

NOVEMBER 22, 2011

Lifeline for Families, Support for the Economy: The Supplemental Nutrition Assistance Program

Millions of Americans remain unemployed in the aftermath of the Great Recession and wage growth has lagged behind inflation, straining the budgets of millions more. The Supplemental Nutrition Assistance Program (SNAP), also known as food stamps, provides critical support to individuals and families during hard economic times. SNAP is one of only a few sources of public support for those who have exhausted their unemployment benefits and yet still cannot find work.

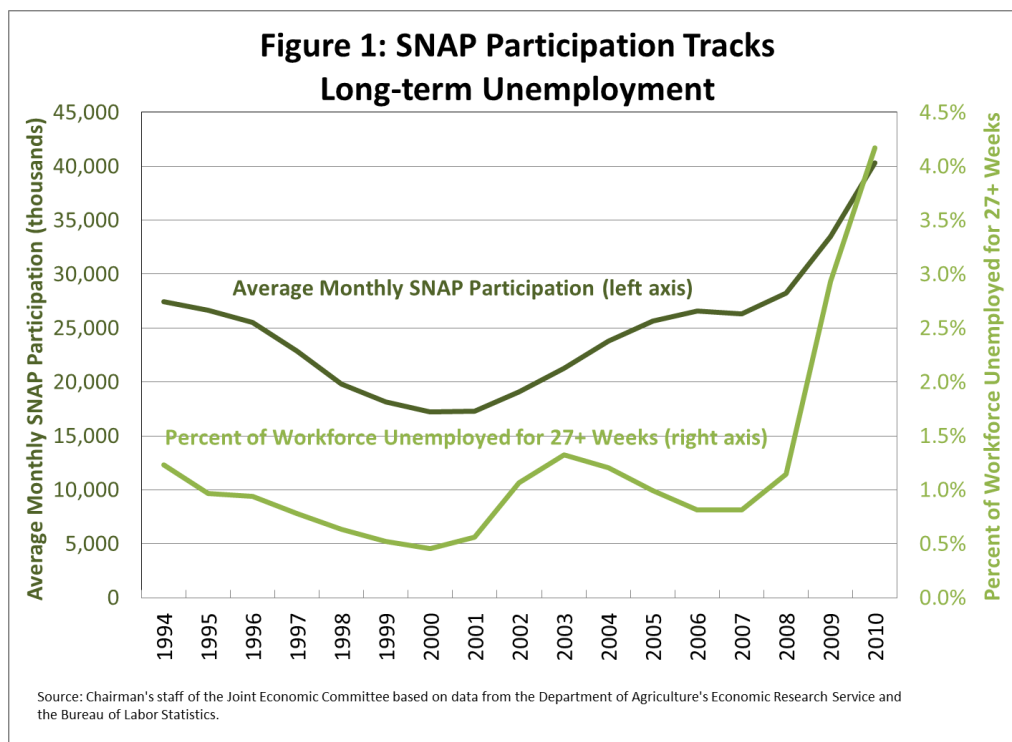
SNAP benefits, while modest, work to guard against malnutrition and other negative outcomes resulting from food insecurity. SNAP also provides substantial spillover benefits to the broader economy, as cash-strapped recipients quickly pump the money they receive back into the economy. This works to stabilize demand and promote job retention and growth during cyclical downturns in the economy. One dollar of spending on SNAP is estimated to increase GDP by as much as \$1.79 – a significant “bang for the buck.” In other words, spending on SNAP not only provides much-needed support for vulnerable Americans, it also gives a significant boost to the economy.

REPORT BY
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SNAP Provides Critical Benefits to the Most Vulnerable Americans

The Supplemental Nutrition Assistance Program (SNAP), previously known as the Food Stamp Program, traces its origins to the 1930s, when widespread unemployment coupled with unmarketable food surpluses combined to spur the creation of the first food stamp program.¹ Currently, SNAP benefits are particularly valuable for the long-term unemployed and their families. Long-term unemployment remains near record levels by any measure – the number of workers, as a percentage of the labor force, and as a share of total unemployment.² Many of these long-term unemployed workers have run out of unemployment insurance benefits, and, without a continuation of the emergency unemployment insurance program that expires in December, many more will exhaust their benefits in 2012.

SNAP benefits play an increasingly important role in providing food security as unemployment spells lengthen. More than one in five workers unemployed for over six months received SNAP benefits last year.³ The dependents of those unemployed workers are also eligible for benefits. The SNAP participation rate of the long-term unemployed and their families was 24 percent in 2010, compared with 21 percent of people in families with a member who was unemployed for six months or less. SNAP benefits also represent a larger share of family income as unemployment spells persist. SNAP benefits add an additional 18 percent to family income for the typical person who has been unemployed for over six months, compared to 14 percent for those unemployed for six months or less.⁴ As one of the few sources of public support for individuals who have exhausted their unemployment benefits and yet still cannot find work, SNAP offers critical assistance to guard against food insecurity and the added costs that malnutrition imposes on families and society more broadly.⁵ In 2010, nearly one-quarter of Americans who exhausted their unemployment benefits or lived with someone who did received SNAP benefits.⁶



As **Figure 1** shows, the heightened use of SNAP during times of economic difficulty is not a new phenomenon. There is a clear link between long-term unemployment and SNAP participation, as

families turn to SNAP for support during hard times. The Congressional Budget Office noted this relationship in testimony earlier this month, citing nutrition assistance as a program for which outlays increase “because unemployment rises and more people experience reductions in income, qualifying them to enter existing programs.”⁷ Outlays can also increase when a higher share of eligible individuals elect to participate, as occurred during the mid-2000s, when increased outreach efforts and streamlined application processes led more eligible individuals to receive benefits.⁸

SNAP is effective in targeting benefits, albeit modest in size, to the most vulnerable. Last year, SNAP provided an average monthly benefit of \$130 to 40.3 million people, 47 percent of whom were children and 8 percent of whom were over the age of 60.⁹ Over three quarters of households that received SNAP benefits in 2010 included children, an elderly person, or a disabled person, and these households received 84 percent of benefits.¹⁰ Moreover, the vast majority of SNAP recipients live below the poverty line or are one bad break away from slipping below it. In 2010, 96.5 percent of SNAP households lived at or below 130 percent of the federal poverty level, and these households received 99 percent of all benefits.¹¹ While critics of SNAP claim that many recipients are ineligible for the benefits they receive, SNAP payment errors have declined to record lows in recent years, according to the Government Accountability Office.¹²

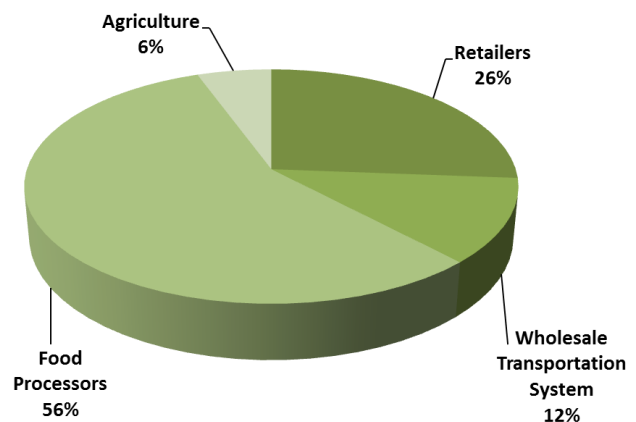
SNAP benefits also make a particularly big difference when food costs are high. Over the past year, the price of food, measured by the food at home price index, has risen by 6.2 percent, compared with a modest 2.1 percent increase in core inflation (which excludes food and energy prices).¹³ Given that poorer individuals spend a higher share of their income on food, SNAP provides critical support to preserve the ability of these recipients to purchase food when prices spike.¹⁴

SNAP Has Substantial Spillover Benefits for the Broader Economy

SNAP supports consumer spending directly by providing supplemental income for spending on food, which then spills over to other parts of the economy. SNAP has a direct impact on a variety of different sectors of the food industry, as illustrated in **Figure 2**. As cash-strapped recipients quickly spend benefits, the impact is felt by grocers, truck drivers, food production workers, and farmers. Products purchased with SNAP benefits account for a significant share of food retailers’ sales.¹⁵ Thus, SNAP allows retailers and others to retain employees who might otherwise have been let go.

SNAP provides a particularly effective boost to the economy, because benefits quickly flow to those individuals who will spend them. The number of beneficiaries automatically increases during a weak economy when more people qualify and ratchets down as the economy picks up. A number of analysts have quantified SNAP’s substantial “bang for the buck” (See **Figure 3**).¹⁶ For example, USDA estimates that \$1 in SNAP benefits increases GDP by \$1.79 and that an increase of \$1 billion in SNAP spending generates as many as 17,900 full-time jobs.¹⁷ Because 97 percent of SNAP benefits are spent in the month they are received, and 80 percent of benefits are spent in the first two weeks,¹⁸

Figure 2: SNAP Directly Benefits the Food Industry
Percentage of Retail Food Expenditures Received by Sector



Source: Chairman's staff of the Joint Economic Committee based on data from the Department of Agriculture's Economic Research Service.

SNAP benefits flow quickly into the economy, constituting a “particularly powerful form of stimulus,” according to one independent study.¹⁹

Conclusion

SNAP provides the most vulnerable Americans with critical supplemental income to purchase food for themselves and their families. SNAP keeps millions of low-income children and elderly Americans, already struggling to get by, from suffering further consequences as a result of malnutrition and food insecurity. Additionally, by boosting purchasing power for low-income consumers, SNAP supports consumer spending during economic downturns, saving jobs in a variety of sectors of the economy. SNAP is a particularly effective automatic stabilizer to the economy because benefits immediately flow to recipients and then throughout the broader economy.

Figure 3: SNAP Has Substantial Spillover Effects

A Significant "Bang for the Buck":

- * USDA estimates that \$1 in SNAP benefits increases GDP by \$1.79.
- * Moody's Analytics puts this estimate at \$1.71 per dollar of SNAP benefits, among the highest multipliers of fiscal policies to support the economy.
- * CBO has said that SNAP can have a significant effect on GDP.

Supporting Job Creation and Retention:

- * USDA estimates that \$1 billion in SNAP benefits generate as many as 17,900 full-time jobs.

Source: Chairman's staff of the Joint Economic Committee based on data from the Department of Agriculture's Economic Research Service, the Congressional Budget Office, and Moody's Analytics. See endnote 16.

Sources:

¹ U.S. Department of Agriculture. “A Short History of SNAP.” Last updated October 12, 2011.

² Bureau of Labor Statistics. 5.9 million Americans were unemployed for 27 weeks or more in October 2011 and remained in the civilian labor force. This represents 3.8 percent of the civilian labor force and 42.4 percent of all unemployed persons.

³ JEC Chairman's Staff calculations based on data from the Annual Social and Economic Supplement (ASEC) of the Current Population Survey. Duration of unemployment is measured as of March 2011, while SNAP participation is measured over 2010 in the ASEC.

⁴ *Ibid.* Family income, as defined by the Census Bureau, includes only money income, and therefore does not include noncash benefits, such as SNAP benefits.

⁵ Center for American Progress. “Hunger in America: Suffering We All Pay For.” October 2011.

⁶ JEC Chairman's Staff calculations based on data from the ASEC. As of January 2011, exhaustion of unemployment insurance benefits occurred at 60 weeks in 3 states, 73 weeks in 11 states, 79 weeks in Mississippi, 86 weeks in 5 states, 93 weeks in 6 states, and at 99 weeks in 24 states and DC. See “Cold Turkey – and Cold Holidays – for the Unemployed.” Center on Budget and Policy Priorities. October 25, 2010.

⁷ Douglas W. Elmendorf, Director, Congressional Budget Office. “Policies for Increasing Economic Growth and Employment in 2012 and 2013.” Testimony before the Committee on Budget, United States Senate. November 15, 2011.

⁸ U.S. Department of Agriculture, Food and Nutrition Service, Office of Research and Analysis. “Trends in Supplemental Nutrition Assistance Program Participation Rates: Fiscal Years 2002-2009.” August 2011. Between fiscal years 2002 and 2009, the percentage of eligible individuals receiving benefits increased from 54 percent to 72 percent.

⁹ U.S. Department of Agriculture, Food and Nutrition Service, Office of Research and Analysis. “Characteristics of Supplemental Nutrition Assistance Program Households: Fiscal Year 2010.” Report No. SNAP-11-CHAR. September 2011.

¹⁰ *Ibid.*

¹¹ *Ibid.*

¹² Government Accountability Office, Testimony before the Subcommittee on Department of Operations, Oversight, Nutrition, and Forestry, Committee on Agriculture, U.S. House of Representatives. “Supplemental Nutrition Assistance Program: Payment Errors and Trafficking Have Declined, but Challenges Remain.” GAO-10-956T. July 28, 2010.

¹³ Bureau of Labor Statistics. CPI Detailed Report. Data for October 2011.

¹⁴ Bureau of Labor Statistics, Consumer Expenditure Survey. CES data show that individuals in the lowest income quintile spend 22.6 percent of their after-tax income on food at home, while the highest income quintile spends 3.8 percent of after-tax income on food at home.

¹⁵ In 2010, SNAP benefits paid totaled over 10 percent of supermarket sales. USDA 2011, “Characteristics of SNAP Households: Fiscal Year 2010;” See also “Supermarket Facts: Industry Overview 2010.” Food Marketing Institute.

¹⁶ U.S. Department of Agriculture, Economic Research Service. “The Food Assistance National Input-Output Multiplier (FANIOM) Model and Stimulus Effects of SNAP.” Economic Research Report Number 103. October 2010; Congressional Budget Office, Testimony before the Committee on Budget, U.S. House of Representatives. “The State of the Economy and Issues in Developing an Effective Policy Response.” January 27, 2009 (p. 27); Moody's Analytics. “Policy Prescriptions: How Another Recession Can be Avoided.” August 26, 2011.

¹⁷ *Ibid.* USDA estimates that \$1 billion in SNAP spending generates between 8,900 and 17,900 full-time-equivalent jobs.

¹⁸ Center on Budget and Policy Priorities. “Policy Basics: Introduction to the Supplemental Nutrition Assistance Program.” March 21, 2011.

¹⁹ Alan Blinder and Mark Zandi. “How the Great Recession Was Brought to an End.” July 27, 2010.