

Recovery for Struggling Iowans

How Food Assistance Can Protect Families and Enhance Iowa's Economy

By Molly Fleming, David Swenson and Peter S. Fisher

Despite some signs of economic recovery, Census data show that many Americans continue to experience severe financial distress during this recession. Declining incomes, rising rates of home foreclosure, and a shrinking pool of available jobs for unemployed individuals are all driving millions of Americans into poverty or near-poverty. Faced with such economic instability, households increasingly turn to America's social support programs to feed their children, obtain health care and pay the utility bills. While Unemployment Insurance (UI), Temporary Assistance for Needy Families (TANF), and Medicaid have all seen marked increases in use, the nation's food assistance programs have played a critical role in filling the widening gap between household needs and incomes.

The Supplemental Nutritional Assistance Program (SNAP), formerly Food Stamps, and The Emergency Food Assistance Program (TEFAP) are two income support programs that prevent hunger during times of economic hardship. As increasing numbers of Americans struggle to meet basic needs on limited or decreasing incomes, demand for these food assistance programs has skyrocketed. The federal economic recovery legislation passed last year provides nearly \$2.2 billion in additional funding for SNAP and TEFAP food assistance, preventing state budget cuts that might have compromised these vital programs. In Iowa, more than \$86 million in additional federal food assistance funding will ensure nutritious meals for low-income families

while stimulating businesses statewide. In this report we estimate the economic impacts of this new food assistance funding to determine if the increased spending is creating jobs and boosting the incomes of Iowans. We also discuss ways to expand program eligibility for struggling families, and how rising demand may compromise food assistance services for low-income residents. We conclude with ways to ensure that Iowa's income support network is fully functioning for those who need it most.

SNAP — Who is eligible?

SNAP food assistance is only available to households with very low incomes and few assets. Under federal rules, a household must meet three criteria to qualify:

- Total monthly household income cannot exceed 130 percent of the poverty line, or about \$1,980 (\$23,800 a year) for a family of three in fiscal year 2010.
- Net household income cannot exceed the poverty line, or about \$1,526 monthly (\$18,310 a year) for a family of three in fiscal year 2010. Net household income is income after deductions such as high housing costs or child care.
- Household assets must fall below certain limits. For example, households without an elderly member must have assets of \$2,000 or less, and households with an elderly or disabled member must have assets of \$3,000 or less.

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Food Assistance Funding in the Federal Recovery Package

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act (ARRA) into law. The Act includes significant investments in education, workforce development, infrastructure upgrades and other important areas, including substantial funding to support families in economic distress. Food assistance is a critical component of the ARRA, accounting for more than \$86 million in stimulus funding in Iowa. A vital part of the nation’s response to recession, food assistance ensures that recently unemployed workers and their families don’t go hungry when the economy declines. Table 1 summarizes the value of this stimulus for Iowa’s food assistance programs in fiscal years 2009-10.

Table 1. Summary of Federal ARRA Food Assistance Funding in Iowa¹

| | FY 2009 | FY 2010 | Two-Year Total |
|---|----------------------|----------------------|-----------------------|
| Supplemental Nutrition Assistance Program (SNAP) Benefits | \$ 41,250,000 | \$ 41,250,000 | \$ 82,500,000 |
| Supplemental Nutrition Assistance Program (SNAP) Administration | \$ 1,328,000 | \$ 1,342,000 | \$ 2,670,000 |
| The Emergency Food Assistance Program (TEFAP) Benefits | \$ 0 | \$ 792,717 | \$ 792,717 |
| The Emergency Food Assistance Program (TEFAP) Administration | \$ 198,957 | \$ 198,957 | \$ 397,914 |
| Total Food Assistance | \$ 42,776,957 | \$ 43,583,674 | \$ 86,361,751 |

Supplemental Nutrition Assistance Program (SNAP)

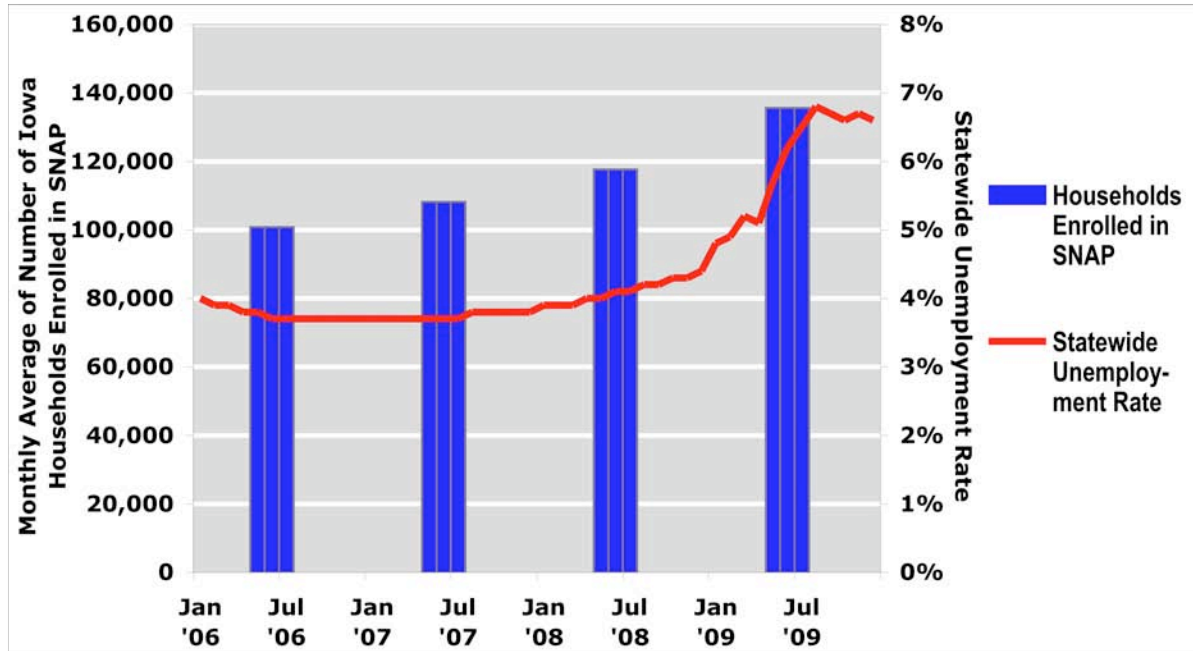
The Supplemental Nutritional Assistance Program (SNAP), is a federal anti-hunger program that helps about 38 million low-income Americans afford a nutritionally adequate diet. Due to family economic instability in the current recession, national SNAP enrollment is at an all-time high. At the beginning of 2010, one in eight Americans was receiving SNAP food assistance benefits, including one in four children. More than 75 percent of all SNAP beneficiaries are in families with children, and nearly one-third of participants are elderly people or people with disabilities.²

Enrollment in SNAP closely follows the economic cycle, particularly the unemployment rate. With few exceptions, SNAP caseloads have risen as unemployment rises and have fallen when it declines. This relationship in the state of Iowa is shown in Figure 1 (page 3). As the economic recession spurs job cuts, thousands of laid-off workers and their families struggle to meet basic needs. For these families, SNAP is a critical income support that keeps food on the table despite a household’s financial instability.

To handle this dramatic increase in food assistance need, the recovery act’s SNAP funding has three primary components: (1) a 13.6 percent food benefit expansion for all SNAP recipients, (2) a temporary suspension of eligibility time limits for jobless adults without children, and (3) nearly \$2.7 million in additional funding for Iowa’s SNAP administration to manage rising caseloads.

The majority of ARRA’s \$85 million in SNAP funding for Iowa goes directly to all enrolled families in the form of a 13.6 percent maximum benefit increase. There are over 145,000 SNAP recipient households in Iowa containing about 318,000 individuals and all receive additional food assistance benefits from this expansion, just as many are pinching pennies to maintain household budgets in the economic downturn. Like the original benefit amount, the increase in food assistance varies according to the number of family members and household income. A family of four receiving the maximum SNAP benefit experiences an \$80 per month increase from ARRA, bringing their total benefit to \$748. The maximum total food assistance increase for all family types is in Table 2. Benefits will remain at

Figure 1. Iowa's SNAP Enrollment and Statewide Unemployment Rate, 2006-09³



these levels until the cost of living adjustments, which normally trigger benefit increases each fall, eventually push the normal benefit levels above the ARRA rates.

Table 2. SNAP Maximum Monthly Benefit Increases Due to ARRA Funding

| Household Size | Pre-ARRA Benefit | ARRA Dollar Increase | New Maximum Benefit |
|------------------------|------------------|----------------------|---------------------|
| 1 person | \$200 | \$24 | \$224 |
| 2 people | \$367 | \$44 | \$411 |
| 3 people | \$526 | \$63 | \$589 |
| 4 people | \$668 | \$80 | \$748 |
| 5 people | \$793 | \$95 | \$888 |
| 6 people | \$952 | \$114 | \$1,066 |
| 7 people | \$1,052 | \$126 | \$1,178 |
| Each additional person | \$150 | \$18 | \$168 |

ARRA also expands food assistance eligibility for unemployed adults, as Congress and the Administration recognize the difficulty of finding jobs in the current economy. Normally, a childless adult under age 50 who is neither working nor participating in a job training program may receive SNAP benefits for only three months over a three-year span. Because the economic recession diminishes work opportunities for the unemployed, however, this time limit has been suspended through fiscal year 2010.

SNAP enrollment in Iowa has increased by over 15 percent since September 2008, and these nearly 20,000 additional cases represent a significant strain on Iowa's Department of Human Services staff. To prevent reductions in administrative services, ARRA also provides nearly \$2.7 million over two years in SNAP administrative support. With this funding, Iowa's Department of Human Services will likely hire new workers and pay overtime to existing workers in order to manage record-breaking numbers of cases.

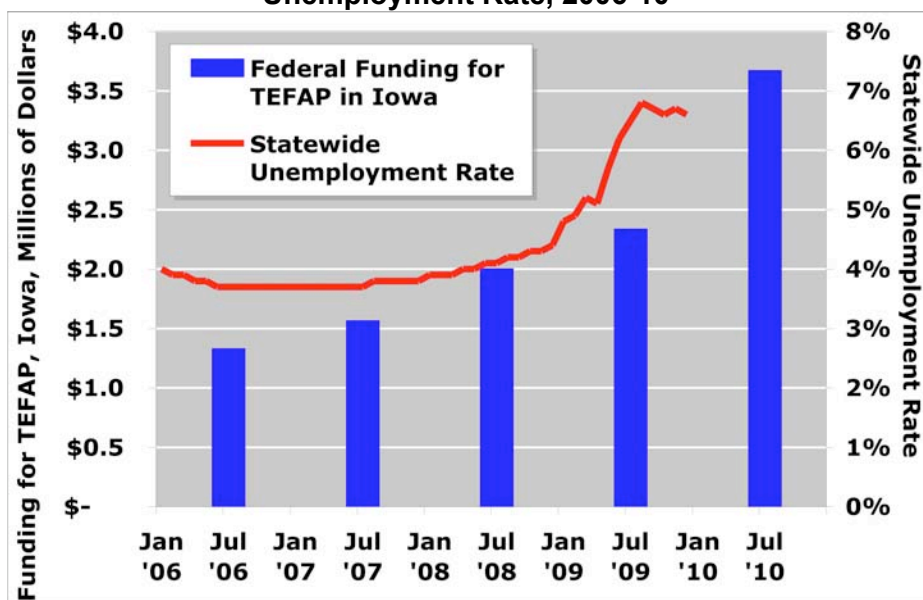
The Emergency Food Assistance Program (TEFAP)

The Emergency Food Assistance Program (TEFAP) is another federal anti-hunger program that supplements the diets of low-income Americans. TEFAP makes commodity foods available to food pantries and soup kitchens, which then directly serve the public. Nationally, distribution agencies stocked with TEFAP commodity foods have reported surging demand. Feeding America, a Chicago-based network of food banks, recently estimated that one in eight Americans turned to food pantries and soup kitchens in 2009.⁴

Under TEFAP, the amount of food the United States Department of Agriculture makes available to state distribution agencies is based on specific financial and economic indicators. States with high unemployment rates and large numbers of people living below the poverty line typically receive greater proportions of TEFAP per capita than states with lower unemployment and poverty. Figure 2 shows how Iowa's federal emergency food allocations have risen along with statewide unemployment.

The majority of Iowa's TEFAP funding in ARRA, \$792,717 over two years, goes directly to state distribution agencies in the form of commodity foods such as canned goods, pasta and rice. Additionally, ARRA includes \$397,914 over two years for administrative costs associated with food distribution. These funds will likely support the storage and transportation of donated commodities, with a portion of the total directed to local agencies for their administrative needs.

Figure 2. Federal Funding for TEFAP in Iowa and the Statewide Unemployment Rate, 2006-10^{4a}



Economic Impacts of SNAP and TEFAP Food Assistance

Expanding food assistance benefits is one of the most effective ways to stimulate the economy, particularly during a recession. Because SNAP and TEFAP are already in operation, they can quickly target benefits to struggling households. Recipients do not face enrollment delays or a long application process in order to access increased food assistance.

Food assistance has particularly high economic impacts because it targets low-income households. Low-income individuals and families typically spend their available resources on meeting basic needs, such as housing and food. Unlike middle- and upper-income households that may save or invest a part of their incomes, low-income households often spend all or nearly all their resources on goods and services in the local economy. Therefore, every dollar that a low-income household receives in food assistance enables the family to spend an additional dollar on other purchases.

When these households have more resources to buy more goods and services, many Iowa retail stores and service providers increase sales. In turn, these businesses are better able to keep their workers employed and have more income to make purchases from other businesses in the state. Without food

assistance benefits, recipients would not only lack food security, but their total local spending would decrease as household budgets would shift toward making necessary grocery purchases, rather than other purchases in the local economy.

The direct impacts of expanded food assistance on Iowa’s economy can be measured in three ways. First, the \$86 million in total federal spending for food assistance expansion represents an increase in Iowa’s *total output*. Total output is a standard measure of the level of state economic activity, and it reflects the total dollar value of goods and services produced in the state. Second, *income* accrues to workers and business owners in Iowa. For example, a local grocery store may sell more as SNAP benefits enable families in the community to purchase more food each month. These sales in turn produce increased income in the form of wages for workers and profits for proprietors. Lastly, the expanded food assistance funding *creates jobs* for unemployed and underemployed Iowans, or saves jobs that otherwise would have been eliminated in the economic downturn. A grocery store with increased sales may decide to hire additional clerks, for example.

However, these direct effects do not represent the full impacts of expanded food assistance on Iowa’s economy. Supermarkets and grocery stores that serve SNAP recipient households rely on a variety of Iowa businesses for many of their inputs and operating needs, from sweet corn distribution to accounting services. Some federal ARRA funds, originally destined for low-income households as food assistance, in turn reach Iowa businesses in the form of boosted sales. With greater sales and profits, Iowa businesses can employ more workers and pay greater incomes to residents. Finally, all of the employees and small business owners who benefit from greater incomes as a result of the ARRA spend a portion of those greater incomes in the Iowa economy. With increased incomes, households can buy more at their neighborhood small businesses. The total of these indirect effects are measured in same three ways as direct effects: the increased value of output, increased incomes for residents, and increased employment.

Table 3 summarizes the economic impact of ARRA’s food assistance expansion in Iowa. For fiscal year 2009, the federal government directly allocated \$43 million in additional SNAP and TEFAP funding to the state. In doing so, the equivalent of 293 full-time Iowa jobs earning a total of \$8 million in income are either created or retained in the private and public sectors as a *direct* result of the spending. This may take the form of part-time jobs, or increased hours for existing part-time workers, but will add up to the equivalent of 293 full-time jobs.

Table 3. Total Economic Impact of Federal ARRA Food Assistance Expansion

| Year 1 | Direct Effects | Indirect Effects | Total |
|---------------|-----------------------|-------------------------|---------------|
| Total output | \$ 42,776,957 | \$ 14,850,745 | \$ 57,627,702 |
| Income | \$ 8,241,695 | \$ 4,632,674 | \$ 12,874,368 |
| Jobs | 293 | 135 | 428 |
| Year 2 | Direct Effects | Indirect Effects | Total |
| Total output | \$ 43,583,674 | \$ 14,700,586 | \$ 58,284,260 |
| Labor income | \$ 8,148,710 | \$ 4,554,060 | \$ 12,702,770 |
| Jobs | 285 | 133 | 418 |

Source: Estimates provided by author David Swenson through the state input-output model

The indirect effects, as described above, increase these direct economic impacts. Indirect purchases add more to the state economy: greater individual incomes and more jobs. Further, as households keep and get jobs, they can spend more on goods and services in Iowa’s economy.⁵

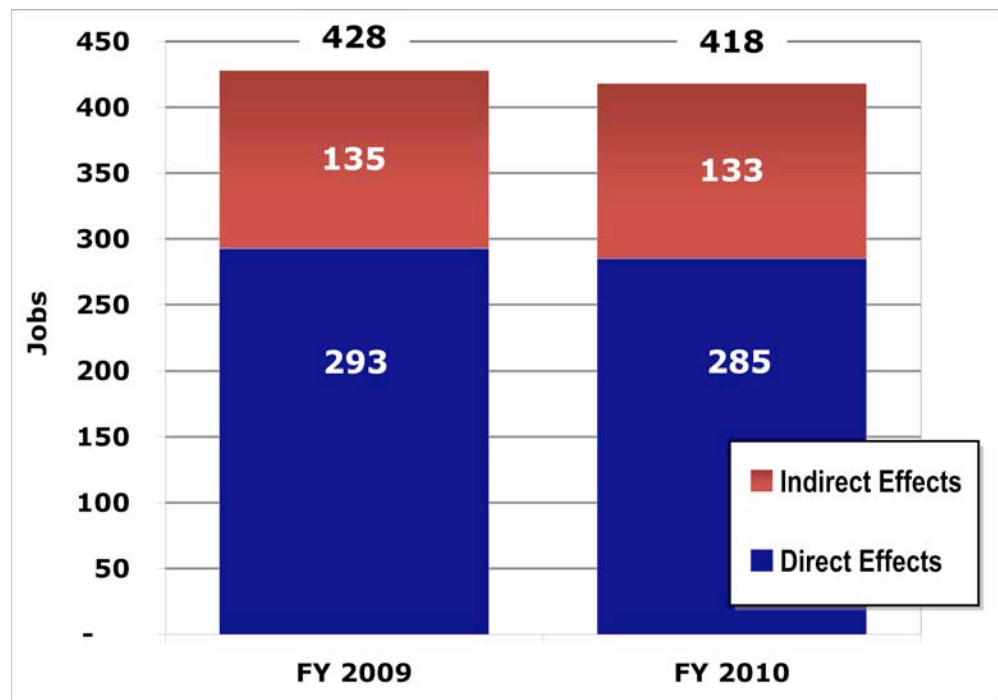
With these direct and indirect effects combined, Iowa’s economy is projected to increase output by nearly \$58 million in fiscal year 2009 as a result of expanded food assistance funding in the recovery act. This will create a total of \$13 million in income and the equivalent of 428 full-time jobs either created or saved by the food assistance stimulus. In fiscal year 2010, with increased federal funding for SNAP and TEFAP in Iowa totaling nearly \$44 million, the state’s economy is expected to expand by an additional \$58 million. In this year, the stimulus is projected to produce an added \$13 million in income and either save or create 418 jobs.

As these values show, food assistance spending has an economic benefit to the state of Iowa greater than the federal government’s initial investment. Though ARRA allocates only \$43 million in food assistance funding to the state, the stimulus’ impact on Iowa’s total economic output in fiscal year 2009 is nearly \$58 million. This 35 percent increase is the stimulus’ economic impact on the Iowa economy. In other words, every federal dollar of stimulus spent on food assistance in Iowa yields about \$1.35 in total output for the state. Out of the original dollar, 30 cents is returned to Iowa workers and businesses owners in the form of wages, salaries and proprietor’s income.

Iowa’s seasonally adjusted unemployment rate is at its highest point in decades, passing 6.7 percent in September of this year. Unemployed workers compete fiercely for few available jobs, and the length of unemployment for many has stretched months longer than anticipated. The jobs created and the jobs saved by ARRA are therefore crucial to Iowa’s recovery from the economic recession. As shown in Figure 3, the recovery act’s food assistance expansion *directly* creates or saves about 293 jobs in fiscal year 2009 and 285 jobs in fiscal year 2010 in the state of Iowa.

Additionally, the indirect economic effects of the federal stimulus increase these values by 46 percent. In total, 428 jobs are created or saved by the stimulus’ food assistance expansion in fiscal year 2009 and 418 jobs are created or saved in fiscal year 2010. In other words, every \$1 million invested in Iowa’s SNAP and TEFAP programs creates or saves about 10 jobs for Iowa workers.

Figure 3. Total Jobs Effect of Federal ARRA Spending to Expand SNAP and TEFAP in Iowa



Enhancing Stimulus with Expanded Categorical Eligibility for SNAP

Through its economic impacts, food assistance funding prompts substantial increases in state output, individual incomes, and jobs for Iowa workers. These impacts help Iowa’s economy recover from the recession while ensuring that the state’s struggling residents receive adequate nutrition. However, these significant economic impacts could be amplified with the expansion of categorical eligibility for SNAP

benefits. Generally, Iowa households are only eligible for SNAP if their incomes do not exceed 130 percent of the federal poverty level. Additionally, households without an elderly member must have assets of \$2,000 or less, and households with an elderly or disabled member must have assets of \$3,000 or less to be eligible for benefits. These restrictions mean that many families experience the “cliff effect” of lost benefits when their incomes rise from below to just above 130 of poverty. Such households may not earn enough income to be self-sufficient, but current eligibility requirements prevent them from obtaining SNAP benefits to feed their families.

To help low-income families, particularly during this recession, Iowa could expand the gross income eligibility limit for SNAP benefits to 160 of poverty. Additionally, the state could eliminate the current asset tests that prevent many poor homeowners and car-owners from qualifying for food assistance. According to DHS estimates, this will result in new benefits for 7,515 to 12,024 Iowa households that currently have incomes between 130 percent and 160 percent of the federal poverty level (\$28,665 to \$35,280 for a family of four based upon 2009 guidelines). On average, each new household will receive \$1,490 annually in SNAP benefits, or \$124 per month.⁶

SNAP in the Recession: Rising Caseloads and Shrinking Budgets

Unfortunately, the Recovery Act’s funding for food assistance administrative assistance is insufficient to handle the increased SNAP demand that would occur with expanded categorical eligibility. This funding may not even allow caseworkers to keep pace with the rate of rising caseloads under the current eligibility requirements. Food assistance is just one of several support programs in Iowa that are delivered and administered at the local level by income maintenance staff at the Iowa Department of Human Services (DHS).⁷ When the economy declines, the number of residents applying with DHS for support programs increases. If the number of income maintenance workers does not increase at the same pace, each worker must handle larger and larger caseloads.

According to a December 2009 DHS report, caseloads for income maintenance staff members in Iowa increased from about 467 cases per case worker in June 2008 to 534 cases in November 2009. This 14 percent jump in caseloads means that staff members must devote less time to each individual case. Without additional staffing support, DHS projects the average staff member will handle 592 cases by June 2011, a 27 percent caseload increase over three years.⁸ As a result of these trends, the Department of Human Services predicts that customer service may suffer and programmatic errors may become more common. Iowa currently faces a possible sanction of \$400,000 as its Food Assistance program error rate exceeds the national average by more than 2 percentage points.⁹ If rising caseload trends continue, this error rate is expected to increase, and sanctions are even more likely to result.

When the ratio of caseworkers to SNAP participants decreases, many struggling families slip through holes in the nation’s income support network as delays in SNAP application processing mean that they may be forced to wait for benefits. The impact of these delays can be devastating during recession. Long waits can deter eligible households from applying for food assistance, and those currently enrolled could experience delays in their benefits. Food insecurity is a likely end result of extended delays, which would put pressure on local charities to fill the nutrition gap despite their own dwindling resources. Delaying SNAP benefits also undermines economic stimulus, making it more difficult for Iowa’s economy to recover from the recession.

Appropriated SNAP Administrative Funds

Recognizing that Americans must increasingly rely on programs like SNAP to survive the economic recession, the recent FY2010 Department of Defense Appropriation provides \$400 million in new federal money for state food assistance program administrative costs. Of this total, the Iowa Department

of Human Services will likely receive \$3.3 million, in addition to the \$2.7 million already appropriated in the Recovery Act, to expand Iowa's capacity to serve SNAP clients.

While this \$3.3 million is intended to enhance DHS's capacity to handle increasing numbers of SNAP enrollees, the new funding comes with very few strings attached. The DOD's appropriation does not include a "maintenance of effort" requirement on state SNAP expenditures. This means that Iowa could substitute the new funds for existing state SNAP administrative funding. This would create no new resources for food assistance administration in Iowa, and it would do nothing to eliminate application processing and benefit delivery delays.

Recommendations

Statewide SNAP enrollment is dramatically rising just as Iowa's budget is unable to add the employees necessary to effectively serve rising demand. If SNAP caseloads continue to increase at unsustainable rates, Iowa cannot ensure that food assistance is available to residents who need it. To prevent this, Iowa should use the \$3.3 million expected from DOD appropriations strictly for food assistance program administrative costs. This will ease caseloads for overburdened income maintenance staff and reduce long waiting lines for SNAP interviews and application processing. Struggling Iowa families will get benefits more promptly and the economic stimulus sought by the Recovery Act's food assistance funding will have the greatest impact.

Additionally, Iowa should expand SNAP categorical eligibility to include households with incomes that do not exceed 160 percent of the federal poverty level, or \$2,441 monthly for a family of three. At the same time, the assets test should be eliminated so that struggling families who have recently experienced declines in income will be able to access vital nutrition supports. These two SNAP eligibility expansions would ensure the health and safety of thousands of Iowa families while providing additional stimulus to the state economy.

¹ The figures for SNAP funding represent a 13.6 percent increase in benefits that households receive, a level that will likely last for about five years. These figures are available at Iowa's Recovery website at <http://www.iowa.gov/recovery/impact>. Figures for annual spending of administrative SNAP benefits are from a USDA memo dated August 13, 2009 available at <http://www.fns.usda.gov/snap/rules/Memo/2009/081309.pdf>. The annual spending of stimulus funds for TEFAP benefits and administration were confirmed via phone by the Bureau of Financial and Work Support at the Iowa Department of Human Services.

² For more information about SNAP, see the USDA's Food and Nutrition Service page at <http://www.fns.usda.gov/FSP/>

³ Unemployment figures from the Bureau of Labor Statistics Local Area Unemployment Figures, available at http://data.bls.gov/PDQ/servlet/SurveyOutputServlet?series_id=LASST19000003&data_tool=XGtable. SNAP enrollment data from The U.S. Department of Agriculture's Food and Nutrition Service enrollment tables, available at <http://www.fns.usda.gov/pd/snapmain.htm>.

⁴ See Feeding America's *Hunger in America 2010 National Report* available at http://feedingamerica.issuelab.org/research/listing/hunger_in_america_2010_national_report

^{4a} Unemployment figures from the Bureau of Labor Statistics Local Area Unemployment Figures, available at http://data.bls.gov/PDQ/servlet/SurveyOutputServlet?series_id=LASST19000003&data_tool=XGtable. TEFAP funding for years 2006-2008 from The U.S. Department of Agriculture's state level program data tables, available at <http://www.fns.usda.gov/pd/fdpmain.htm>. TEFAP funding for 2009 from a USDA allocation memo dated October 24, 2008 available at http://www.fns.usda.gov/fdd/programs/tefap/FY09_FoodEntAdmAllocations.pdf. TEFAP funding for 2010 from a USDA allocation memo dated October 22, 2009 available at http://www.fns.usda.gov/fdd/programs/tefap/FY10_Funding_for_TEFAP.pdf.

⁵ Economists distinguish between indirect effects – the increased purchases from suppliers – and induced effects – the increased spending by households that result from higher incomes. Here we combine these two effects into a single category that we call "indirect effects" to distinguish them from the direct effects.

⁶ Estimates from Iowa Department of Human Services' *Report to the Iowa Legislature on the Feasibility of Food Assistance Program Expanded Categorical Eligibility* dated December 29, 2009.

⁷ Other major income maintenance programs include Medicaid, the Family Investment Program, and Child Care. Income maintenance staff members determine initial and ongoing eligibility for all of these programs.

⁸ Iowa Department of Human Services Report to the Iowa Legislature on the Feasibility of Food Assistance Program Expanded Categorical Eligibility released on December 29, 2009.

⁹ The SNAP Quality Control (QC) system monitors errors made by state welfare agencies in determining eligibility and benefit allocations. The QC system is also used to calculate and impose fiscal sanctions on states have very high error rates.

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Iowa Fiscal Partnership

The Iowa Fiscal Partnership is a joint initiative of the Iowa Policy Project and the Child & Family Policy Center, two nonprofit, nonpartisan Iowa-based organizations that cooperate in analysis of tax policy and budget issues facing Iowans. IFP reports are available at <http://www.iowafiscal.org>.

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