

POLICY BRIEF 2016-06

## Modernizing SNAP Benefits

MAY 2016



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# Modernizing SNAP Benefits

*The Supplemental Nutrition Assistance Program* (SNAP), formerly known as the Food Stamp Program, is the largest food assistance program in the United States. Though SNAP is remarkably effective, the method for calculating its benefit levels is antiquated and has not kept up with dramatic changes in food technology and female labor force participation that reduce the amount of time that household members spend cooking. However, through the implementation of key reforms to SNAP, the program could more effectively achieve its core objectives of alleviating food insecurity by helping low-income households purchase food to prepare at home.

The current SNAP maximum benefit is inadequate due to its assumptions and construction. SNAP benefits are provided monthly to eligible households, based on a maximum benefit linked to the Thrifty Food Plan (TFP), which is a food budget constructed by the United States Department of Agriculture (USDA). The TFP market basket can be thought of as a monthly grocery cart, but with particular features that distort what foods can be purchased. The first feature is that the TFP grocery cart must be purchased at the same real cost as in the 1970s, after adjusting for inflation, while still supporting a nutritious diet of meals made up of foods prepared at home. The second assumption for filling the TFP grocery cart is that low-income households are able to spend unlimited time preparing meals from scratch; the current TFP requires roughly two hours a day. In order to achieve nutritional adequacy by today's standards while using a budget from the 1970s—under the assumption that households have unlimited time to prepare food—revisions to the TFP shopping cart have necessarily emphasized the lowest cost per weight food items (e.g., potatoes) at levels far beyond what the average American household consumes.

In a new Hamilton Project policy proposal, “Modernizing SNAP Benefits,” James Ziliak of the Center for Poverty Research at the University of Kentucky proposes a three-stage approach to improving the adequacy of SNAP benefits by modernizing the Thrifty Food Plan. Under Ziliak's proposal, the estimated cost of the TFP would be immediately increased by 20 percent to account for the cost of time spent on meal preparation. Next, the USDA would further reform the TFP to address features that distort the composition of the grocery cart, including geographic variation in food prices, the 1970s cap on the inflation-adjusted value of SNAP benefits, the TFP's excessively narrow focus on consumption patterns in the lowest-income households, and the lack of consideration for the increased dietary needs of teenagers. Finally, Ziliak proposes a specific research agenda to support the first two stages. If implemented, the proposal would bring the assumptions underlying SNAP benefit levels in line with current norms of food consumption and time use, thus strengthening the effectiveness of SNAP in addressing food insecurity.

## The Challenge

Once a household is determined to be eligible, SNAP benefits are allocated according to a formula that is adjusted by the household's size and gradually decreases the benefit level as recipient income rises. Note that benefits are generally unrestricted, so that participants can purchase most foods intended to be prepared and eaten at home, but the dollar value of the maximum benefit is based on a hypothetical diet called the TFP. The TFP provides a specific example of the types and quantities of foods that people can purchase, cook from scratch, and consume at home in order to obtain a nutritious diet. This collection of foods is known as the market basket, the total cost of which has historically been required to stay constant—after adjustment for inflation—at a level set in the 1970s (the “constant-cost constraint”). Furthermore, in calculating the cost of the TFP, no consideration is given to the time required to prepare food or to geographic variation in food prices.

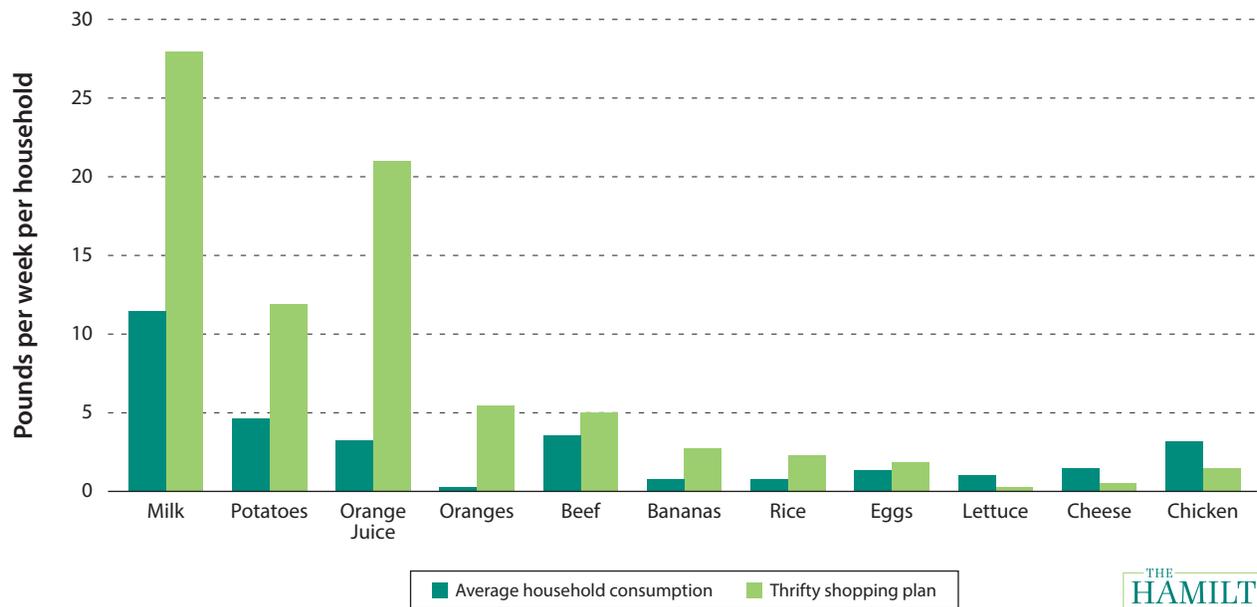
### BOX 1.

#### What Goes Into the TFP?

The Thrifty Food Plan is the USDA's estimate of the cost of a grocery basket containing the types and quantities of foods that households can purchase, cook from scratch, and consume at home in order to obtain a nutritious diet at a minimal cost. The basket does take actual food consumption patterns into account, but only among very low-income households, and the basket must fit other constraints such as constant inflation-adjusted cost over time and USDA dietary guidelines. While the USDA does not require households to purchase the foods that ultimately go into the market basket that sets the benefit level, the USDA's Center for Nutrition and Policy Promotion has published suggested “Thrifty” recipes which can provide a picture of the types of food that SNAP households would be expected to purchase to afford a month's worth of food. As Figure 1 demonstrates, the SNAP recipes are not aligned with the actual consumption of American households. The figure shows only a limited selection of foods consumed by the average household; many of the types of foods that average households consume, such as almonds and strawberries, are not included in the SNAP recipes—though they may be included in the TFP basket itself—and therefore are not shown.

FIGURE 1.

## Average Household Consumption vs. Thrifty Shopping Plan



Source: USDA 2000a, 2000b.

Note: All estimates are based on a household of four with two children. Average household consumption is based on the loss-adjusted food availability data series, which is derived from food availability data from USDA's Economic Research Service by adjusting for food spoilage, plate waste, and other losses, to more closely approximate actual intake. The Thrifty Shopping Plan represents Week 1 of the USDA's recipes for the 1999 Thrifty Food Plan. One gallon of milk equals 8.6 pounds and one gallon of orange juice equals 8 pounds.

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### Cost of Time

As production technology has advanced, households have reduced time spent on food preparation in favor of buying prepared foods. The TFP assumes that SNAP recipient households have unlimited time, equipment, and skills necessary to prepare healthy food from scratch at home. According to Ziliak, the TFP implies that households will spend about two hours per day in meal preparation, which is well above the time the large majority of households actually spend.

SNAP households face a particularly acute time constraint relative to the general population because they are more likely to be single parents, less likely to have access to personal transportation, and more likely to face physical and mental disabilities. Policy changes such as the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 also increased the expectation that recipients will work. Working is a requirement for SNAP receipt for able-bodied adults without dependents, who may receive SNAP benefits only for a limited time unless they work.

The SNAP formula fails to take into account constraints on the time available to prepare food. Ziliak discusses research showing that time costs account for nearly two-thirds of the total food-related cost of SNAP households. Although many households shift toward more-expensive prepared foods as the value of their time increases, the TFP is based on a methodology that does not include such foods. As a result, the value of SNAP is based on a dietary basket that places no value on recipients' time and consequently requires an unrealistic amount of time for food preparation. Benefits currently provided by SNAP are too low to enable participating families to rely on prepared foods that are healthy and save preparation time.

### Additional Challenges

In addition to not accounting for recipients' time spent on food preparation, the current TFP has other limitations. For example, it does not take into account factors such as geographic variation in food prices and the nutritional requirements of teenagers, which are on par with those of their parents. The TFP is also limited by the requirement that revisions to the TFP remain at the same inflation-adjusted cost, and by the skewed sample of households it uses to calculate reasonable food consumption.

#### *Geographic Variation in Food Prices*

The TFP is based on the national average of food prices in its market basket, which means that recipients in some areas like the South and Midwest will be able to stretch their benefit dollars much farther than will recipients in the West and Northeast. While it was previously difficult to study regional differences in food prices, the Quarterly Food-at-Home Price Database now allows researchers to document substantial variation. Such geographic price differences mean that families receiving the maximum benefit level in the higher-price West and Northeast will not be able to purchase as much or as nutritious food as SNAP recipients living in other areas.

#### *Constant Cost Constraint*

The constant-cost constraint requires the TFP's market basket to have the same inflation-adjusted cost as did the first TFP in 1975. This requirement that the TFP meet USDA dietary guidelines at the same real cost encourages an ever-increasing emphasis on low-cost food alternatives, particularly as dietary guidelines have changed. As

a result, the types of food that the TFP assumes families will purchase are increasingly different from actual consumption patterns. Figure 1 demonstrates the discrepancy between average household consumption and what the USDA recommends with its TFP-based “Recipes and Tips for Healthy, Thrifty Meals.” Note that the figure does not include all foods consumed by the average household.

### *Consumption Sample of Low-Income Households*

In order to establish what types of foods should be included in the TFP market basket, the USDA uses data from a sample of individuals with incomes less than 130 percent of the federal poverty level. The purpose of selecting a sample of low-income households is to anchor the recommended consumption profiles to actual choices of consumers who are SNAP-eligible based on their gross income. However, the observed consumption choices of recipients are a function of their limited budgets, and the TFP process essentially assumes that low-income households will continue to consume these products.

### *Teenagers’ Increased Consumption*

The maximum benefit is based on a reference family of four people: a male and a female adult as well as two children under the age of twelve. The maximum benefit for all households is based on the TFP market basket for this particular family and then increased or decreased depending only on the number of adults and children in the household. However, this is problematic for households with teenagers because the *2015–2020 Dietary Guidelines for Americans* suggests that teenagers consume as much food as adults. Consequently, Ziliak explains that the benefit level based on the TFP reference family does not vary with children’s age and is insufficient to feed a family that includes a teenager. For example, according to USDA calculations, feeding a family of four with two teenage boys requires \$50 more per month than the maximum SNAP benefit.

## A New Approach

In order to address limitations of the TFP, Ziliak proposes a three-stage approach: In the short-term, a 20 percent time adjustment of the Thrifty Food Plan will be implemented, raising the SNAP maximum benefit by the same amount. This will better account for the cost of food preparation time as well as the increased expense of foods that require less time to prepare. After the short-term adjustment, a more-comprehensive reform of the Thrifty Food Plan will be implemented. Adjustments to the TFP should account for geographic prices, relax the constant-cost requirement, change the reference consumption sample, and include a teenager in the reference family. Finally, in order to support the implementation of this reform, USDA would conduct further research into regional price indices and data sources for food consumption patterns and time use.

### **Stage 1: Time Adjustment**

SNAP recipients face constraints on how much time they can devote to food preparation. To partially account for the cost of time required for food preparation among SNAP households,

## Roadmap

- Given that the Agricultural Act of 2014 funds SNAP through fiscal year 2018, Congress will pass new legislation directing the USDA to implement a time adjustment of the Thrifty Food Plan of 20 percent, raising the SNAP maximum benefit by the same amount.
- After the short-term adjustment, Congress will pass additional legislation directing the USDA to enact a more-comprehensive reform of the Thrifty Food Plan. The reform will
  - Introduce geographic price adjustments,
  - Relax the constant-cost constraint to allow the Thrifty Food Plan to change with consumer behavior,
  - Change the reference consumption sample to families between the 10th and 50th income percentiles to reflect a broader picture of American food consumption, and
  - Change the reference family to include a teenager.
- The USDA will conduct research necessary to support these reforms. This research will
  - Evaluate available regional price indices to determine how to introduce geographic price adjustments, and
  - Evaluate the comparability of current data sources used to create the Thrifty Food Plan.

Ziliak proposes a 20 percent upward adjustment. This would allow working SNAP recipients to substitute away from time-intensive production toward more-expensive, but less-time-intensive, foods. Though SNAP will continue to prohibit the purchase of hot foods for immediate consumption, Ziliak’s adjustment will make it easier for recipients to acquire foods that require less preparation time.

### **Stage 2: Modernizing the TFP Calculation**

While the time adjustment serves as a short-term fix, Ziliak also proposes a full reform of the TFP to modernize SNAP benefits.

#### *Make Adjustments for Geographic Prices*

Geographic price adjustments would allow benefits to more closely align with the cost of food at the local level. While SNAP currently incorporates some adjustment of benefits for geographic differences through the deductions for excess shelter costs and the earnings disregard, a more direct approach would be to link the TFP to a regional price index. Ziliak argues that the TFP should be adjusted upward for those participants residing in communities with above-average costs of food.

## Learn More about This Proposal

This policy brief is based on The Hamilton Project policy proposal, “Modernizing SNAP Benefits,” which was authored by

JAMES P. ZILIAK  
University of Kentucky

### *Relax the Constant-Cost Requirement*

While dietary guidelines direct consumers toward consumption of fruits, vegetables, whole grains, and lean meats and fish, which are usually more expensive and can be difficult to fit into the TFP under the constant-cost constraint (i.e., requiring the TFP’s market basket to have the same inflation-adjusted cost as did the first TFP in 1975). By relaxing the constant-cost constraint, the TFP market basket could be adjusted to include more foods that households actually purchase.

### *Change the Reference Consumption Sample*

The USDA would also use a broader sample than the current group of households that satisfy SNAP’s gross income test. When the TFP was originally developed, USDA based its market basket on the consumption patterns of a reference sample of households whose food spending placed them in the 10th to 25th percentiles of the food spending distribution; today, however, the reference sample is substantially more disadvantaged. Ziliak proposes that the USDA estimate consumption patterns from a sample of families between the 10th and 50th income percentiles.

### *Include a Teenager in the Reference Family*

Finally, including a male teenager in the reference family rather than assuming all children to be age 12 and under would make benefit levels more sufficient for these households. Replacing one of the children in the reference family with a teenager would make the TFP more adequate for families that include a teenager.

## Stage 3: Research

In order to support the first two stages of TFP reform, Ziliak also recommends that the USDA conduct further research. One type of relevant research would evaluate available regional price indices to determine the best approach to adjusting the TFP for geographic variation in prices. The USDA would also conduct comparability research on the national surveys that are used in creating some of the TFP inputs. For instance, the USDA could compare a TFP developed using the current data sources of the National Health and Nutrition

Examination Survey and Nielsen with one developed by the recently released National Household Food Acquisition and Purchase Survey. In addition, the USDA could use the American Time Use Survey to properly account for the cost of time in a revised TFP.

## Benefits and Costs

### Benefits

Research shows that over its first five decades SNAP has been effective at improving the health and economic well-being of Americans. Modernizing the TFP—first by adding a time-cost multiplier and then by implementing a full reform—will further strengthen these benefits. This will alleviate food insecurity for families who do not currently receive sufficient SNAP benefits, and will lead to better diets and health for many recipients.

By bringing the TFP into the 21st century, this proposal will reduce income and consumption volatility, as well as poverty more generally. SNAP plays an important role in stabilizing income shortfalls and enables households to maintain their food consumption through tough times.

### Costs

Ziliak focuses his discussion of costs on the proposal’s first stage, for which calculations are more straightforward. The time adjustment to the TFP of 20 percent would increase SNAP benefits from \$67.7 billion to \$83.6 billion in 2016. The CBO projects SNAP outlays to fall over the next ten years, so the projected cost of the increase falls from 0.08 percent of GDP in 2016 to 0.05 percent of GDP in 2026. These projections ignore potential increases in take-up rates in response to higher benefit levels, which would increase the cost.

## Conclusion

Although the SNAP program has evolved over its first half century to become one of the most important programs in the safety net, the TFP on which SNAP benefit levels are based makes several assumptions that no longer hold in the contemporary American household. Low-income families, particularly those with workers, do not have the time necessary for cooking all meals from scratch as the TFP assumes. Due to its constant-cost constraint, the market basket of food has also struggled to keep up with dietary guidelines. Finally, lack of recognition of both geographic price differences and the heightened needs of families with teenagers renders SNAP less effective than it otherwise could be.

To address these challenges, Ziliak proposes a three-stage approach. The first stage of the proposal focuses on adjusting the TFP to account for the cost of time, while the second and third stages envision a more-comprehensive reform and new research to support it. Modernizing SNAP by adopting these reforms will enhance participants’ ability to attain food security and to acquire a more nutritious and healthy diet for themselves and their families.

# Questions and Concerns

## 1. Don't SNAP recipients have more time available to prepare food?

The time deficit for food preparation is not restricted to high-wage women; it also affects the SNAP-eligible population. Ziliak discusses previous research showing that full-time working women in households below 130 percent of the poverty line spend only 5.4 hours per week on food preparation and cleanup, increasing to only 8.2 hours for comparable women who do not work. Moreover, most SNAP recipients are either working, disabled, children, or elderly, all of which reduce the capacity to conduct time-intensive food preparation.

## 2. Should the time-inflation factor apply only to working SNAP households?

The evidence from national time-use surveys is clear that the time expectations for fulfilling the Thrifty Food Plan are well outside the norms of virtually all households in the United States today—working or nonworking, young or old, or headed by one or two parents. As such, the proposed 20 percent time adjustment should apply to all families. Undoubtedly the time crunch is more acute for working households, and especially for single-headed households with dependent children. A more nuanced time-inflation adjustment could therefore vary by household structure and employment status, but at a cost of less transparency, increased complexity, and greater uncertainty in setting the parameters. Given this, a single adjustment factor is preferred, at least in the short run.

## Highlights

James Ziliak of the University of Kentucky proposes a series of reforms to SNAP benefits to bring them in line with modern food consumption patterns. Benefits are based on the USDA's Thrifty Food Plan, which currently fails to properly incorporate constraints on time available to prepare food as well as regional food price differences. Ziliak's three-stage proposal includes a short-term option to adjust the Thrifty Food Plan to account for the cost of time spent preparing meals, a more-comprehensive option that systematically addresses other SNAP limitations, and a call for further research to support the first two stages.

## The Proposal

**Introduce a Time Adjustment.** The estimated cost of the Thrifty Food Plan would be increased by 20 percent to account for the time inputs it currently expects households to make. This would increase the maximum benefit that households receive, allowing recipients to substitute away from the most time-intensive foods.

**Reform the Thrifty Food Plan.** A comprehensive reform of the Thrifty Food Plan would be implemented. The reform would include introducing geographic price adjustments, relaxing the requirement that the Thrifty Food Plan maintain a constant cost, fixing the overly narrow focus on aligning the market basket to the consumption pattern of very poor households, and including a teenager in the reference family.

**Pursue Further Research.** The USDA would conduct research to support its ability to implement the first two stages of the proposal. In particular, the USDA would evaluate available regional price indices to determine how to introduce geographic price adjustments, and would assess the comparability of current data sources used to create the Thrifty Food Plan.

## Benefits

This proposal would reduce food insecurity and improve dietary health for SNAP recipients. The adjustments to the Thrifty Food Plan would increase the maximum benefit so that families can maintain adequate consumption of food in the face of economic shocks. The reforms would help SNAP meet the needs of the modern American family, bringing the program into the 21st century.



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