

## Punishing Food Stamp Program Success: The Bush Administration's Farm Bill would reverse Oregon's progress against hunger

by Michael Leachman and Janet Bauer

The Bush Administration has proposed eliminating \$543 million in food stamp benefits for about 329,000 low-income Americans over the next five years.<sup>1</sup> The Agriculture Committee of the U.S. House of Representatives may soon vote on this proposal as an amendment to the 2007 Farm Bill.

Oregonians would suffer a larger share of the reductions than most states. Under the Administration's plan, a minimum of approximately 41,530 low-income Oregonians, including about 17,000 children, would lose food stamp benefits.<sup>2</sup> While Oregonians comprise less than two percent of the national food stamp program caseload, Oregonians losing food stamp benefits would equal about 13 percent of the total number of people nationwide who would be cut (Figure 1).<sup>3</sup>

Oregonians losing food stamps under the Administration's proposal would also lose automatic eligibility for a number of other programs, since eligibility for these other programs is linked to food stamp receipt. For instance, about 12,600 Oregon children would lose automatic eligibility for free school lunches and breakfasts under the Administration's proposal.

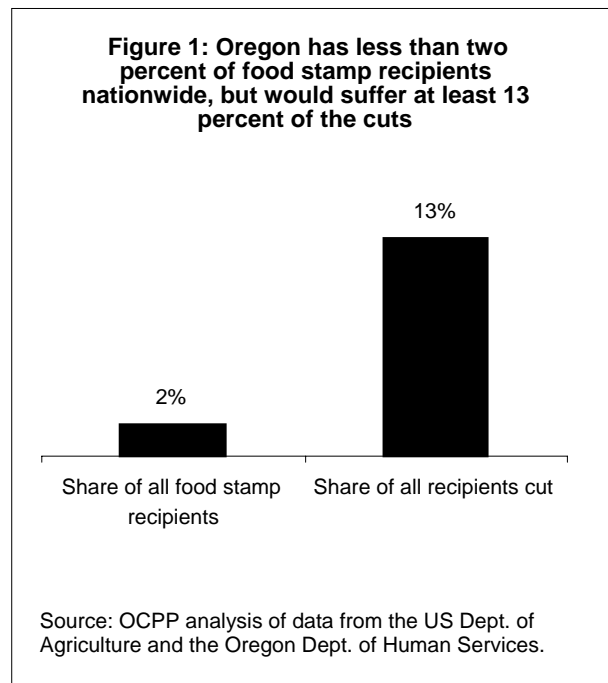
Oregon's recent success in reducing hunger might well reverse course if the Administration's plans are adopted.

### Expanded use of food stamp benefits has proved key to reducing hunger in Oregon

Seven years ago when Oregon had one of the nation's highest hunger rates, state agencies working with anti-hunger advocates decided to fight back primarily by improving the food stamp program. Oregon was able to make these improvements largely because, as part of welfare reform in the mid-1990s, Congress allowed states more flexibility in setting food stamp rules.

Advocates and state officials knew that Oregon's high hunger rate was due, in large part, to hunger among low-wage working families.<sup>4</sup> Using the new flexibility Congress established under welfare reform, Oregon was able to help more low-income working families receive food stamps. The most significant change was an increase in the income limit for food stamps from 130 percent of poverty (\$22,321 for a family of three) to 185 percent of poverty (\$31,765 for a family of three).

Oregon was able to implement the new rules under a mechanism called "expanded categorical eligibility." Oregon used expanded categorical eligibility to not only allow families to have more income, but also to allow food stamp households to hold more assets, including a reliable car for getting to work.<sup>5</sup>



The State instituted several other improvements to increase the number of Oregonians getting food stamps and to help ease Oregon's high hunger rate. The State launched an ambitious outreach and information initiative, scaled back paperwork requirements, and implemented a program that kept food stamps flowing to families transitioning off cash assistance into jobs. These and other federal food stamp program options the state implemented, plus the worsening of the economy beginning in 2001, sharply increased the number of Oregonians receiving food stamps.

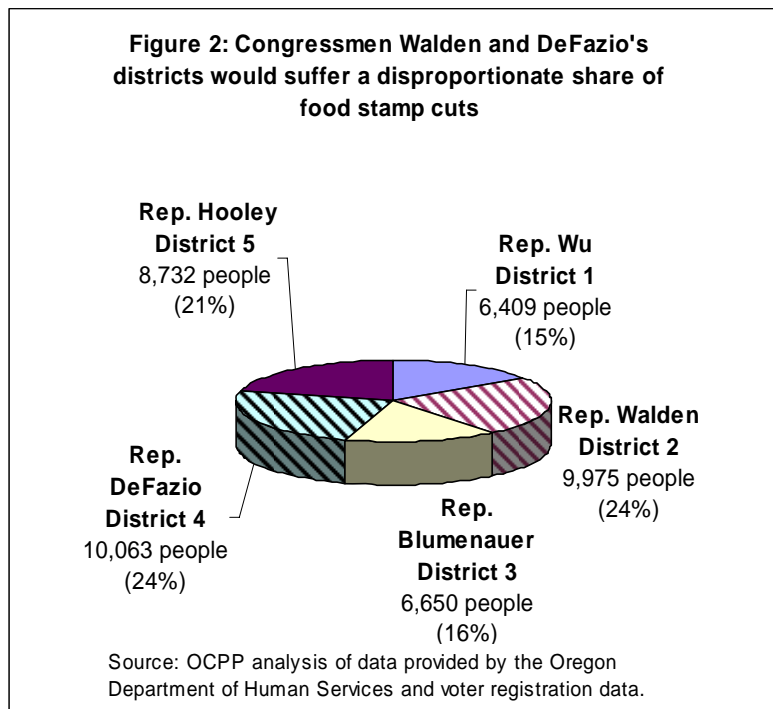
Since the 1999-00 fiscal year, the year before Oregon made more low-income working families eligible for food stamps through the expanded categorical eligibility provision, the average number of Oregonians receiving food stamps each month has nearly doubled, rising 90 percent by adding 205,000 individuals. This expansion of food stamps, paid for almost entirely with federal dollars, is bringing an additional \$23 million *per month* into Oregon's economy.<sup>6</sup> These additional dollars circulate through Oregon's economy, raising incomes for a broad swath of Oregonians, not just those receiving food stamps.

Because Oregon allowed more families to receive food stamps, fewer Oregonians go hungry. Between 1999-01 and 2002-04, Oregon was the only state in the country to see its hunger rate fall.<sup>7</sup> According to USDA estimates, hunger among Oregon households fell from 5.8 percent to 3.8 percent.<sup>8</sup> Oregon went from having one of the nation's highest rates of hunger to a rate that is not statistically different from the national rate. In addition, according to the most recent USDA study, Oregon provides food stamps to 83 percent of individuals in the state who are eligible – one of the highest rates in the nation for reaching eligible families.<sup>9</sup>

### Who is hurt by the proposed cuts?

The Administration's proposed cuts would require Oregon to eliminate food stamps for households with income between 130% and 185% of the federal poverty level. The Oregon Department of Human Services estimates that about 41,530 Oregonians – more than half the population of Bend or Medford – in 18,382 low-income households would lose food stamps under the Administration's proposal to restrict income eligibility.<sup>10</sup> These 41,530 Oregonians who would lose benefits represent about 13 percent of the 329,000 people who would lose benefits nationwide.

While the impact of the proposed cuts would be felt throughout the state, a greater number of people would be impacted in U.S. Representatives Greg Walden and Peter DeFazio's districts than in Oregon's other congressional districts (Figure 2).<sup>11</sup> The districts served by Representatives Walden and DeFazio would each bear almost one-quarter of the cuts in Oregon.



About half (47 percent) of the households cut would be households with children.<sup>12</sup> A minimum of 17,000 Oregon children would immediately lose food stamps.<sup>13</sup> About 40 percent of the households cut would be households with a disabled or elderly member.<sup>14</sup>

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Food stamp recipients who are not categorically eligible must abide by restrictions on the value of any car or other assets they own. Categorically eligible recipients are exempt from these restrictions, but Congress would end this exemption under the Administration's proposal.

As a result, an additional but unknown number of Oregonians would lose food stamps because they own a reliable car or other modest assets.<sup>15</sup> Therefore, the number of Oregonians that OCPP estimates would lose food stamps – 41,530 people – should be considered a minimum number. Some of the categorically eligible households not cut off by the changes to the income limits can be expected to maintain their food stamps by disposing of their assets; others may keep important assets such as a reliable vehicle for work or a modest savings account and forego the food stamp benefits.

### **Cuts would cause a ripple effect: Losing food stamps leads to the loss of other assistance and more expenses for other programs**

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The damage to Oregon from food stamp cuts would be particularly harsh because a number of programs in Oregon piggyback their eligibility on receipt of food stamp benefits. Programs save administrative costs through this strategy. Therefore, when food stamp eligibility is cut, eligibility for these other programs is either cut or made more difficult to navigate, and more expensive to administer.

School lunch and breakfast programs are a good example of the ripple effect of a food stamp cut. Children in families receiving food stamps are automatically eligible to receive free school lunches and (where available) breakfasts. Some students whose families lose food stamps under the Administration's proposal will remain eligible for free lunches. Others may be required to pay a portion of the cost of school meals. Still others may lose school meals assistance altogether, since the new rules would require Oregon to adopt a more complicated system for families to access the assistance. The Oregon Department of Human Services estimates that 12,600 Oregon children would lose their automatic eligibility for free school lunches and breakfasts under the Administration's proposal.<sup>16</sup>

Food stamp households are also automatically eligible for a \$13.50 reduction in their monthly phone bill under the Oregon Telephone Assistance Program (OTAP). OTAP-eligible households can also have their telephone installation fee reduced by half. Today, when OTAP verifies that a household applying for assistance receives food stamps, they are automatically deemed eligible. When families lose food stamps they lose this automatic eligibility for OTAP. Currently, nearly 57,000 Oregon households are benefiting from this program. About 48,000 of these are eligible because they receive food stamps.<sup>17</sup>

The Oregon Senior Farmers Market Nutrition Program provides coupons to help low-income Oregonians aged 60 or over pay for Oregon-grown produce. To be eligible for this assistance, Oregon seniors must be receiving either food stamps or Medicaid.<sup>18</sup> Some seniors losing food stamps would lose automatic access to this program, as well.

Today, Oregonians with college loan debt may delay paying their loans if they are receiving food stamps or benefits from some other state or federal public assistance program.<sup>19</sup> The loss of food stamp benefits may mean losing these helpful loan debt repayment plans, as well.

### **Rejecting the Administration's proposal will protect Oregon's progress against hunger**

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Oregon's success in reducing its hunger rate by expanding the food stamp program seven years ago benefited from the other assistance that food stamps leveraged for low-income families. Reversing this progress would make it particularly difficult for Oregon to hold down or further reduce its hunger rate in the future.

This month, as part of its consideration of the 2007 Farm Bill, the Agriculture Committee of the U.S. House of Representatives may vote on the Administration's proposal to eliminate "expanded categorical eligibility." For Oregon to stay on track in defeating hunger, Congress must reject the Administration's Food Stamp Program cuts.

## Endnotes:

<sup>1</sup> 2008 USDA Budget Explanatory Notes for Committee on Appropriations, Food and Nutrition Service, p. 27-38. Available at [http://www.obpa.usda.gov/explan\\_notes.html](http://www.obpa.usda.gov/explan_notes.html). The Congressional Budget Office estimates an even larger impact, totaling about \$740 million over the next five years. See Dean, Stacy and Dorothy Rosenbaum, *Administration Proposal Would Cut Over 300,000 People Off Food Stamps*, Center on Budget and Policy Priorities, Revised March 13, 2007. Available at [http://www.cbpp.org/2-23-07fa.htm#\\_ftnref5](http://www.cbpp.org/2-23-07fa.htm#_ftnref5).

<sup>2</sup> The Oregon Department of Human Services (DHS) estimated the total number of individuals and sent the estimate to the authors in an email from Anne Hilgers dated July 9, 2007. OCPP calculated the number of children from a DHS profile of the food stamp caseload provided to the authors in an email from Anne Hilgers dated June 27, 2007.

<sup>3</sup> This issue brief on the Farm Bill proposal updates estimates OCPP presented in a December 2005 analysis of the Administration's budget proposal in *Federal Budget Proposal Would Hit Oregon Food Stamp Program Particularly Hard* (available at <http://www.ocpp.org/2005/issue051207%20foodstamps.pdf>). This issue brief relies on updated estimates by the Oregon Department of Human Services and the United States Department of Agriculture.

<sup>4</sup> Research has shown that as working Oregon families improved their incomes, they were less likely to escape food insecurity than families with similar incomes in other states. See Edwards, Mark and Bruce Weber, *Food Insecurity and Hunger in Oregon: A New Look*, Working Papers in Agricultural and Resource Economics, Working Paper No. AREC 03-104, November 2003. Available at: <http://ruralstudies.oregonstate.edu/Publications/hunger.pdf>.

<sup>5</sup> Under the rules in place prior to Oregon's use of "expanded categorical eligibility," households with no elderly or disabled member were only eligible for food stamps if their financial assets did not exceed \$2,000. Households with an elderly or disabled member were allowed no more than \$3,000 in financial assets. The market value of any cars owned by the household counted against the financial asset limit once the car's value exceeded \$4,650. Using the flexibility provided by "expanded categorical eligibility," Oregon eliminated these strict requirements. Today, assets are not considered when determining whether a household is eligible for food stamps. The change helped low-income families with modest levels of assets, encouraged low-income families to save, saved substantial administrative time for State eligibility workers by eliminating the cumbersome asset rules, and reduced errors in benefit calculations, which protected Oregon from federal penalties imposed on states with relatively high error rates.

<sup>6</sup> The federal government pays 100 percent of the cost of food stamp benefits and 50 percent of the state's costs of administering the program.

<sup>7</sup> Nord, Mark, Margaret Andrews, and Steven Carlson. *Household Food Security in the United States, 2004*, Economic Research Service, U.S. Department of Agriculture. Economic Research Report No. ERR11, October 2005, p. 53-54. Available at <http://www.ers.usda.gov/publications/err11/>

<sup>8</sup> The decline described here is for the 1999-01 to 2002-04 period. See Nord, Mark, Margaret Andrews, and Steven Carlson. *Household Food Security in the United States, 2004*, Economic Research Service, U.S. Department of Agriculture. Economic Research Report No. ERR11, October 2005, p. 53-54. Available at <http://www.ers.usda.gov/publications/err11/>. As of the latest hunger data, for the 2003-05 period, Oregon's hunger rate remains low, at 3.9 percent. See Nord, Mark, Margaret Andrews, and Steven Carlson, *Household Food Security in the United States, 2005*, Economic Research Service, U.S. Department of Agriculture. Economic Research Report No. ERR 29, November 2006, p. 55-56.

<sup>9</sup> Cunnynham, Karen E., Laura A. Castner, and Allen L. Schirm, *Reaching Those in Need: State Food Stamp Participation Rates in 2004*, Food and Nutrition Service, U.S. Department of Agriculture, October 2006. Available at <http://www.fns.usda.gov/oane/MENU/Published/FSP/FILES/Participation/reaching2004.pdf>.

<sup>10</sup> *Id.*; see endnote 2.

<sup>11</sup> OCPP analysis based on county impacts provided to authors in an email from Anne Hilgers, Oregon Department of Human Services, dated July 9, 2007 and voter registration data by county by congressional district.

<sup>12</sup> Oregon Department of Human Services, "Elimination of Expanded Categorical Eligibility for FS Cases Over 130% of Poverty Level." Attachment to email sent to author by Anne Hilgers, Oregon Department of Human Services, June 26, 2007. Data based on the Department's analysis of food stamp caseload data during 2006 and the first quarter of 2007.

<sup>13</sup> *Ibid.*

<sup>14</sup> *Ibid.*

<sup>15</sup> The Congressional Budget Office (CBO) estimates that roughly a third of the total number of people nationally who would lose food stamps under the Administration's proposal would lose them because their assets would be considered too high. Applying this estimate to Oregon suggests that nearly 21,000 more Oregonians would lose food stamps if "expanded categorical eligibility" were eliminated because their assets would be considered too high. Including the approximately 41,530 Oregonians who would lose food stamps because the income limit would be reduced, the total number of Oregonians cut would total well over 60,000. Since no data are available on assets held by food stamp recipients in states using "expanded categorical eligibility," though, the CBO estimates are necessarily inexact and should be understood to provide only a rough idea of the *magnitude* of the cuts resulting from reinstating federal asset tests in these states, not a precise estimate.

<sup>16</sup> Oregon Department of Human Services, "Elimination of Expanded Categorical Eligibility for FS Cases Over 130% of Poverty Level." Attachment to email sent to author by Anne Hilgers, Oregon Department of Human Services, June 26, 2007.

<sup>17</sup> Information provided to the authors by the Oregon Public Utility Commission in an email dated July 11, 2007. Figures are for May 2007.

<sup>18</sup> The number of seniors helped through this program is limited by available federal funds. For more information, see [http://www.oregon.gov/DHS/spwpd/food\\_fin/foodfin.shtml](http://www.oregon.gov/DHS/spwpd/food_fin/foodfin.shtml).

<sup>19</sup> Economic hardship loan deferments are available through the Federal Family Education Loan Program. See the application for an economic hardship loan deferment at <http://www.ecmc.org/documents/hrd99.pdf>.

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