim to strengthen SNAP to better serve struggling low-income American families. In today's constrained budget climate, however, when all programs face heavy scrutiny, it is imperative to look at both the costs and the benefits of the proposed measures.

The cost of the proposed incentive for healthy food purchases is estimated to be $824 million per year. This cost, derived from the HIP program and CBO participation estimates, would include an average annual incentive payment of a little less than $45 per recipient. While this cost is not trivial, the health benefits to recipients would be significant; initial evidence from the HIP program showed an increase in consumption of fruits and vegetables of 25 percent (Bartlett et al. 2013).

Modifying the SNAP benefit formula would also come with additional costs, though these costs would depend on the extent of the adjustments. Increasing benefits to better account for the necessary time to prepare food could raise SNAP outlays by several billion dollars annually. As guidance, the 2009 13.6 percent benefit expansion, along with a slightly higher minimum monthly benefit, raised annual outlays by approximately $4.4 billion (CBO 2009). However, this cost is justified by the increased nutrition and food security for low-income families. Critically, accounting for food preparation can help SNAP meet its goal of providing sufficient resources to families to obtain a nutritional diet.

Raising the earned income deduction to 30 percent of earned income would increase average spending by $40 for SNAP recipients, and annual SNAP outlays by $2.7 billion (CBO 2012). However, this change would increase the work incentive among SNAP recipients and improve the purchasing power of working families. By inducing low-income job seekers to engage in employment, SNAP can help ensure that recipients continue to develop valuable skills through training, making them less likely to have to rely on benefits in the future.

Modifying the cap on the shelter deduction to account for local housing prices would also depend on the specific nature of the modification. Costs are likely to be relatively low, however, given that only 30 percent of households currently claim the maximum deduction on shelter costs. For those households that are located in areas of high-cost housing, allowing the benefit formula to account for higher costs of living can mean the difference between an adequate diet and food insecurity.

Finally, although preserving the existing safeguards for ABAWDs during times of high unemployment will not require any additional funds, relaxing the restriction further will moderately raise outlays. Based on prior estimates of temporary SNAP time-limit waivers, namely the reform included in ARRA, I estimate that expanding the time-limit waiver to six months every year will cost less than $2 billion annually (CBO 2009). This cost can be justified by the gains of providing ABAWDs with sufficient nutrition during extended job searches and periods of joblessness.

In today's constrained budget climate, however, when all programs face heavy scrutiny, it is imperative to look at both the costs and the benefits of the proposed measures.

There are several opportunities to offset these costs with alternative cuts in SNAP spending. First, some of the costs can be offset by redirecting part or all of the $388 million annual expenditure for SNAP nutrition education toward the above reforms. Because nutrition education and incentives for healthy food are both aimed at the same goal, swapping nutrition education funds for targeted incentives to purchase healthy food seems particularly worthwhile. Other savings can be found by closing loopholes in the utility allowance for heating and cooling. While allowing SNAP recipients to claim this allowance reduces administrative burdens, many states now send token benefit amounts to recipients in order to make them eligible for additional SNAP benefits. Closing this benefit entirely would raise $1.5 billion per year, but would unduly shift the administrative burden to recipients. A superior option is to simply close the loophole that allows for the provision of token LIHEAP benefits, which would greatly reduce the cost of the utility allowance.

In sum, SNAP can be substantially improved with a series of targeted reforms. These reforms, which each carry costs of about $500 million to $2 billion annually, can be justified by their important benefits for SNAP beneficiaries in combating hunger and food insecurity, and improving health outcomes through better nutrition. Moreover, these are several opportunities to offset part or all of these costs by reforming aspects of SNAP. Taken together, this cost-benefit analysis suggests that SNAP is ripe for reform.

Chapter 6: Questions and Concerns

Should policymakers change the rules for broad-based categorical eligibility?

Under existing SNAP categorical eligibility rules, some households that qualify for noncash services under the Temporary Assistance for Needy Families (TANF) program can be considered to be categorically eligible for SNAP and therefore not subject to either the gross income test or the asset test (Trippe and Gillooly 2010). Some policymakers would like to reduce or eliminate this type of categorical eligibility. According to calculations from the CBO (2012), if this policy were repealed, many recipients who qualified under broad-based categorical eligibility would continue to qualify for benefits even after being subject to income and asset requirements. Approximately 1.8 million participants, or 4 percent of the caseload, would be deemed ineligible over the next decade, saving approximately 2 percent of benefit payments. It would also increase administrative burdens to eliminate categorical eligibility and instead require verification on SNAP applications.

Not only would this not save much money for the program, but it also would reduce payments to working families with children. To see who would be impacted by such a policy change, it is important to understand that the vast bulk of the additional benefits to households that are categorically eligible goes to households with net income below the poverty line: they are households with gross incomes above the gross income test of 130 percent of the poverty line, but with net incomes of less than 100 percent of the poverty line; the difference is driven by high levels of expenditures in one or more categories of deduction. In other words, these are families with high expenses for child care, medical care, or housing that reduces their disposable income to below the poverty line. Such families generally receive modest benefits, as suggested by the small overall cost savings of eliminating their eligibility for the program.

If categorical eligibility rules are to be changed, such a policy should be coupled with an increase in the gross income test to a higher level, such as 165 percent of the poverty line. This would restore eligibility to many families who qualify for benefits based on their low levels of disposable income but who do not meet the current gross income test.

Should we reduce the gross income limit from 130 percent to 100 percent of the poverty threshold?

The CBO (2012) estimates only modest savings of 4 percent per year over the next ten years from such a policy change. But this change would hurt working families with children, and elderly and disabled households with high medical expenses. Recall that benefits are calculated based on disposable or net income—that is, gross income less deductions for required expenses such as an allowance for work expenses, child care, medical care, and so on—that must be less than 100 percent of the poverty threshold. A reduction in the gross income limit would eliminate those families that meet the net income test but that have gross incomes above the poverty thresholds.

Should food that is currently eligible under SNAP be restricted further?

Since the inception of the Food Stamp Program (now called SNAP) in the 1960s, recipients of food stamps have been able to use their benefits to purchase almost any foods at the grocery store, with the exceptions of alcohol, vitamins, and hot foods intended for immediate consumption such as rotisserie chickens. Recently some advocates have called for banning the use of SNAP benefits to purchase sugar-sweetened beverages (SSBs), in hopes that such a ban would reduce consumption of SSBs and subsequently reduce obesity. The rationale for the ban is based on a false understanding of how families use SNAP benefits.

By design, almost all SNAP recipients with children use the benefits in addition to some of their own cash income to purchase groceries. Indeed, that is why the program is called the *Supplemental* Nutrition Assistance Program: it is intended to extend and supplement a family's food purchasing power, not to cover 100 percent of food purchases. According to the best available data on spending patterns in the United States, the Consumer Expenditure Survey, a family on food stamps usually receives an average of $225 per month in benefits but spends a total of $350 on food and drinks, making up the difference with cash. About $13 total is spent on SSBs eligible for purchase with SNAP. If the purchase of SSBs were banned with SNAP benefits, it would not be likely to change their purchasing patterns, but instead would change the form used to pay for the goods from SNAP to cash. In addition to likely failing to curb the purchase of SSBs, this policy proposal may also harm SNAP because additional restrictions on eligible foods will increase both the administrative costs of the program and the stigma faced by recipients when they use the benefits. There are better policy alternatives that are likely to improve the diets of food stamp recipients, such as subsidizing the purchase of healthy foods.

Wouldn't taxing unhealthy foods, such as SSBs, be a more cost-effective way for the government to promote healthy eating habits?

Though a tax on unhealthy foods would provide a disincentive to purchasing them, it is also important to provide an incentive to purchase healthy foods. In other words, we want to promote healthy eating in addition to reducing consumption of unhealthy food.

Additionally, recent research on the proposed expansion of the taxation on SSBs has shown that such a tax would end up being highly regressive since the highest consumption of these goods tends to be among less-educated and lower-income population groups (McGranahan and Schanzenbach 2011). This means that some of the most-vulnerable groups would have a new tax imposed on them. Again, while this may provide a disincentive to purchase SSBs, it would not necessarily encourage these groups to purchase healthier foods as a substitution.

Why not abolish SNAP and instead administer food support programs through schools to allow for better targeting and more control over nutrition?

Schools can be an effective vehicle for administering nutrition programs to children. In 2012 the National School Lunch Program delivered meals to 31 million students at a cost of $11.6 billion. The program provides free meals to students from families with income below 130 percent of the poverty line, and reduced-price meals to students from families with income between 130 percent and 185 percent of the poverty line. For these students, the school lunch program has a significant impact on their health and well-being. One recent study found that the school lunch program led to better health and better food security for enrolled students (Gunderson, Kreider, and Pepper 2012).

Despite the success of the National School Lunch Program, schools cannot be the sole vehicle for food delivery for many reasons. Notably, many children in need of food assistance do not regularly attend school; the high school drop-out rate for low-income students is about five times that for high-income students. In addition, even students who regularly attend school are not present on weekends, holidays, and over the summer, and students are typically not present in schools for evening meals. In addition, adults and young children who have not reached school age are not candidates for receiving meals through a school lunch meals program. For these reasons, school meals programs act best as a supplement to SNAP, but are not an adequate substitute for it.

What can be done to lessen abuse by small grocers and dishonest recipients?

A recent report by the USDA (2013d) indicates that the amount of trafficking—when SNAP recipients sell their benefits for cash to food retailers, often at a discount—within SNAP is very small and can be pinpointed to certain types of food retailers. From 2009 to 2011 the rate of trafficking was only 1.3 percent of total SNAP benefits, a decrease from the 4 percent rate in the 1990s. Though the total value of trafficked benefits has increased since 2002, the USDA credits a substantial amount of this increase to the growth in SNAP over the same period. Furthermore, the majority of this trafficking occurred among smaller retailers. However, 82 percent of all benefits are redeemed at larger grocery stores; the trafficking rate among these retailers remained low at less than 0.5 percent.

One of the most promising measures to reduce the amount of SNAP trafficking is the establishment of stricter depth of stock requirements by the USDA (2013c). Under current regulations, a store that consistently stocks as few as twelve total food items can be licensed to participate in SNAP. A 2006 report by the GAO credits these minimal requirements to corrupt retailers entering the program (the 2006 report is discussed in USDA 2013c). By requiring stores to meet further definitions of staple foods through a series of new reforms, the USDA aims to reduce the number of licensed retailers who participate in SNAP with the goal of trafficking. Not only would these requirements discourage the types of retailers among whom trafficking seems most prevalent, but it would also improve recipients' access to healthy foods. The House- and Senate-passed Farm Bills would also provide some new investment to identify and prevent retailer fraud.

Chapter 7: Conclusion

For fifty years SNAP has been an important safety-net program that enhances households' food purchasing power. Its importance grew during the Great Recession as rates of unemployment and food insecurity soared. Even though the CBO predicts that spending on SNAP will decline as the economy recovers, the programs remains an area of focus for policymakers.

I have proposed five feasible changes to SNAP that would serve to improve its effectiveness and address potential criticisms of the existing SNAP program. First, I propose the expansion of a pilot program that provides financial incentives to SNAP recipients to purchase fruits and vegetables, which has been shown to improve nutritional intake in a cost-effective manner. Second, I propose an update to the TFP's methodology to realign the program's minimum spending target to a standard that is more realistic for low-income families. Third, I propose a moderate increase to the earned income deduction in order to strengthen the incentive to work for all SNAP recipients. Fourth, I argue for modifications to the program calculations for housing cost allowances through the cap on the shelter deduction in order to better target benefits to households facing high housing costs. And fifth, I propose a relaxation of time restrictions for ABAWDs in order to better assist unskilled workers throughout the job search, in addition to the preservation of current state-level waivers that allow out-of-work adults to receive SNAP benefits when living in areas of high unemployment.

These proposed reforms can strengthen SNAP while retaining its fundamental ability to expand and contract to counterbalance the business cycle and provide a consumption floor for low-income Americans.

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Endnotes

1. When ARRA was enacted, it was established that SNAP benefit levels would be equal to the higher amount until the program's regular annual adjustments for inflation based on the Thrifty Food Plan (TFP)—the cost of the USDA's food plan for a family of four to purchase and prepare—exceeded the benefit levels set by the ARRA. In 2009 food inflation was expected to be high and to exceed the ARRA level in fiscal year 2014, but it was actually lower than expected. However, the process was accelerated to offset legislative costs (Dean and Rosenbaum 2013).
2. Economists usually prefer cash benefits instead of in-kind transfers, because of inefficiencies associated with in-kind transfers. However, because SNAP vouchers are typically less than a family's total food spending, the evidence suggests this concern is relatively small (Hoynes and Schanzenbach 2009).
3. Under current law, all SNAP participants are subject to the same cap on the shelter deduction, with the exception of households with at least one elderly or disabled member, or those households residing in Alaska, Guam, Hawaii, or the Virgin Islands.
4. FMR is based on a two-bedroom apartment.
5. Job seekers are classified as being long-term unemployed if their unemployment lasts for twenty-seven weeks or more.

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Highlights

In a new Hamilton Project discussion paper, Diane Whitmore Schanzenbach of Northwestern University proposes a series of targeted reforms to the Supplemental Nutrition Assistance Program (SNAP) to strengthen the program while still retaining its fundamental role as a cornerstone of our nation's social safety net.

The Proposal

Adopt incentives for SNAP beneficiaries to increase consumption of fruits and vegetables. The rising cost of a healthy diet could be offset by expanding Massachusetts' Healthy Incentives Pilot program nationwide. This program has been shown to effectively encourage healthy eating among benefit recipients.

Update the SNAP benefit formula to better meet the nutritional needs of low-income families. Adjusting the Thrifty Food Plan to account for time devoted to food preparation, increasing the earned income deduction to account for costs associated with working, and modifying the cap on the excess shelter deduction to reflect housing costs in high-cost areas will provide SNAP recipients with more-adequate resources.

Preserve time-limit waivers during economic downturns and relax time-limit restrictions for able-bodied adults without dependents. Maintaining time-limit waivers will allow SNAP to better serve unemployed adults in economically distressed areas, and relaxing restrictions will allow SNAP to better serve out-of-work adults during periods of extended unemployment. In particular, childless able-bodied adults would be allowed to receive benefits up to six months out of every twelve months.

Benefits

The proposed SNAP reforms would serve to improve the program's effectiveness as the cornerstone of our nation's safety net, and would address potential criticisms of the existing structure. Together the changes would promote better nutrition among low-income families, and establish a benefit formula that is more reflective of the time constraints and living conditions that many SNAP recipients face. Furthermore, the program would retain its ability to respond quickly and effectively during times of economic downturns, and would more efficiently mitigate food insecurity and obesity.

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