



GBPI

Georgia Budget and Policy Institute

Thoughtful Analysis...Responsible Policy

GBPI Policy Brief: The Erosion of Food Stamp Benefits in Georgia

Introduction

Roughly 950,000 Georgians rely on food stamps to help them purchase a nutritionally adequate diet. Unfortunately, food stamps are worth only about \$1.07 per meal for the average Georgian and because they don't keep up with the cost of living, the amount of food they can purchase is steadily declining. This declining value of food stamp benefits will affect 578,000 Georgians. Next year, a typical working parent with two children will receive roughly \$300 less in food stamp benefits due to a freeze of the standard deduction. As a result, households are increasingly likely to run out of food before the end of the month, which can affect everything from their health to their ability to succeed at work and in school. In addition, the declining value of food stamps means that Georgia will lose \$103 million in economic activity next year.

Background on Food Stamps

The nation's largest and most comprehensive nutrition program, the Food Stamp Program is primarily responsible for this country's significant progress against hunger and malnutrition in recent decades. In the late 1960s, medical research exposed the fact that American children suffered and died from diseases related to severe malnutrition that usually are thought of as occurring 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.¹

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.

Why Food Stamp Benefits Are Eroding — and How Georgia 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.²

Until 1996, the standard deduction went up each year to account for the fact that basic living expenses go up due to inflation. In 1996, however, Congress froze the value of the standard deduction at \$134, a freeze that remains in effect today. This cut to the standard deduction only affects households with one, two, or three members. 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 2017.³

As a result of the freeze, food stamp benefits for a typical working parent with two children in Georgia 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 the 1996 cuts. About \$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.)⁴

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.⁵

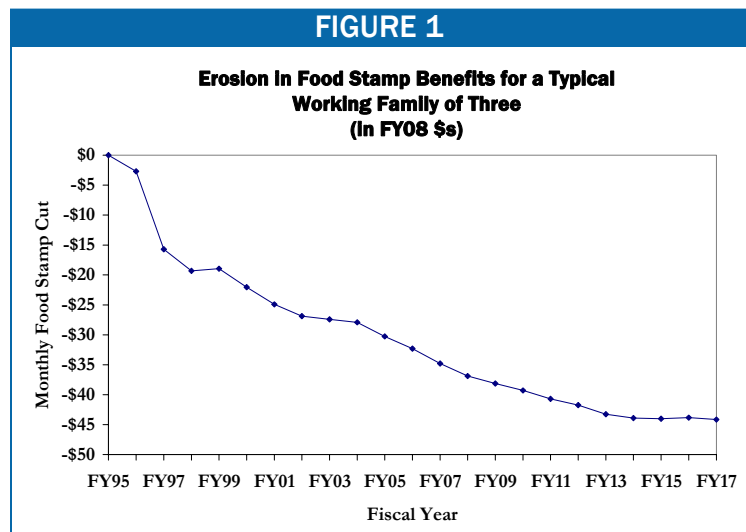
In all, Georgia residents will lose \$56 million in food stamp benefits in FY2008 due to the freeze in the standard deduction (See Appendix). Over the course of the next ten years it will total \$737 million that needy Georgians will not have available to buy groceries.

This lost income to Georgia harms not only the households that need food stamps to put food on the table every day, but also weakens the Georgia 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."⁶ USDA estimates that every \$5 in food stamp benefits generates \$9.20 in local economic activity.⁷ Based on that estimate, the \$56 million that Georgia residents will lose next year because of the standard deduction freeze will result in a loss of \$103 million in economic activity in Georgia.

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 others who benefit from the economic ripple effects of food stamps.

Many Georgians 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.⁸ The Agriculture Department 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 Georgia too-about 427,000 households in Georgia are food insecure.⁹ This large group includes low-income working families and senior citizens living on fixed incomes. 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 insecurity contributes to poor physical health, lower school achievement in reading and math, and behavioral and emotional problems, including a higher risk of suicide in adolescent girls.¹⁰

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, malnutrition, and 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.¹¹

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 can be one of the first places 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.

Recommendations

In this year’s Farm Bill, Congress can take steps to stop the erosion of the food purchasing power of the food stamp benefit.

- 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.¹² 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.
- Congress could simply maintain the value of the standard deduction at its current level. Congress can do this by simply reinstating its earlier policy of adjusting the standard deduction annually for inflation, beginning in 2008.¹³ That would cost about \$1.3 billion over five years.¹⁴ Families would not regain any of the ground lost since 1996, but the real value of their food stamp benefits would stop deteriorating.

The Georgia Budget and Policy Institute (GBPI) is an independent, nonprofit, non-partisan organization engaged in research and education on the fiscal and economic health of the state of Georgia. The GBPI provides reliable, accessible and timely analysis to promote greater state government fiscal accountability as a way to improve services to Georgians in need and to promote quality of life for all Georgians.

¹ 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”, Hearing before the United States Senate, Subcommittee on Nutrition of the Committee on Agriculture, Nutrition and Forestry, Monday April 30, 1979.

² 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.

³ 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.

⁴ Ibid.

⁵ 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.

⁶ USDA website, at <http://www.fns.usda.gov/fsp/outreach/business-case.htm>

⁷ *The Benefits Of Increasing Food Stamp Program Participation In Your State*, USDA, 2005, http://www.fns.usda.gov/fsp/outreach/pdfs/bc_facts.pdf.

⁸ *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>.

⁹ Ibid at Table 7.

¹⁰ 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. 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>

¹¹ Ibid, at pp 6-7.

¹² 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.

¹³ 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.)

¹⁴ *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>.