

New Mexico



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aking a closer look at Tax and Budget Policies
affecting New Mexico's Quality of Life

New Mexico **Fiscal Policy Project**

THE ECONOMIC IMPACT OF INCREASING FOOD STAMP UTILIZATION BY NEW MEXICO FAMILIES

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INTRODUCTION

Food Stamps are the nation's best defense against food insecurity and hunger. A household is considered "food insecure" if members occasionally skip meals, reduce the quality of food they eat, or feed their children unbalanced diets because they cannot afford to buy adequate or more nutritious food. Households are considered "hungry" if financial constraints cause adults or children to decrease the quality and/or quantity of food they consume to the degree that they frequently experience hunger.

New Mexico has the nation's highest poverty rate, with 16 percent of adults and 25 percent of children living in poverty.¹ Not surprisingly, New Mexico also leads the nation in food insecurity² and has the third highest rate of hunger.³ Approximately 24 percent of New Mexico's children lived in food-insecure households between 2003 and 2005.⁴ A child in a food-insecure household may not necessarily be hungry, as adults will often skip or reduce the size of their own meals to ensure that the children are adequately fed. Nationally, 18 percent of children lived in food-insecure households during that time frame.

The federal Food Stamp Program (FSP) has the potential to alleviate much of the hunger in New Mexico and lift thousands of families out of poverty, yet many eligible families are not receiving Food Stamps.

Much can be done to improve utilization rates of Food Stamps by New Mexicans, at little or no cost to the state. Simply increasing the percentage of eligible families with children that receive Food Stamps from the current 62 percent to 80 percent would draw an additional \$41.8 million in federal funds into New Mexico each year, creating hundreds of jobs and helping thousands of low-income parents provide their children with the nutrition necessary to learn and grow.



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FOOD STAMPS AND POVERTY

Food Stamps function as a supplement to income. Food Stamps reduce the amount of cash families must budget for groceries, allowing that money to be used for the purchase of other necessities. Research indicates that Food Stamps are a more efficient way to combat hunger than simply giving people cash. A typical low-income family will spend 12 cents of every additional dollar of cash income on groceries. Food Stamp benefits, of course, can only be spent on food, but between 20 and 45 percent of each Food Stamp dollar will represent the purchase of additional food beyond what the family previously spent on food.⁵ The other 80 to 55 percent will displace money that was already being spent on groceries, freeing it up for other expenditures.

Food Stamps are available to households with limited assets that have incomes below 130 percent of the federal poverty level (FPL) – or about \$23,466 for a family of three in 2007. The USDA estimates that when Food Stamp benefits are included in gross income, they lift 6 percent of recipient households out of poverty. The effect of Food Stamp participation on deep poverty is even more dramatic. Deep poverty is

defined as income below 50 percent of the FPL – or about \$10,326 per year for a family of four in 2007. The FSP lifts 16 percent of these households up over the 50 percent poverty threshold.⁶

In New Mexico, approximately 93,000 households received Food Stamps in 2006. Of these, roughly 58,000 were families with children.⁷

While the impact of Food Stamps on poverty is significant, the *potential* of full Food Stamp utilization to reduce poverty is even greater. This is because Food Stamp utilization rates in New Mexico are low and because eligible households that participate in the Food Stamp Program tend to be extremely poor, which means they require a relatively large increase in income to be lifted above the poverty threshold. As many as 73,000 New Mexico households with children were eligible for Food Stamps in 2007 but only about 62 percent of families with children participated in the program.⁸ If all families eligible for Food Stamps were to participate in the program, it is likely that the number of children lifted from poverty by Food Stamp income would more than double.

FOOD STAMPS AND POVERTY

A single mother with two children who works full time (2080 hours per year) at the federal minimum wage of \$6.55 per hour grosses \$13,624 annually. After Social Security taxes are deducted, she takes home about \$12,603 – an income that is less than three-quarters of the 2008 federal poverty threshold for a family of three (\$17,600). The federal earned income credit (EITC) boosts this family's annual income by \$4,536 to \$17,139, but it still remains below the poverty threshold. Food Stamps make the difference – a \$463 monthly (\$5,556 annually) Food Stamp benefit lifts the family's annual after-tax income a full 32 percent to \$22,695 or roughly 29 percent above the federal poverty threshold.¹

¹Benefit calculation assumes \$400 in housing and utility expenses and \$150 in childcare expenses per month.

FOOD STAMPS AND THE ECONOMY

The Food Stamp Program is helpful in offsetting the effects of an economic downturn. By bolstering the diminished purchasing power of the newly unemployed, Food Stamps protect families and boost local economies. The benefits of participation in the Food Stamp Program ripple outward from the families that utilize Food Stamps to the local businesses where the families spend their money, to the firms that supply goods and services to local businesses, to the people who are employed by these firms, and so on.

Because they increase the purchasing power of households, Food Stamps generate economic activity, which creates jobs. For example, Food Stamp benefits spent in grocery stores support grocery store employment and employment in industries that supply grocery stores with goods and services, such as food wholesalers. This is the “direct effect” of Food Stamp spending. Food Stamp spending also has “indirect” and “induced” economic effects. These are the outward reverberations of the initial economic stimulus created when Food Stamps are spent. Indirect effects in the

grocery store example would include increases in employment in those industries that supply goods and services to the food wholesalers – manufacturers of milk cartons, for example. The “induced effects” are the increases in employment attributable to increased spending by people who occupy the new jobs measured in the direct and indirect effects, that is, the jobs created when the new employees of the grocery stores and food wholesalers spend their money at local businesses.

LOCAL ECONOMIC IMPACT OF INCREASING FOOD STAMP RECIPIENCY: A MODEL¹¹

In 2007, according to NM Voices calculations using the US Census Bureau’s American Community Survey, about 71 percent of all New Mexico families eligible for participation in the Food Stamp Program actually receive Food Stamps.

Approximately 72,900 New Mexico families with children had incomes below 130 percent of the FPL and 45,519 (62 percent) of households with children were enrolled in the Food Stamp Program in 2007.⁹ There were thus 37,381 potentially eligible families with children that did not receive Food Stamps. In New Mexico, the average monthly Food Stamp benefit is \$93.44 per person. Nationally, the average size of a household with children enrolled in the Food Stamp Program is 3.4 people.¹⁰ This analysis assumes that the same is true for New Mexico.

FOOD STAMPS AND THE WORKING POOR

Many Food Stamp recipients are the working poor. Nationally, 43.2 percent of Food Stamp recipient households with children have earnings from work. In New Mexico, the typical Food Stamp household with earnings makes \$947 per month. This is just below the income one person would earn working full time (40 hours per week) for the current federal minimum wage of \$6.55 per hour.

¹¹ An estimation technique known as input-output (I/O) modeling is the best way to capture the direct, indirect, and induced effects of increased Food Stamp utilization. This analysis utilizes the I/O modeling software program IMPLAN (Impact Analysis for Planning) Professional™ to estimate the economic impact of increasing the rate of Food Stamp reciprocity by eligible families with children from 62 to 80 percent through program improvements and public outreach. Additional data for the model were drawn from the 2006 American Community Survey and the Income Support Division (ISD) of the New Mexico Human Services Department.

New Mexico Voices for Children proposes increasing the participation rate of eligible families from the current 62 percent to 80 percent.

Research suggests that eligible households not enrolled in the Food Stamp Program would receive a Food Stamp benefit equal to 59 percent the average benefit if they were to enroll in the program.¹¹ Our analysis further assumes that the un-enrolled but eligible families that would be first to enroll as a result of an outreach campaign are those entitled to the highest Food Stamp benefit. Thus, while the Food Stamp benefits of the 37,400 eligible but un-enrolled families would average 59 percent of the benefit received by those already enrolled, the benefits received by the first 13,700 families to enroll would be somewhat higher. We assume that the average benefit for the first 13,700 new enrollee families would be 80 percent of the current average benefits (the midpoint between the current average benefit and 59 percent of the current average benefit). Adding 13,700 families would increase Food Stamp reciprocity to just over 80 percent.

AUTOMATIC STABILIZERS

Public programs, such as unemployment insurance and Food Stamps, which contract when the economy is strong and expand during a downturn, are known as “automatic stabilizers.” Automatic stabilizers minimize the depth of recession and speed economic recovery by increasing the income of people who will generate immediate economic activity by spending all of it within the local economy. The more responsive a public program is to economic conditions, the more effective it is as an automatic stabilizer. Because it is one of the few federal social programs still funded as an entitlement, the FSP’s role as an economic stabilizer is more important than ever.

Since 1993, the USDA has funded nonprofit groups to implement innovative Food Stamp outreach and enrollment strategies. Such strategies have included advertising campaigns and other forms of social marketing, Food Stamp enrollment events at community gathering places, door-to-door canvassing in low-income communities, and pre-screening potential clients for eligibility. Data collected by the USDA grantees indicates that the average cost per new enrollment varied substantially across enrollment projects and strategies.¹² The average cost per new enrollment for projects that targeted low-income working families was \$357.

Evaluators of the USDA-funded projects noted that in most cases, outreach would have been more cost effective had it been conducted by the state agency that administered the Food Stamp Program.¹³ This is largely due to the fact that, while the nonprofits could provide Food Stamp information and application assistance, the actual enrollment process must be completed through the state agency. The USDA evaluators also found that nonprofit projects that collaborated closely with Food Stamp offices and those that worked through related service agencies to identify clients eligible for multiple programs were the most cost effective. Also essential to cost-effective outreach was a staff well-versed in Food Stamp Program guidelines and able to pre-screen applicants.

These observations suggest that the outreach cost per new enrollment would be considerably less than \$357 if the state agency charged with administering the Food Stamp Program conducted the campaign.

Our analysis assumes that Food Stamp outreach efforts would be conducted by the Income Support Division of the New Mexico Human Services Department, and that they would be bolstered by policy changes, such as a simplified application process, that remove many of the enrollment barriers that currently impede Food Stamp participation by eligible families. On this basis,

Table I
Estimated Impact of \$41.8 Million Increase in Food Stamp Benefits and
\$2 Million Increase in Other State Government Spending

Expenditure Type	New Spending	New Jobs	Value Added		Average Compensation per New Job
			Compensation	All Other	
Food Spending	\$12,500,000	316	\$7,650,026	\$5,295,344	\$24,208
Other Household Expenditures	\$29,300,000	647	\$15,900,000	\$13,475,000	\$24,575
Total	\$41,800,000	963	\$23,550,026	\$18,770,344	\$24,454

Source: NM Voices for Children estimate using IMPLAN Professional™

we assume that the outreach cost would average \$292 per new enrollment, or four-fifths of that incurred by the projects cited in the USDA study. The total outreach cost of enrolling 13,700 eligible families would therefore be \$4 million.

Since administrative costs of state Food Stamp Programs are shared equally by the state and federal government, New Mexico’s share of the outreach cost necessary to enroll 13,700 families would be roughly \$2 million. Our analysis assumes that this money would be drawn out of current state spending on other government social programs not subject to a federal match, and that the economic impact of redirecting these funds from one social purpose to another would be negligible.

Based on these assumptions, we estimate that increasing the enrollment rate of eligible families from 62 to 80 percent would bring \$41.8 million in additional Food Stamp benefits and \$2 million in federal outreach funding into New Mexico.ⁱⁱⁱ As noted earlier, between

20 and 45 percent of each Food Stamp dollar will represent the purchase of additional food beyond what the family previously spent on food. The other 80 to 55 percent will displace money that was already being spent on groceries, freeing it up for other expenditures. Choosing a value close to the midpoint of these estimates, we assume that 30 percent of the new Food Stamp benefit money (\$12.5 million) would represent increased spending in grocery stores. The remaining \$29.3 million would free up family income, allowing it to be distributed throughout the economy, in accordance with the documented spending patterns of low-income households.

The net economic benefit to New Mexico of an increase in Food Stamp spending is best quantified in terms of “value added.” Value added includes interest, rent paid on property, corporate profits, corporate dividends, employee compensation, the income of business proprietors, and taxes paid by individuals to businesses (in New Mexico these include the gross receipts tax and several selective excise taxes). The new Food Stamp expenditure that does not accrue to the New Mexico economy as value added leaves the state as payments for imports and other flows of funds outside the state.

ⁱⁱⁱ 3.4 x 93.44 = \$318 per family

\$318 x .8 = \$254 per family at 80 percent utilization

\$254 x 13,700 x 12 = \$41,757,600 (\$41.8 million)

Table I (Estimated Impact of Increase in Food Stamp Benefits, page 7) gives the estimated impact of a \$41.8 million increase in Food Stamp benefits. The new spending injection from the Food Stamp Program would generate \$42.3 million in new economic activity in New Mexico. The new Food Stamp spending would generate an increase of gross output of \$72.6 million, but \$34.3 million of that amount is leakage to payments for imports and other flows out of New Mexico. A total of 963 jobs are created: 316 as a result of increased spending on groceries, and 647 as a result of increases in other types of consumption spending. The new spending would generate a total of \$23.5 million in new income, an average of \$24,454 per job, and \$18.7 million in additional value-added.

STATE TAX IMPACT OF FOOD STAMP EXPANSION

Gross receipts from grocery purchases are deductible from the gross receipts tax (GRT) base and therefore are not subject to New Mexico's 6.6 percent (average) gross receipts tax^{IV} (meaning such receipts are reported but not taxed). Grocery purchases made with Food Stamps are both exempt from the gross receipts tax and are not reported as gross receipts. The GRT is the single largest revenue source of the state general fund, as well as the primary revenue source for local governments. In FY07, the state collected roughly \$3.24 billion in GRT; approximately 57 percent, or \$1.84 billion, was allocated to the state general fund. In FY07, local governments, primarily municipalities, received an estimated \$1.4 million in GRT revenue. The local distribution is composed of a statutory distribution of

^{IV} The state base gross receipts tax is 5 percent. Municipal governments receive 1.225 percent from the base. Local governments impose local option gross receipts taxes as increments (usually 1/8 or 1/4 of a cent) to the state base. The average statewide effective gross receipts tax rate is about 6.6 percent.

state gross receipts taxes of 1.225 percent, local option add-ons in eighths and quarters, and a distribution to hold local governments harmless for the food and medical deductions passed in 2004.

The vast majority of New Mexico's spending on public education, higher education, and health care comes from the state general fund. Thus the gross receipts tax is, by far, the most significant source of funding for most programs that benefit New Mexico's children and families. But the gross receipts tax is also quite regressive. It is levied on most goods and services, including household electricity and gas, clothing, furniture, some medical services, and childcare, and thus it consumes a larger share of the income of lower-income households.

Because increased Food Stamp utilization will impact gross receipts tax revenue and the distribution of gross receipts tax burden, it has implications for state and local revenue and for overall tax system fairness.

The initial effect of increased Food Stamp utilization is predicted to be a reduction in the cash sale of groceries and an increase in gross receipts tax revenue from the sale of other commodities. As mentioned above,

ECONOMIC IMPACT BEYOND THE GROCERY STORE

Because Food Stamps allow money previously spent on groceries to be directed to the purchase of other necessities such as clothing, childcare and housing, the direct and indirect economic effects of Food Stamp spending are not confined to the grocery and wholesale food sectors, but are rather distributed across a wide spectrum of household consumption expenditures.

we assume that \$29.3 million of new Food Stamp funding will displace money that is already being spent on groceries. If just two-thirds of that \$29.3 million is spent on other gross receipts taxable commodities, such as clothing, household utilities, and childcare, \$1.29 million in gross receipts tax revenue will be realized elsewhere in the economy. Another \$10 million in cash no longer spent on groceries is likely to be spent on commodities such as housing, gasoline, and car insurance, which, though not gross receipts taxable, are subject to other state taxes. In addition, the income produced by the jobs created as a result of the new Food Stamp spending will return money to the general fund in the form of personal income tax. To the extent that the new spending increases corporate profits, corporate income tax will increase as well. Overall, the increase in tax revenue attributable to a Food Stamp expansion will be modest, probably less than \$1.5 million, divided roughly 60/40 between the state general fund and local governments.

FOOD STAMP PARTICIPATION

Food Stamp participation decreased 27 percent in New Mexico and 40 percent nationally between 1996 and 2002 (see Table II, Food Stamp Program History, below). Nationally, researchers attribute this decline to a number of factors. First, in most states, economic expansion during the late 1990s substantially reduced poverty. Second, in 1996, eligibility for most permanent resident aliens was curtailed and time limits and work requirements were placed upon able-bodied, non-elderly adults without dependents. Researchers conclude, however, that *most* of the decline in Food Stamp reciprocity nationally occurred because fewer eligible households participated in the program.¹⁴ This was due, in large part, to welfare reform and the resulting push by states to reduce case loads. Caseworker confusion about eligibility and intentional exclusion of eligible families from the Food Stamp Program by workers at Food Stamp offices caused many families to drop out of the program and dissuaded others from attempting to enroll.

Table II
Food Stamp Program History

Month	Year	Cases	Recipients	Payments
February	1993	85,107		\$16,668,501
February	1994	87,477	246,660	\$16,453,259
February	1995	86,792	240,053	\$16,513,345
February	1996	87,452	237,584	\$16,898,464
February	1997	76,231	213,732	\$14,910,278
February	1998	66,550	183,033	\$12,786,595
February	1999	56,445	181,588	\$12,260,886
February	2000	64,357	172,164	\$11,927,687
February	2001	62,552	163,467	\$11,530,565
February	2002	65,302	169,069	\$12,861,977
February	2003	75,959	191,804	\$15,111,841
February	2004	83,833	218,473	\$17,882,628
February	2005	93,013	239,593	\$20,976,753
February	2006	95,574	244,374	\$21,415,091
February	2007	92,002	233,094	\$20,634,652
February	2008	93,562	234,765	\$21,811,831

Source: New Mexico Income Support Division, Monthly Statistical Report, February 2008

Food Stamp rolls began increasing after eligibility requirements were eased by the Food Stamp Reauthorization Act of 2002. Enrollment reached more than 93,000 households in 2007 in New Mexico, up from 62,000 in 2001. Improvements in the economy in such measures as unemployment, job growth, and average wages usually decrease Food Stamp usage. Instead, Food Stamp usage rose. As a factor in Food Stamp usage, improvement to the economy was apparently offset by changes in the administration of the FSP, such as lengthening the certification period and the use of the Electronic Benefit Transfer (EBT) program, which lessens the stigma associated with using Food Stamps. As participation in the FSP increased, the cost of food distribution by The Emergency Food Assistance Program (TEFAP) in New Mexico dropped from \$3,019,519 in FY03 to \$1,497,321 in FY07, the latest year for which figures are available.¹⁵ Also, participation in the Commodity Supplemental Food Program fell from 20,360 in FY03 to 16,230 in FY07.¹⁶

CHARACTERISTICS OF FOOD STAMP RECIPIENTS

In January of 2008, 234,331 New Mexicans received Food Stamps. The vast majority of those who benefit from Food Stamps are children, and although they live in working families, most of them also live in deep poverty. More than 62 percent of New Mexico households that receive Food Stamps include children, and those households receive more than 80 percent of all Food Stamp benefits.¹⁷ The typical Food Stamp recipient is a single mother^v with two children and an annual income of about \$13,200, which puts the family at 75 percent of the 2008 FPL. The typical Food Stamp household in New Mexico has \$76 in assets.

^v Nationwide, 68 percent of all Food Stamp households with children are headed by a single mother.

Nationwide, 90 percent of Food Stamp households with children have less than \$500 in assets.¹⁸

Just 13 percent of the households that receive Food Stamps in New Mexico are headed by a person who is over the age of 65, and another 20 percent are headed by someone who is disabled. The vast majority of these households are single-person. However, it is worth noting that in the U.S. overall, 6 percent of Food Stamp households that include children also include members who are elderly, and 34.4 percent also include members who are disabled.¹⁹

Since 2002, refugees and those seeking asylum who meet eligibility requirements may qualify for Food Stamps after they have lived in the U.S. for seven years. Other immigrants may qualify after they have been legally residing in the U.S. for five years.

Sixty percent of New Mexico's Food Stamp households are Hispanic, 13.2 percent are Native American, and 23.6 percent are white non-Hispanic. New Mexico's population overall is roughly 42 percent Hispanic and 10 percent Native American. More than 95 percent of New Mexico's Food Stamp recipients are U.S. citizens.²⁰

The vast majority (82 percent) of Food Stamp recipients in New Mexico live below the poverty threshold. Of the families with children that are eligible for Food Stamps, approximately 64 percent live at or below the FPL. Food Stamp beneficiaries also tend to be the poorest of the poor. In 2006, 40 percent of all Food Stamp households in New Mexico had gross income at less than half the FPL. These households received more than half (54 percent) of all Food Stamp benefits. The typical Food Stamp household receives 27 percent of its monthly income in Food Stamp benefits.²¹

Historically, almost 60 percent of Food Stamp households have not received any cash assistance income such as Temporary Assistance for Needy Families (TANF) or General Assistance.²² In New Mexico, 81 percent of Food Stamp households don't receive cash assistance. Food Stamp cases outnumber cash TANF cases by more than 7 to 1 in New Mexico.²³

Nationally, several characteristics of the population that receives Food Stamps have changed over the last decade. The percentage of Food Stamp households that include children fell from 62.2 percent in 1992 to 52.2 percent in 2006, while the percentage of Food Stamp households with elderly members climbed from 6.6 percent to 17.9 percent. The percentage of Food Stamp households that also receive cash assistance in the form of TANF fell from 39.5 percent in 1992 to 13 percent in 2006, while the percentage of Food Stamp households with earned income climbed from 20.2 percent to 29.7 percent.²⁴

FOOD STAMP ELIGIBILITY

Most New Mexicans who are disabled, elderly, or have children and gross income below 130 percent of the federal poverty level (FPL)^{vi} and/or net income less than 100 percent of the FPL are eligible for Food Stamps^{vii} (see Table III, Income Eligibility Thresholds for Food Stamps). "Net income" is total cash income less a standard deduction, such as an earned income deduction or deductions for childcare. Households are permitted to have no more than \$2,000 in countable assets or \$3,000 if the household includes an elderly

^{vi} On a monthly basis, 130 percent of the poverty threshold was \$2,238 for a family of four in 2007.

^{vii} Able-bodied non-elderly adults with income below 130 percent of the FPL must be employed at least 20 hours per week or register for work and accept suitable employment in order to receive Food Stamps for more than three months.

Table III
Income Eligibility Thresholds for Food Stamps
(Fiscal Year 2008)

People in Household	Gross Annual Income Limits	Net Annual Income Limits
1	\$13,284	\$10,212
2	\$17,808	\$13,692
3	\$22,332	\$17,172
4	\$26,856	\$20,652
5	\$31,380	\$24,132
6	\$35,904	\$27,612
7	\$40,428	\$31,092
8	\$44,952	\$34,572
9	\$43,476	\$38,052
10	\$54,000	\$41,532

Source: New Mexico Income Support Division, Food Stamp Bureau

or disabled member.^{viii} Countable assets include monetary holdings and some physical property, but do not include the family home, vehicles,^{ix} and most business property. In 2006, 70 percent of Food Stamp households had no countable assets and another 21 percent had countable assets valued at between \$1 and \$500.

FOOD STAMP BENEFITS

The federal government sets minimum Food Stamp benefits. All Food Stamp benefit amounts are based on the cost of the USDA's "thrifty food plan," a low-cost dietary plan that the USDA considers to be "nutritionally sound." Food Stamp benefits are roughly equal to the difference between the cost of purchasing the groceries

^{viii} The maximum assets allowed a disabled person was raised in May 2002 from \$2,000 to \$3,000 as part of the 2002 Food Stamp Reauthorization Act. This provision became effective October 1, 2002.

^{ix} New Mexico is one of 18 states that exclude the value of all vehicles in determining eligibility for Food Stamps.

in the thrifty food plan and 30 percent of a family's net income. The maximum Food Stamp annual benefit for a family of four is \$6,504. About one in five recipient households receive the maximum Food Stamp benefit. In New Mexico, monthly Food Stamp benefits currently average \$233 per household per month or about \$93 per recipient per month.^x Food Stamp benefits are reduced by 30 cents for every additional dollar of net income.

In New Mexico, 25 percent of food bank clients also receive Food Stamps. For this population, Food Stamp benefits last an average of 2.1 weeks.²⁵ In the U.S. overall, Food Stamp benefits average \$208 per household per month, or about 56 to 70 percent of monthly average expenditure on food.²⁶

Households with zero net income receive the maximum Food Stamp benefit. All eligible households are guaranteed a minimum benefit of \$14 a month. Most households that receive the minimum Food Stamp benefit include a member who is elderly or disabled and living below the FPL.

APPLYING FOR FOOD STAMPS

The Food Stamp application process varies substantially across states. A review of the application processes in all 50 states concluded that most applications are "much longer than necessary, are difficult to read and complete, and include excessive and invasive questions often with little or no legal connection to the Food Stamp Program."²⁷ Much of the complexity in state Food Stamp applications arises from state efforts to minimize the number of ineligible households that receive Food Stamps. Before 2002, the federal

^x The average size of household receiving Food Stamps is 2.6 people. Households with children tend to receive larger benefits because they are bigger. Food Stamp benefits for households with children average between \$200 and \$300 per month.

government levied financial penalties against states with Food Stamp error rates that exceeded the national average.

After years of encouraging states to reduce their Food Stamp rolls, the federal government granted states

FOOD STAMPS AND FOOD BANK USE

Food banks provide a safety net for families that do not participate in the FSP or who receive inadequate Food Stamp benefits. In New Mexico, a sharp increase in the amount of food distributed through food banks coincided with the decline in Food Stamp case loads between 1996 and 2001, indicating that the reduction in Food Stamp enrollment that occurred during that time frame did not result from decreased need for food assistance.²⁸

However, a substantial decline in the total cost of TEFAP (The Emergency Food Assistance Program) food distribution coincided with the sustained increase in Food Stamp reciprocity between 2001 and 2008. Food Stamp cases and reciprocity reached their lowest point in February 1999. After a lag of three years, Food Stamp payments began rising in 2002. The Food Stamp Program covered 93,562 households with 234,765 recipients, and made payments of \$21,811,832 in February 2008. The increase can be attributed mainly to changes in the administration of the program. Changes such as the institution of EBT cards and less frequent certification accounted for some of the increase. Changes in administration can result in a lessening of the stigma attached to participating in the FSP.

more flexibility in how they administer their programs with the Food Stamp Reauthorization Act of 2002. The act allowed states to align their Food Stamp income and resource rules to those of TANF and Medicaid. When calculating income for purposes of Food Stamps, states can opt to exclude resources and income they exclude in determining eligibility for TANF and/or Medicaid. This provision has the potential to reduce the paperwork and verification burden of applying for Food Stamps, both for applicants and caseworkers. The 2002 reauthorization also gave states the option of extending benefits to families transitioning off of welfare from three months to five, and of increasing benefits for larger households.

Food Stamp recipients must periodically re-certify their eligibility by completing a new application and being re-interviewed. States were granted more flexibility regarding re-certification in the Food Stamp reauthorization of 2002. In New Mexico, Food Stamp recipients with earned income certify every 12 months, but must report changes in income and household composition quarterly. Fixed income cases, including many of the elderly and those receiving SSI, re-certify every two years. Food Stamp cases without income certify every three months. Average certification periods vary considerably across states. In 2006, the average certification period for the U.S. was 11.8 months and ranged

from 15.7 months in Massachusetts to 5.9 months in Wyoming and 7.1 months in Arizona. New Mexico's 9.1-month average certification period was two months shorter than the national average.²⁹

BARRIERS TO ACCESS

Despite the increase in Food Stamp reciprocity since 2000, significant barriers to Food Stamp enrollment exist for many eligible families. Many eligible families that do not participate in the Food Stamp Program believe that their income or assets preclude them from doing so, others are intimidated by the cumbersome and intrusive application process, still others believe that they are ineligible because they are legal immigrants.³⁰ Additional impediments to access include limited English proficiency and literacy, lack of telephone or transportation, and problems providing the documentation necessary to certify eligibility.

Still others report that they have trouble getting their caseworker on the phone or even leaving messages, they receive conflicting information or not enough information, and some report that their paperwork or documentation has been repeatedly lost.³²

FOOD STAMP APPLICATIONS

Food Stamp applications range in length from one page in Florida to 36 pages in Minnesota. New Mexico's Food Stamp application is currently six pages long. It is worth noting that eight of the eleven states with Food Stamp applications shorter than New Mexico's also have lower Food Stamp error rates.³¹ New Mexico's Food Stamp application asks questions about assets that are not relevant to establishing Food Stamp eligibility. In addition, the application is written at the twelfth-grade level, making it difficult to understand for many, if not most, Food Stamp applicants. An introductory section entitled "Information for Applicants or Recipients of Assistance" is an additional six pages.

When surveyed, 75 percent of New Mexico food bank clients reported that they were not currently receiving Food Stamps, although 63.2 percent had, at some point, applied. Of the nearly 40 percent of food bank clients who had never applied for Food Stamps, nearly half (43 percent) thought that they were ineligible because of income. However, only about one-third of the food bank clients who thought they had income too high to qualify for Food Stamps actually did. Sixteen percent of food bank clients who did not receive Food Stamps said that it was too hard to get to the Food Stamp office and 7.2 percent felt that the office was in an unsafe area. Other reasons for not applying for Food Stamps included: not knowing where to apply (3.1 percent), perceiving the application as too long or complicated (1.4 percent), feeling that the application asked too many personal questions (2.6 percent), perceiving the staff at the Food Stamp office to not be respectful (2.8 percent), and assuming that they were eligible for only a small amount of Food Stamps (3.8 percent).³³

FUNDING FOOD STAMPS

All major social service programs administered by the state of New Mexico are funded, at least in part, by the federal government. Food Stamp benefits are entirely

federally funded. In FY06, New Mexico residents received \$277.7 million in Food Stamp benefits. The federal government and New Mexico share the costs of administering New Mexico's Food Stamp Program equally.

The way the federal government finances a program can determine how it is implemented by a state and the impact it can have on the state economy. A block grant is a fixed sum of money transferred to the state for a particular program. Typically, in order to access the block grant, the state must budget a certain amount of its own money (the state match) for the same program. If the federal block grant and the state match are not sufficient to meet the demand for program services, the state can choose to start a waiting list, tighten eligibility requirements, or fund the additional services needed using only state dollars. Both TANF and the New Mexico childcare assistance program are funded by federal block grants.

The Food Stamp Program, on the other hand, is an entitlement. An entitlement program guarantees a certain level of benefits to all eligible persons. Federal funding is not fixed, but rather varies with demand for the program. Entitlement programs are counter-cyclical, which means that they tend to expand when the economy contracts, offsetting, to some extent, the spending declines associated with recession.

TAXPAYER COST

The Food Stamp Program exerts enormous leverage on federal funding for the New Mexico economy. New Mexicans who pay federal income tax share in the cost of providing federal programs, including Food Stamps. New Mexicans, however, contribute less than four-tenths of 1 percent of the total taxes collected by the IRS. Thus, New Mexicans pay about 40 cents for every \$100 in Food Stamps that flow into the state. Put differently, \$1 million in Food Stamp benefits costs New Mexico about \$4,000 – or less than 1 cent per income-tax paying household.

RECOMMENDATIONS AND CONCLUSION

Food Stamps alleviate hunger and lift thousands of New Mexicans out of poverty. In addition, they bolster local economies and speed recovery from recession. Food Stamps bring millions of federal dollars into the New Mexico economy at virtually no cost to New Mexico taxpayers. Yet under-utilization of the Food Stamp Program by New Mexicans means many of its benefits go unrealized. New Mexico should reduce the barriers families confront in attempting to access this vital entitlement program and increase the participation rate of eligible families from 62 percent to 80 percent. Streamlining and simplifying the Food Stamp application process is key.

WE RECOMMEND:

- Changing the public perception of Food Stamps as “welfare” by recasting the program as a service that provides needed nutrition to children in *working* families.
- Developing an application that is shorter than the current six pages;
- Simplifying the Food Stamp application to the fifth-grade reading level;
- Lengthening the Food Stamp certification period;
- Publicizing the changes to the Food Stamp Program;
- Making phone interviews possible and setting up a call center;³⁴
- Reducing worker caseload;³⁵ and
- Standardizing implementation and reporting rules, and re-certification requirements.³⁶

ENDNOTES

¹ U.S. Census Bureau, American Community Survey, 2006. <http://www.census.gov/acs/www/>

² Ibid.

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⁴ Economic Research Service of the U.S. Department of Agriculture. <http://www.usda.gov/wps/portal/usdahome>

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⁷ Ibid.

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¹⁷ Income Support Division, NM Human Services Department, 2008. <http://www.hsd.state.nm.us/isd/>

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¹⁸ *Characteristics of Food Stamp Households: Fiscal Year 2006.*

¹⁹ Ibid.

²⁰ Ibid.

²¹ Ibid.

²² *Food Stamps Can Help Low-Income Working Families Put Food on the Table*, Parrott, Sharon and Dean, Stacey, Center on Budget and Policy Priorities, Washington, D.C., March 31, 1999. <http://www.cbpp.org/3-31-99fs.htm>

²³ Income Support Division NMHSD, 2008.

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²⁵ *Hunger in America 2006: National Report Prepared for America's Second Harvest: Final Report*, O'Brien, Douglas L. and Aldeen, H.T., Oct. 2007. www.mathematica-mpr.com/PDFs/hunger2006.pdf

²⁶ *Characteristics of Food Stamp Households: Fiscal Year 2006.*

²⁷ *The Red Tape Divide State-by-State Review of Food Stamp Applications*, O'Brien, D., Prendergast, K., Thompson, E., Fruchter, M., and Aldeen, H.T., America's Second Harvest, 2001. http://64.224.98.61/policy/food_stamp_study.pdf

²⁸ *Child Food Insecurity in the United States: 2003-2005.*

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