

# Food Stamps/SNAP: A Fork-Ready Stimulus



## The Impact of Food Stamp/SNAP on the Massachusetts Economy and State Budget

### Snapshot

# of potentially eligible Massachusetts residents not receiving federal food stamps .....	400,000
# of additional food stamp households if just half approved in FY2010.....	110,000
Lost federal dollars .....	\$340 million
Lost economic activity .....	\$600 million
Lost benefit to state budget .....	up to \$7 million

Massachusetts is at risk of forgoing millions of federal nutrition dollars – largely due to the lack of front line staff and infrastructure to support the explosion in new Food Stamp/SNAP applications. Improving DTA’s ability to handle more FS/SNAP applications could bring these dollars home!

### JUST THE FACTS:

- Over 600,000 low income Massachusetts residents received federal Food Stamp/SNAP benefits in January 2009, comprising over 309,000 FS/SNAP households (1.8 persons/household).
- In February of 2009, DTA reported more than **20,000 new** FS/SNAP applications filed per month with front line staff overwhelmed with cases. The average FS/SNAP caseload for a DTA worker has increased from 270 cases (2002) to 700 +cases per worker.
- Of the more than 1,150,000 residents who receive MassHealth benefits, at least **400,000 MH recipients** are not getting FS/SNAP benefits but likely eligible. Thousands of new UI claimants are also likely eligible but not getting FS/SNAP benefits.
- The current average FS/SNAP benefit per Massachusetts household is \$271/month. For the 309,000 existing households, this totals **\$67M/month** or **\$ 804M/year** in federal dollars.
- Under the 2009 Economic Recovery Act, every FS/SNAP household will receive an increase benefit. The average Massachusetts household benefit will increase by \$39/month, bringing in an **additional \$145M/year** in federal funds to families, grocers and the state economy.
- If Massachusetts could successfully enroll an **additional 110,000 households** in FS/SNAP in FY2010, this would leverage up to **\$340M** more in federal nutrition benefits. The economic multiplier effect of this funding translates into **\$600M** worth of economy activity.
- By supporting DTA’s administrative costs to reach needy households, Massachusetts can leverage significant federal nutrition dollars and stimulate the state’s economy through one of the most effective counter-cyclical federal programs.

# Food Stamps/SNAP: A Fork-Ready Stimulus for Massachusetts



## The Program, Population & Benefits The Impact & the Lost Federal Dollars

Federal Food Stamp/SNAP benefits are one of the government's primary counter-cyclical programs that have a significant and positive effect on the economy. Underutilization of federal nutrition benefits not only hurts low-income people but also hurts Massachusetts and our local economies. The following analysis examines the impact full participation in the federal Food Stamp/SNAP program would have on state and family budgets.

### ► THE PROGRAM:

As the nation's largest nutrition assistance program, Food Stamp/SNAP is a 100% federally-funded benefit providing a critical supplement when families and individuals don't have enough money to put food on the table. Not only are these benefits *entirely* federally funded, the federal government picks up the tab for half of the state's administrative costs to process and confirm applicant eligibility and then deliver benefits to needy households.

### ► THE PEOPLE and BENEFITS:

In January of 2009, over 600,000 Massachusetts residents were receiving federal food stamp/SNAP benefits, comprising over 309,000 households.<sup>i</sup> The average food stamp/SNAP household's benefit is currently \$217 per household per month.<sup>ii</sup> During calendar year 2008, the Food Stamp/SNAP program generated over \$651 million in federal food purchasing dollars<sup>iii</sup> for Massachusetts children, adults, and senior citizens who met the program's strict income and eligibility criteria. Assuming the caseload stays at 309,000 with no increase in benefits, this would bring over \$804M to Massachusetts in 2009.<sup>iv</sup>

The American Recovery and Reinvestment Act of 2009 increases the Food Stamp/SNAP maximum benefit by 13.6%, effective April 1st.<sup>v</sup> This is projected to increase the average benefit per Massachusetts household by \$39/month, thereby increasing the total average household benefit to \$256/month,<sup>vi</sup> which will trigger an additional \$144 M in federal food purchasing dollars during FY2010 for the current 309,000 households. ARRA also provides states with a limited amount of federal administrative funds to administer the changes.<sup>vii</sup>

	Mass FS/SNAP Households	Average Benefit per Household	FS/SNAP \$\$ rec'd per month	Annual FS/SNAP \$\$
January 2009	309,000	\$ 217/mo	\$ 67.08 M	\$ 804 M
April 2009 ↑	309,000	<b>\$ 256/mo</b>	<b>\$ 71.9 M</b>	<b>\$ 949 M</b>

### ► THE ECONOMIC IMPACT:

Food Stamp/SNAP dollars increase recipients' demand for the products and services they can buy with the benefit. In addition to families' increased spending power, USDA research has shown that every food stamp dollar spent creates \$1.84 in local economic activity, or \$9 for every \$5 in FS/SNAP benefits.<sup>viii</sup> Moody's Economy shows an economic stimulus of \$1.73 per dollar of Food Stamps.<sup>ix</sup>

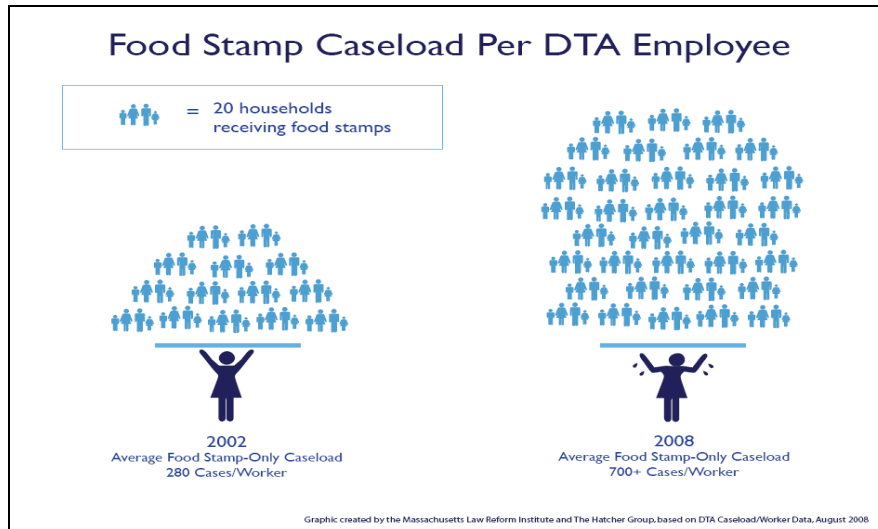
**► THE PROBLEM:**

Thousands of new FS/SNAP applicants are seeking these benefits and thousands more are known to the state but may not even be in the queue:

- On February 26, 2009 the *Boston Globe* reported more than 20,000 applicants now seeking benefits each month, with DTA caseworkers overwhelmed by the requests.<sup>x</sup>
- By comparing the Food Stamp/SNAP caseload of 600,000 individual recipients with the over 1,000,000 non-institutionalized MassHealth (MH) recipients, there are approximately 400,000 MH individuals who appear financially but are not receiving Food Stamps/SNAP benefits – that’s 400,000 low-income adults and children or the equivalent of about 220,000 Food Stamp/SNAP households.<sup>xi</sup>
- The Massachusetts Division of Unemployment Insurance reports over 70,000 claimants filed for Unemployment Insurance (UI) in December of 2008 alone, of which 30% had dependents. MLRI estimates that a significant portion of new monthly UI claimants with dependants are also Food Stamp/SNAP eligible.<sup>xii</sup>

The Department of Transitional Assistance is overwhelmed with new applications:

- The average DTA worker now has over 700 cases, up from 270 cases/worker in 2002.
- DTA’s front line staff has declined more than 30% over the past 5 years, while the FS/SNAP caseload has increased by over 76%.<sup>xiii</sup> Many local DTA offices have also suffered a huge decrease in clerical staff.



**► THE LOST DOLLARS**

If the Commonwealth could successfully increase the food stamp/SNAP caseload by 110,000 households - from 310,000 households to 420,000 - Massachusetts could bring in up to \$340 million annually in additional federal nutrition dollars.

	Mass FS/SNAP Households	Average Benefit per household	FS/SNAP \$\$ rec'd per month	Annual FS/SNAP \$\$
FY 2009	309,000	\$ 256/mo	\$ 71.9 M	\$ 950 M
FY 2010	<b>420,000</b>	<b>\$ 256/mo</b>	<b>\$ 107.5 M</b>	<b>\$1,290 M</b>

In other words, if just *half* of the 20,000 Massachusetts households reported (*Globe* 2/26/09) that are now seeking benefits each month were successfully approved, this would bring an additional \$340M of federal dollars to Massachusetts. Under the economic ripple effect, it could generate an additional \$600 million in economic activity statewide.

► **THE CHALLENGE:**

\$10M in state administrative funds would enable DTA to hire an additional 155 - 160 DTA front line SNAP workers<sup>xiv</sup> to handle an average of 650 - 700 cases each or to otherwise strengthen DTA's infrastructure to manage a larger caseload. Half of the \$10M would be reimbursed by USDA. The other half of the administrative costs are more than reimbursed in the increased revenue due to additional sales tax revenue.

Increased food stamp/SNAP participation has an added beneficial impact on the state budget as well. By providing federal nutrition benefits to low income households, a significant portion of family income that would otherwise be spent on food would be spent on taxable items, thereby adding to sales tax revenue in Massachusetts. In 2004, the California Legislative Analyst's Office developed the following premise to estimate the impact of food stamp increases on the state budget:

*"Research shows that low-income individuals generally are not able to save money because their resources are spent on meeting their daily needs, such as shelter, food, and transportation. Therefore, for every dollar in food coupons that a low-income family receives, an additional dollar is available for the consumption of food or other items. Research done at the University of California and elsewhere indicates that individuals with income low enough to be eligible for food stamps would, on average, spend about 45 percent of their income on goods for which they would pay sales tax. The state (California) General Fund receives about 5 cents for every dollar that is spent on a taxable good. Local governments and special funds receive the remainder of the sales tax revenue (generally about 2.25 percent). Because additional food coupons would result in low-income families spending more of their other resources on taxable goods, the receipt of federal food coupons helps to generate revenue for the state and for local governments."*<sup>xv</sup>

Massachusetts also receives about 5 cents for every dollar spent on a taxable good, although, unlike California, we do not tax clothing. However, there are many essential purchases made by low income households that are indeed taxable and generate state sales tax revenue.

By increasing the Food Stamp/SNAP caseload by more than 110,000 in FY2010 to leverage an additional \$340 million in federal revenue, *Massachusetts has the potential to realize an additional \$5 to \$7 million in state sales tax revenue* – not counting the sales tax generated by the ARRA 2009 SNAP benefits increase- which revenue may offset the state's admin costs.

► **THE BOTTOM LINE:**

Food stamp/SNAP benefits have a positive impact on families (increased food), retailers and growers (increased demand for food-related products and services), local and state economies ("multiplier effect" of food stamp dollars) and state budgets (increased sales tax revenue). **Massachusetts needs to leverage these dollars, now more than ever.**

## Reference notes:

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<sup>i</sup> DTA Data Warehouse, FS/SNAP caseload for January 2009

<sup>ii</sup> DTA Data Warehouse, Average household benefits for December 2008

<sup>iii</sup> DTA Data Warehouse: Federal FS/SNAP benefits received in Massachusetts during 2008 - \$47 M received in January 2008 to \$67 M received in December 2008. Total FS/SNAP paid to households by USDA in 2008: \$651 M.

<sup>iv</sup> Figure assumes both no increase in benefits on April 1<sup>st</sup> and FS/SNAP caseload remains at 309,000 households:  
 $\$271 \times 12 \text{ months} = \$ 3,252$   
 $309,000 \text{ households} \times \$3,252 = \$804\text{M federal SNAP benefits for calendar year 2009}$

<sup>v</sup> See also Center for Budget and Policy Priorities, *State by State Impact of American Recovery and Reinvestment Act of 2009, Food Stamp Dollars*. Updated 2/25/2009 <http://www.cbpp.org/1-22-09bud-fs.pdf>

<sup>vi</sup> DTA Data : 18% percent SNAP issuance increase projected overall in FFY09 as a result of ARRA 2009.

<sup>vii</sup> USDA Policy Memo, March 6, 2009. Each state's share is based on the participation of eligible households during the 12 months prior to ARRA enactment. <http://www.fns.usda.gov/snap/rules/Memo/09/030609a.pdf>. The anticipated \$3M that Massachusetts is anticipated to receive during FFY2009 will not be any where near enough to handle a substantially increased FS/SNAP caseload.

<sup>viii</sup> USDA FNS. *The Business Case for Increasing SNAP Participation*. Last Modified: 2/17/2009.  
<http://www.fns.usda.gov/fsp/outreach/business-case.htm>

<sup>ix</sup> Zandi, Mark. "The Economic Impact of the American Recovery and Reinvestment Act." 21 January 2009: 9.  
[https://www.economy.com/mark-zandi/default.asp?src=economy\\_hopmepage](https://www.economy.com/mark-zandi/default.asp?src=economy_hopmepage)

<sup>x</sup> *Boston Globe*, February 26, 2009, "Food aid sign-ups flooding Mass."  
[http://www.boston.com/news/local/massachusetts/articles/2009/02/26/food\\_aid\\_sign\\_ups\\_flooding\\_mass](http://www.boston.com/news/local/massachusetts/articles/2009/02/26/food_aid_sign_ups_flooding_mass)

<sup>xi</sup> <sup>xi</sup> Office of Medicaid Data, *Caseload by Group Code* (10/31/08) indicates that of the 1,151,000 MassHealth recipients, roughly 100,000 are either institutionalized (nursing homes) or do not meet federal non-citizen rules, and thus these individuals would not be Food Stamp eligible. The overwhelming majority of MassHealth recipients have income below 200% of the federal poverty level, the same standard used for most Food Stamps households. Note, there is an average of 1.8 persons per FS/SNAP household. –hence 400,000 MassHealth recipients represents about 220,000 households.

<sup>xii</sup> Division of Unemployment Assistance, Economic Research Department, *Profile of Massachusetts UI claimants*, December 2008. <http://lmi2.detma.org/Lmi/claimant.asp>

<sup>xiii</sup> DTA data on FS workforce/caseload from 2002 – 2008.

<sup>xiv</sup> DTA reports the average FTE worker salary is currently \$50,000, plus an additional fringe rate of \$12,500 plus ancillary expenses of \$5,000. Pay for entry level staff would be lower.

<sup>xv</sup> California Legislative Analyst's Office, [http://www.lao.ca.gov/analysis\\_2004/health\\_ss/hss\\_20\\_foodstamps\\_anl04.htm](http://www.lao.ca.gov/analysis_2004/health_ss/hss_20_foodstamps_anl04.htm)