



## COLORADO FISCAL POLICY INSTITUTE

Justice and Economic Security for *all* Coloradans

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### **The Value of Food Stamp Benefits in Colorado Is Eroding: Congress Must Address This Issue in the 2007 Farm Bill**

One of the most important issues Congress will address in this year's Farm Bill is the future of the Food Stamp Program. Roughly 251,385 Coloradans, and 26 million Americans overall, rely on food stamps to help them purchase a nutritionally adequate diet.

Unfortunately, food stamps are worth only about \$1.19 per meal for the average Coloradan. Because food stamps do not keep up with the cost of living, the amount of food they can purchase is steadily declining. As a result, households are increasingly likely to run out of food before the end of the month, which can affect everything from the family's health to the ability to succeed at work and in school.

When Congress renews the Food Stamp Program in the Farm Bill, it should improve food stamp benefits with a goal of ensuring families get adequate help, including help accessing healthier, sometimes more expensive foods. At a minimum, Congress must stop the erosion in the value of food stamp benefits. Such a change would provide needed help to poor Coloradans. It would also provide a significant boost to State's economy by increasing overall food purchases.

#### **How Colorado Is Harmed by the Continuing Erosion in Food Stamp Benefits:**

- Every year, the food stamp benefits received by roughly 130,000 Coloradans can buy less food.
- Next year, a typical working parent with two children will receive roughly \$300 less in food stamp benefits because of the freeze of the standard deduction.
- The declining value of food stamps means that Colorado will lose \$23.9 million in economic activity next year.

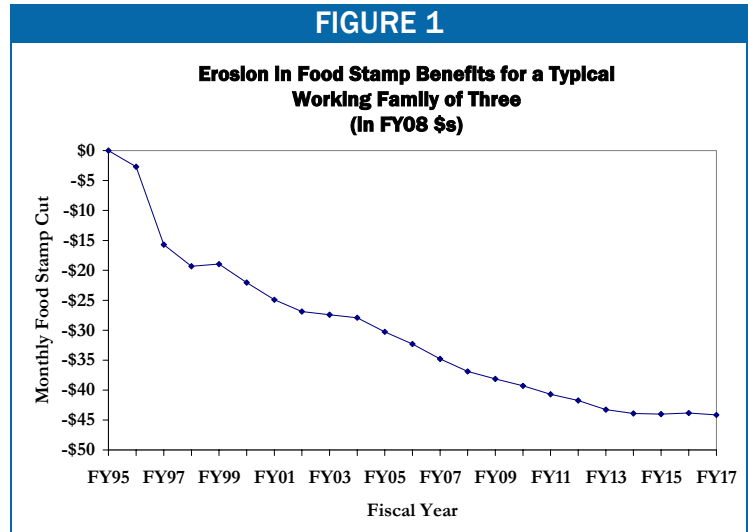
#### **Background on Food Stamps**

The Food Stamp Program is the nation's largest and most comprehensive nutrition program, and is primarily responsible for this country's significant progress in fending off hunger and malnutrition in recent decades. In the late 1960s, medical research exposed the fact that American children were suffering and dying from diseases related to severe malnutrition that usually are thought to occur only in third-world countries. In 1979, after the Food Stamp Program became available nationwide, physicians found that severe malnutrition had become rare. They attributed this dramatic improvement to food stamps.<sup>1</sup>

<sup>1</sup> See, e.g., testimony of Dr. Aaron Shirley, Project Director, Jackson-Hines Comprehensive Health Center, Jackson, Mississippi and Leslie Dunbar, Executive Director, Field Foundation, at "Hunger in America: Ten Years Later",

Food stamps generally go to households that include children, elderly people, or people with disabilities. Many food stamp households are working families. When combined with the federal Earned Income Tax Credit, food stamps enable a family supported by a full-time, minimum-wage worker to approach the poverty line, helping the family make ends meet each month.

Recently *National Journal*, an influential Washington, DC magazine, called the Food Stamp Program one of government’s top successes, citing its effectiveness in helping victims of the 2005 hurricanes and its high efficiency. (To prevent fraud, the old food coupons have been replaced by electronic benefits cards that can be used only to purchase food.) The Food Stamp Program is a “case study in effective government aid,” *National Journal* concluded.<sup>2</sup>



Source: Center on Budget and Policy Priorities

### Why Food Stamp Benefits Are Eroding — and How Colorado Is Affected

Food stamp rules allow applicants to subtract a “standard deduction” from their income to reflect the cost of non-food necessities such as housing, clothes, transportation, and school supplies. The standard deduction represents the portion of household income that is not available to purchase food because it must be used for other basic expenses. Food stamp benefit levels are based on a household’s income minus the standard deduction and other deductions; households with lower incomes after deduction receive larger food stamp benefits because they have less money available to purchase food.<sup>3</sup>

Until 1996, the standard deduction went up each year to account for the fact that basic living expenses rise due to inflation. In 1996, however, Congress froze the value of the standard deduction at \$134, a freeze that remains in effect today. If the standard deduction had continued to keep pace with inflation, it would be \$184 this fiscal year, \$205 in fiscal year 2012, and \$229 in fiscal year 2017.<sup>4</sup>

As a result of the freeze alone, food stamp benefits for a typical working parent with two children in Colorado will be about \$24 a month lower next year than they otherwise would have been. The benefit will be about \$37 per month (\$450 per year) less than it would have been absent all the 1996 cuts. About

Hearing before the United States Senate, Subcommittee on Nutrition of the Committee on Agriculture, Nutrition and Forestry, Monday April 30, 1979.

<sup>2</sup> Carl M. Cannon and Jerry Hagstrom, “10 Successes, 10 Challenges”, *National Journal* (January 20, 2007), pp18-39.

<sup>3</sup> The methodology for determining the amount of the grant is found in 7 U.S.C. §2017(a) and 7 C.F.R. §273.10. The standard deduction is established in 7 U.S.C. §2014(e). The 2002 Farm Bill changed the standard deduction so that it once again rises with inflation for households with four or more members. However, for households of one, two, or three members the deduction remains frozen at \$134, the 1996 level.

<sup>4</sup> These and all other calculations of the numbers of people affected and the dollar amount of the impact of the freezing of the standard benefit are from *Families’ Food Stamp Benefits Purchase Less Food Each Year*, by Dorothy Rosenbaum, Center On Budget and Policy Priorities, March 2007, <http://www.cbpp.org/3-6-07fa.htm>. These standard deduction amounts are based on inflation projections from the Congressional Budget Office.

\$24 of that is attributable to the freeze in the standard deduction and the remaining \$13 is due an across the board reduction in benefits. (See Figure 1)<sup>5</sup> By 2012, the freeze will cost this family about \$350 in food stamp benefits over the course of the year, measured in 2008 dollars. Under current rules, this lost ground will never be recovered, and the cut gets deeper with each passing year.<sup>6</sup>

In all, Colorado residents will lose \$13 million in food stamp benefits in FY2008 due to the freeze in the standard deduction (See Appendix). Over the course of the next ten years it will total \$179 million that needy Coloradans will not have available to buy groceries.

This lost income to Colorado harms not only the households that need food stamps to put food on the table every day, but also weakens the Colorado economy by reducing low-income households' food purchasing power. According to the United States Department of Agriculture (USDA), which administers the Food Stamp Program, "[The FSP] also serves as an economic stimulus, creating an economic boost that ripples throughout the economy when new food stamp benefits are redeemed. By generating business at local grocery stores, new food stamp benefits trigger labor and production demand, ultimately increasing household income and triggering additional spending."<sup>7</sup> USDA estimates that every \$5 in food stamp benefits generates \$9.20 in local economic activity.<sup>8</sup> Based on that estimate, the \$13 million that Colorado residents will lose next year because of the standard deduction freeze will result in a loss of \$23.9 million in economic activity in Colorado.

In short, the erosion of food stamps doesn't just hurt poor children, elderly people, and working-poor families. It also hurts local businesses, farmers, and everyone else in Colorado who depends on a strong economy.

### **Many Coloradans Need Help Obtaining an Adequate Diet**

While the severe malnutrition documented in the United States in the 1960s is now rare, about 35 million Americans — including *nearly one in five American children* — do not always have access to sufficient food.<sup>9</sup> The USDA calls this condition “food insecurity,” or “limited or uncertain access to nutritionally adequate food for an active and healthy life for all family members.”

Food insecurity is a problem in Colorado too: about 220,000 households in Colorado are food insecure.<sup>10</sup> This large group includes low-income working families and senior citizens living on fixed incomes. It also includes households with young children. Households with young children are more than twice as likely to lack food than households without children.

Lack of food can have devastating effects, particularly during the critical periods before birth and in early childhood. Infants and toddlers in food-insecure families are 90 percent more likely to be in fair or poor health, and 30 percent more likely to require hospitalization, than other children. In older children, food

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<sup>5</sup> Ibid.

<sup>6</sup> As a result of the 2002 Farm Bill, larger households (with four or more members) are no longer losing ground, although most of them continue to have their benefits calculated using a standard deduction that is lower than it would have been under the pre-1996 rules.

<sup>7</sup> USDA website, at <http://www.fns.usda.gov/fsp/outreach/business-case.htm>

<sup>8</sup> *The Benefits Of Increasing Food Stamp Program Participation In Your State*, USDA, 2005, [http://www.fns.usda.gov/fsp/outreach/pdfs/bc\\_facts.pdf](http://www.fns.usda.gov/fsp/outreach/pdfs/bc_facts.pdf).

<sup>9</sup> *Household Food Security in the United States, 2005*, By Mark Nord, Margaret Andrews, and Steven Carlson, United States Department of Agriculture, Economic Research Service, 2006, <http://www.ers.usda.gov/Publications/ERR29/ERR29.pdf>.

<sup>10</sup> Ibid at Table 7.

insecurity contributes to poor physical health, lower school achievement in reading and math, and behavioral and emotional problems, including a higher risk of suicidal thoughts in adolescent girls.<sup>11</sup>

Conversely, families that receive food stamps are less likely to be food insecure, which in turn means their children are less likely to suffer from anemia or malnutrition (or child abuse) and tend to do better in reading and math. In older children, particularly girls, food stamps have been shown to decrease the risk of obesity.<sup>12</sup> In Colorado, there are an average 108,000 Food Stamp Program cases per month.<sup>13</sup> (See Appendix for a county by county breakdown of food stamp cases).

Food insecurity remains a serious problem because of the rising cost of living and the growth of poverty. Costs for housing, utilities, gas, transportation, and other necessities have climbed, but most working families' wages have remained stagnant. And when budgets are tight, food is usually the first place where families cut back.

Since food stamp benefits are small and steadily shrinking, even food stamps are no guarantee that a household will be able to afford sufficient food; many of the millions of Americans who are food insecure receive food stamps. Food stamps often do not last a household through the month, and this situation is getting worse each year as the purchasing power of the benefit continues to decline. As an Ohio food stamp recipient recently told a congressional hearing:

*In the months when my food stamp benefits are lower, I run out of food stamps before the end of the month and I'm always watching the calendar for the first of the month to come so I'll have access to my new benefits and we can eat again.<sup>14</sup>*

### **In the New Farm Bill, Congress Can Improve the Value of Food Stamp Benefits**

In this year's Farm Bill, there are a number of steps Congress could take to strengthen the Food Stamp Program and thereby reduce hunger and food insecurity in Colorado and the United States. These steps include restoring food stamp eligibility to groups that have been excluded from the program, allowing people with modest retirement savings to receive food stamps to help them meet daily food expenses, and allowing working families to deduct the full cost of their child care in determining their food stamp benefit levels.

One of the most important improvements Congress can make this year is to restore the food purchasing power of the food stamp benefit. More than ten years after enactment of the 1996 law, the cuts in food stamp benefits contained in that law continue to deepen with each passing year and to affect most food stamp households, including most of the working poor and the elderly poor. Each year, food stamp households are able to purchase less food than the year before. Congress should undo these cuts. At a minimum, Congress should prevent the further erosion of food stamps' purchasing power. Failing to

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<sup>11</sup> Testimony of [Deborah Frank](#), M.D. Director, Grow Clinic for Children, Boston Medical Center, before the Committee on the Budget, U.S. House of Representatives, February 15, 2007. [http://budget.house.gov/hearings/2007/08frank\\_testimony.pdf](http://budget.house.gov/hearings/2007/08frank_testimony.pdf) . See also, *Food Stamps as Medicine: A New Perspective on Children's Health*, February 2007, available at: <http://dcc2.bumc.bu.edu/csnappublic/Food%20Stamps-Medicine%202-12-07.pdf>

<sup>12</sup> Ibid, at pp 6-7.

<sup>13</sup> Based on U.S. Department of Agriculture data from March 2006 to February 2007.

<sup>14</sup> Testimony of Rhonda Stewart before the U.S. Senate Committee on Agriculture, Nutrition and Forestry, January 31, 2007, <http://agriculture.senate.gov/Hearings/hearings.cfm?hearingid=2511&witnessId=6029>

stop this erosion now leads to deeper and deeper cuts as time goes by. Only by stabilizing the benefit now can participants maintain this year's food stamp purchasing power.

In an ideal budget situation, Congress could restore the standard deduction to its pre-1996 level by raising the deduction to \$188 in 2008 and setting it to adjust annually for inflation in the future.<sup>15</sup> A typical household of three or fewer members would see its benefits increase by about \$24 a month next year. This change would be expensive, however, costing about \$9 billion over five years; this level of resources is unlikely to be available in the 2007 Farm Bill.

Accordingly, we recommend simply maintaining the value of the standard deduction at its current level, at a substantially lower cost. Congress can do this by simply reinstating its earlier policy of adjusting the standard deduction annually for inflation, beginning in 2008.<sup>16</sup> That would cost about \$1.3 billion over five years.<sup>17</sup> Families would not regain any of the ground lost since 1996, but the real value of their food stamp benefits would stop deteriorating.

## Conclusion

The Food Stamp Program has been a resounding success, which is why polls show a large majority of Americans strongly support it. However, the erosion of the benefit level is making it increasingly difficult for food stamp recipients to obtain an adequate diet. In addition to any other improvements Congress may make in the program in the new Farm Bill, it is vital that Congress prevent this erosion from continuing. Such a step would help low-income Coloradans and the entire state economy.

For more information:

Adela Flores-Brennan  
727 E. 16th Ave, Main Suite  
Denver, CO 80203  
303.573.5669 x313  
afbrennan@cclponline.org

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<sup>15</sup> This would recover much but not all of the ground lost as a result of the 1996 food stamp cuts because it would not undo the effects of the 1996 cut in the size of the maximum food stamp benefit.

<sup>16</sup> Benefits for households of four or more would not be affected by this change, since their standard deduction already rises with inflation each year. (See footnote 2.)

<sup>17</sup> *Families' Food Stamp Benefits Purchase Less Food Each Year*, by Dorothy Rosenbaum, Center On Budget and Policy Priorities, March 2007, <http://www.cbpp.org/3-6-07fa.htm>.

## Appendix

Number of People Affected and Benefits Lost Due to the Erosion of the Standard Deduction Since the 1996 Welfare Bill				
	Average Monthly # of People Affected (in 000s)	Benefits Lost (in \$ millions)		
		FY08	FY08-12	FY08-17
Alabama	363	\$35	\$196	\$460
Alaska	42	\$5	\$28	\$66
Arizona	315	\$29	\$161	\$379
Arkansas	246	\$23	\$131	\$307
California	1,465	\$125	\$702	\$1,656
Colorado	130	\$13	\$75	\$179
Connecticut	131	\$16	\$89	\$213
Delaware	40	\$4	\$22	\$51
District of Columbia	56	\$6	\$32	\$75
Florida	845	\$97	\$549	\$1,304
Georgia	578	\$56	\$313	\$737
Hawaii	82	\$13	\$76	\$182
Idaho	56	\$6	\$33	\$77
Illinois	667	\$73	\$414	\$980
Indiana	362	\$36	\$201	\$472
Iowa	136	\$14	\$78	\$183
Kansas	120	\$13	\$74	\$174
Kentucky	407	\$43	\$242	\$569
Louisiana	446	\$45	\$251	\$592
Maine	108	\$13	\$75	\$177
Maryland	188	\$21	\$117	\$277
Massachusetts	282	\$30	\$170	\$403
Michigan	699	\$65	\$368	\$864
Minnesota	214	\$28	\$158	\$376
Mississippi	245	\$21	\$118	\$276
Missouri	477	\$47	\$261	\$611
Montana	53	\$5	\$31	\$72
Nebraska	74	\$8	\$43	\$102
Nevada	79	\$9	\$50	\$118
New Hampshire	40	\$4	\$25	\$59
New Jersey	296	\$32	\$179	\$425
New Mexico	173	\$16	\$87	\$204
New York	1,251	\$115	\$651	\$1,554
North Carolina	505	\$53	\$299	\$702
North Dakota	28	\$3	\$17	\$39
Ohio	612	\$66	\$370	\$875
Oklahoma	261	\$25	\$140	\$327
Oregon	272	\$31	\$173	\$408
Pennsylvania	699	\$74	\$414	\$978
Rhode Island	61	\$5	\$30	\$71

South Carolina	337	\$30	\$168	\$393
South Dakota	30	\$3	\$17	\$41
Tennessee	533	\$53	\$297	\$700
Texas	1,578	\$135	\$756	\$1,769
Utah	83	\$8	\$42	\$99
Vermont	33	\$4	\$22	\$51
Virginia	341	\$36	\$202	\$475
Washington	369	\$33	\$187	\$443
West Virginia	189	\$20	\$112	\$262
Wisconsin	212	\$19	\$107	\$250
Wyoming	17	\$2	\$10	\$23
Guam	8	\$1	\$7	\$15
Virgin Islands	7	\$0	\$2	\$6
<b>Total</b>	<b>16,840</b>	<b>\$1,665</b>	<b>\$9,370</b>	<b>\$22,097</b>

Estimates based on the Congressional Budget Office (CBO) March 2007 baseline and the 2005 Food Stamp Quality Control data. Source: Center on Budget and Policy Priorities

Average Total Colorado Food Stamp Cases by County March 2006 to February 2007					
County Name	Average Annual FS Cases	Average Monthly FS Cases	County Name	Average Annual FS Cases	Average Monthly FS Cases
ADAMS	108,983	9,082	LARIMER	62,204	5,184
ALAMOSA	14,403	1,200	LAS ANIMAS	8,880	740
ARAPAHOE	116,677	9,723	LINCOLN	1,809	151
ARCHULETA	2,627	219	LOGAN	8,449	704
BACA	1,667	139	MEDICAL ASSISTANCE S	16	1
BENT	4,526	377	MESA	48,876	4,073
BOULDER	49,313	4,109	MINERAL	138	12
BROOMFIELD	5,746	479	MOFFAT	4,585	382
CHAFFEE	4,382	365	MONTEZUMA	9,000	750
CHEYENNE	517	43	MONTROSE	13,241	1,103
CLEAR CREEK	1,929	161	MORGAN	8,248	687
CONEJOS	7,363	614	OTERO	15,240	1,270
COSTILLA	4,429	369	OURAY	641	53
CROWLEY	3,187	266	PARK	2,850	238
CUSTER	949	79	PHILLIPS	1,072	89
DELTA	11,503	959	PIPKIN	311	26
DENVER	263,410	21,951	PROWERS	9,194	766
DOLORES	546	46	PUEBLO	121,583	10,132
DOUGLAS	9,826	819	RIO BLANCO	1,028	86
EAGLE	2,064	172	RIO GRANDE	11,454	955
ELBERT	2,180	182	ROUTT	1,479	123
EL PASO	166,712	13,893	SAGUACHE	5,131	428
FREMONT	15,072	1,256	SAN JUAN	200	17
GARFIELD	6,896	575	SAN MIGUEL	598	50
GILPIN	812	68	SEDGWICK	619	52
GRAND	1,205	100	STATE OF COLORADO	4	0
GUNNISON	2,041	170	SUMMIT	1,674	140
HINSDALE	87	7	TELLER	5,380	448
HUERFANO	5,811	484	WASHINGTON	982	82
JACKSON	391	33	WELD	45,581	3,798
JEFFERSON	73,387	6,116	YUMA	2,991	249
KIOWA	538	45	<b>COLORADO TOTALS</b>	<b>1,296,985</b>	<b>108,082</b>
KIT CARSON	2,245	187			
LAKE	1,197	100			
LA PLATA	10,906	909			

U.S. Department of Agriculture data, Food Stamp cases, March 2006 through February 2007.