

**Expanding Food Stamp Options for Working Iowa Families:
Overview Description and
Analysis of Department of Human Services Report**

April 2010

Summary

In 2009, the Child and Family Policy Center and Every Child Counts raised the issue of increasing Supplemental Nutrition Assistance Program (SNAP, formerly food stamp) eligibility provisions with Iowa lawmakers and the Iowa Department of Human Services. Every Child Counts worked with the Department and the Joint Human Services Appropriations Subcommittee to incorporate language in the 2009 Human Services appropriations bill for the Department to review state options to expand SNAP benefits.

In 2010, the Joint Human Services Appropriations Subcommittee reviewed that report and received additional testimony from Lily French of the Iowa Policy Project on the economic value of expanding food stamp benefits. Lawmakers incorporated this expansion into the 2010 appropriations legislation, representing the most significant gain for working Iowa families provided by the state to support working families during the recession.

Lawmakers and the Department responded in 2009 to a Child and Family Policy Center report that provided a rationale for raising benefit levels. Every Child Counts provided a synopsis of the Department's report with recommendations to expand SNAP benefits to lawmakers during the 2010 session. These two documents are provided below.

**2009 CFPC Report: Expanding Food Stamp Options for Working Families
Overview Description**

Under federal changes to the supplemental nutrition assistance program (SNAP), formerly known as the food stamp program, states have the option to extend eligibility for food stamps above the arbitrary maximum of 130% of the federal poverty level, based upon state categorical eligibility for some other public assistance program, and/or modify or eliminate the asset test. Currently, 29 states have taken advantage of this option. On the categorical eligibility side, some have simply established a non-cash referral program that is paid for with Temporary Assistance for Needy Families (TANF) or Maintenance of Effort (MOE) funds, one which advertises the potential availability of food stamps for families with incomes up to a certain higher income eligibility level (e.g. 185% of poverty).

For these states, the same federal calculations apply for determining the amount of SNAP benefits a family receives, but there is not an arbitrary gross income ceiling for working families of 130% of poverty for determining eligibility.

In Iowa, a family of four with monthly earnings at 130% of poverty (\$2,297 per month) is eligible for food stamps. If all the family's income is earned income, the family has no child care expenses, and housing costs do not constitute more than 50% of income, the family is eligible to receive \$81 per month in food stamps. If the family has child care expenses or higher housing costs, the family's food stamp benefit would go up.

Another Iowa family who earns \$2,300 per month, however, is ineligible for food stamps because the family is above the 130% of poverty gross income threshold, although it otherwise would be eligible to receive \$80 per month in food stamps. If this family has \$200 in monthly child care expenses, the federal formula for calculating benefits would show the family could receive \$140 per month in food stamps. Clearly, the second family has less discretionary income than the first family, but since it has an income above 130% of poverty, it is automatically excluded from food stamps in Iowa.

Iowa could correct this situation by using a small portion of TANF or MOE funds to produce notices and flyers for distribution at Department of Human Services offices stating that Iowa has expanded categorical eligibility for food stamps up to 185% of poverty.

As another example, a family of four with an income of slightly below 160 % of poverty (\$2,800 per month) currently is not be eligible for food stamps. If that family has \$250 in child care expenses and its rent is \$1,000 per month, the family would be eligible for \$138 per month in food stamps. While not a solution to the current large "cliff effect" related to Iowa's child care eligibility cut-off at 145% of poverty, most families who incur major increased child care costs as they lose eligibility for the child care subsidy would at least receive food stamp benefits if the categorical eligibility level were raised, and these food stamps effectively could cover about 30% of additional child care costs.

The costs to the state for implementing such a program would include a small amount for publicizing the program through use of TANF or MOE funds and one-half the cost for any additional income maintenance worker costs for processing additional food stamp benefits (the federal government pays one-half the cost of eligibility determinations and all of the cost for the food stamps themselves).

Iowa has taken notable steps to expand food stamp eligibility through electronic food stamp cards, but Iowa also could streamline its food stamp eligibility determinations by eliminating the current asset test. These could save worker

time to account for any increases in eligibility requests. Iowa also might lengthen its continuous eligibility period for food stamps and make other changes to streamline applications.

Overall, there would be direct benefits to working Iowa families who are struggling to make ends meet, to communities, and to the state in ensuring these families have income to spend on food and other necessities and, therefore, stimulate the economy.

In 2000, Oregon took such action and expanded categorical eligibility from 130% to 185% of poverty, as well as eliminating asset tests and making other changes. Oregon estimates that these changes benefited over 40,000 Oregonians, nearly half of them children, and provided about \$60 million in additional food stamp assistance to low-income working families. Oregon was the only state in the country to reduce its hunger rate from the period from 1999-2000 to 2002-2004, when the program was being implemented. Oregon's population is about 25% larger than Iowa's, but the demographics are very similar. The percentage of Oregonians on food stamps is 83% higher than Iowa.

Drawing from Oregon's experience, it is likely that changes to Iowa food stamp policy to provide categorical eligibility up to 185% of poverty could raise food stamp participation in the state by 20,000 Iowans, with an economic benefit to low-income families and the state of up to \$30 million.

<p>Every Child Counts Analysis of the Iowa Department of Human Services Report to the Iowa Legislature on the Feasibility of Food Assistance Program Expanded Categorical Eligibility</p>
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At legislative request, the Department of Human Services examined the benefits and costs to expanding the gross income eligibility limit for SNAP benefits to 160% of poverty and eliminating current asset tests to qualify for food stamps.

CFPC reviewed the two options presented by the Iowa Department of Human Services and recommends that the Iowa General Assembly direct the Iowa Department of Human Services to implement Option 2, providing for the necessary state funding to do so. Option 2 includes raising the gross income eligibility for SNAP benefits and eliminating Iowa's asset test.

According to the Department estimates, this will result in new benefits for 7,515 to 12,024 Iowa households which currently have incomes between 130% and 160% of the federal poverty level (\$28,665 to \$35,280 for a family of four based upon 2009 guidelines). On average, each household will receive \$1,490 annually in food stamp benefits, or \$124 per month.

The vast majority of these will be families who work full-time but do not make enough to be self-sufficient and struggle to make ends meet. This action will eliminate the “cliff effect” that families experience when their income rises from below to just above 130% of the federal poverty level and they now lose eligibility for food stamps due to the gross income limit. Particularly during this recession, this will provide substantial relief to many of the families who need it most.

Option 2 eliminates the resource limit currently in place, which 28 states have already done and which simplifies filing and verification and can reduce state error rates.

Since the federal government covers the entire cost of the food stamps and half the cost of administration, there are very high economic impacts for Iowa and its communities for making these changes.

According to the Department estimates, using the lower end of the estimated benefits and costs (which is most realistic for first-year start-up costs), the costs and benefits to the state are as follows:

<u>Direct State Costs:</u>	State share of additional DHS staff	\$ 632,202
	IT programming, printing, and mailing costs	\$ 70,000 (e)
	Total	\$ 702,202
<u>Benefits:</u>	Additional food stamp benefits	\$11,200,000
	State employment	\$ 1,141,965
	Total	\$12,341,965

Discussion

The state costs of \$702,202 result in increased benefits and paid state employment of \$12,341,965, over seventeen and one-half times the size of the costs.

The Department also estimates that this produces, through money circulating in the economy, \$20.6 million in increased economic activity. This is because most of the benefits from the food stamps will be used for local purchases of goods and services within the local economy.

Some of this additional funding will result in direct increased revenue to the state in taxes, including sales taxes on purchases families can now make for non-food items and even in terms of income tax revenue from state employees who process benefits (the reason the \$1.141 million shows up as a benefit, which

includes both state and federal funding). In addition, the circulation of money in the local and state economy itself will produce additional sales and income taxes.

While there are no absolute formulas for determining the resulting tax income, a conservative estimate of increased state economic activity of \$20.6 million on state taxes would be more than the \$700,000 in state program costs.

Therefore, from the state budget perspective, the net effect of implementing Option 2 should be positive with respect to state revenues. The primary reason for taking action is to provide benefits to working Iowa families who are struggling to make ends meet, but this is a rare instance where taking such action effectively has no state cost.



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