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Reducing SNAP (Food Stamp) Benefits Provided by the ARRA: P.L. 111-226 & S. 3307

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Summary

The American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5) included an across-the-board increase in benefits provided under the Supplemental Nutrition Assistance Program (SNAP, formerly the Food Stamp program), effective in April 2009. The ARRA effectively replaced, until after FY2018, the increase in SNAP benefits that occurs based on annual food-price inflation indexing (under current inflation scenarios). The ARRA substantially raised *maximum* monthly benefits, by 13.6%. For a one-person household, the added benefit was $24 a month; for two persons, $44 a month; for three persons (the most typical household), $63 a month; for four persons, $80 a month; and for larger households, higher amounts. As a result, *average* household SNAP benefits (typically less than the maximum) were boosted by more than 15%. The effects of the ARRA benefit increase were expected to terminate after FY2018, when food-price inflation "caught up" with the ARRA add-on. Through FY2018, when the effect of this increase is currently projected to end, Congressional Budget Office (CBO) estimates indicate an extra benefit cost of some $57 billion linked to the 2009 ARRA provision.

These increased SNAP benefits were recently reduced as part of P.L. 111-226 (a law providing funding for education jobs and Medicaid) and are proposed for further reduction in the Senate's amended version of its child nutrition/WIC reauthorization bill (S. 3307, as approved on August 5, 2010).

Under congressional "pay-as-you-go" (PAYGO) rules, P.L. 111-226 and S. 3307 would tap future spending for ARRA-generated extra SNAP benefits to pay for costs incurred in these initiatives—to the tune of $11.9 billion in P.L. 111-226, and an additional $2.5 billion under the terms of S. 3307. P.L. 111-226 achieves its savings by terminating the ARRA across-the-board SNAP increase effective March 31, 2014. As a result, SNAP benefits will revert to what basic SNAP law directs (i.e., as calculated using annual food-price inflation). CBO estimates that the initial drop in monthly benefits will be between $10 and $15 a person—approximately a 10% reduction in average per person benefits. S. 3307 proposes to achieve its savings by moving up the date on which the ARRA-generated SNAP benefit increase will terminate—to October 31, 2013.

This report outlines how the provisions in these two measures work to draw on future SNAP spending and benefits and the effect they have on ARRA-based SNAP benefits.

Contents

Figures

Contacts

The American Recovery and Reinvestment Act of 2009 (ARRA)

Benefits provided by the Supplemental Nutrition Assistance Program (SNAP, formerly the Food Stamp program) are, under basic SNAP law (the Food and Nutrition Act), normally indexed for food-price inflation at the beginning of each fiscal year—every October 1.[1] The most recent Congressional Budget Office (CBO) projections (in its March 2010 "baseline") show annual food-price inflation (as measured by the cost of the Agriculture Department's "Thrifty Food Plan") ranging from negligible to 2% through FY2018.

The 2009 ARRA (P.L. 111-5) effectively overrode this annual inflation-indexing rule with an across-the-board benefit increase, effective April 2009. *Maximum* monthly benefits were increased substantially, by 13.6%. For a one-person household, the added benefit was $24 a month; for two persons, $44 a month; for three persons (the most typical household), $63 a month; for four persons, $80 a month; and for larger households, higher amounts. As a result, *average* household SNAP benefits (typically less than the maximum) were boosted by more than 15%. The effects of the ARRA benefit increase were expected to terminate after FY2018, when food-price inflation "caught up" with the ARRA add-on. There was no specific termination date.

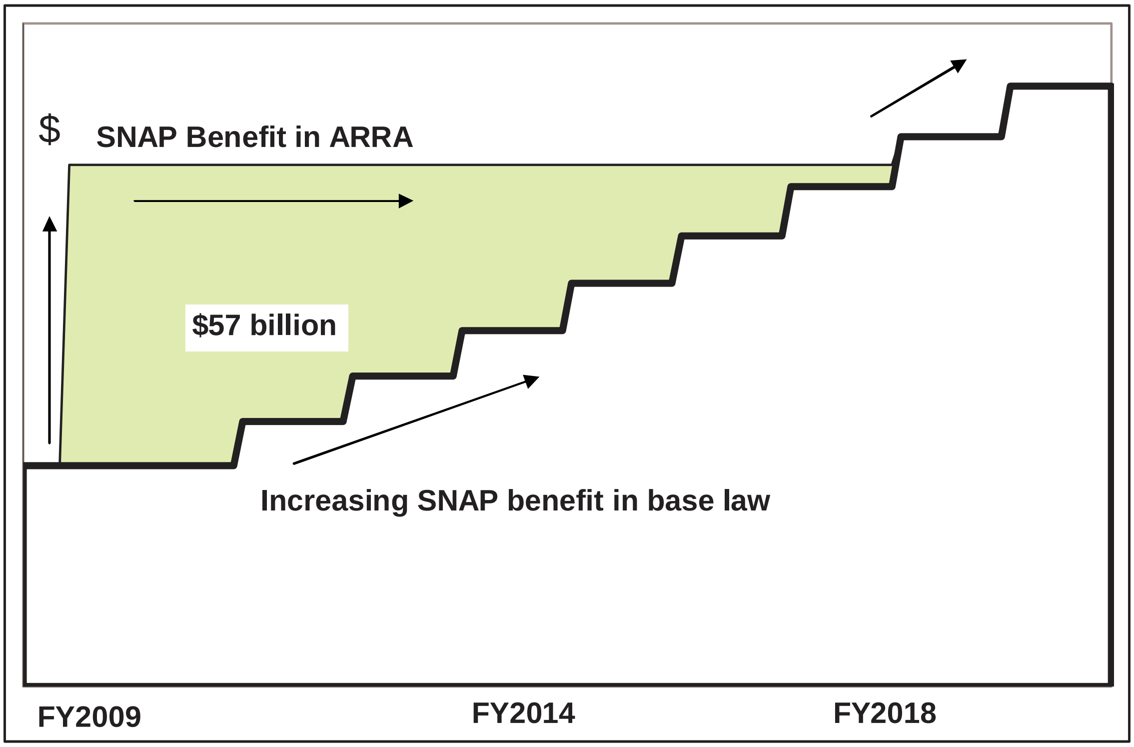
The most recent CBO estimate of the cost of this jump in benefits (in the March 2010 "baseline") places it at approximately $57 billion (FY2009 through FY2018) and indicates that the cost and added benefit effect is concentrated in the first five years—$43 billion, or 75%, over FY2009 to FY2013. [2] SNAP costs under its base law for FY2009-FY2018 (with no ARRA-related increase) are estimated at approximately $590 billion.

Figure 1 illustrates the ARRA benefit increase (the shaded area) and its decreasing effect over time (as compared to pre-ARRA law) as food-price inflation (adjusted annually, each October 1) increases the underlying benefit as dictated by basic SNAP law. The rising SNAP base benefit (totaling some $590 billion through FY2018) is represented in the un-shaded portion of the figure.

[1] Each October's inflation-indexing of SNAP benefits is based on the cost of the Agriculture Department's "Thrifty Food Plan" in the June immediately prior to it. Benefits also vary by household size, the amount and type of household income, and certain living expenses (like high shelter costs).

[2] Under current CBO estimates, FY2018 is the last year in which the ARRA benefit increase will have an effect (i.e., require benefits above what would have occurred under pre-ARRA law). It should be noted that earlier estimates of the additional SNAP spending effects of the ARRA were much lower (e.g., about $20 billion near the time of enactment in February 2009).

Figure 1. ARRA Increase in SNAP Benefits



Source: Prepared by the Congressional Research Service (CRS).

Notes: The slope of the lines and size of the areas are for illustration only and not to scale. Under SNAP base law, benefits would not have increased until FY2012 because of the lack of measured food-price inflation.

Funding for Education Jobs and Medicaid

The 2010 law providing funding for education jobs and Medicaid (P.L. 111-226; enacted August 10, 2010) included, as an offset for its costs, a significant reduction in future ARRA-based SNAP benefits—beginning in April 2014 (halfway through FY2014).[3] The CBO projected the savings from this at $11.9 billion over FY2014 to FY2018, out of more than $14 billion that would have been spent under the ARRA during this period.

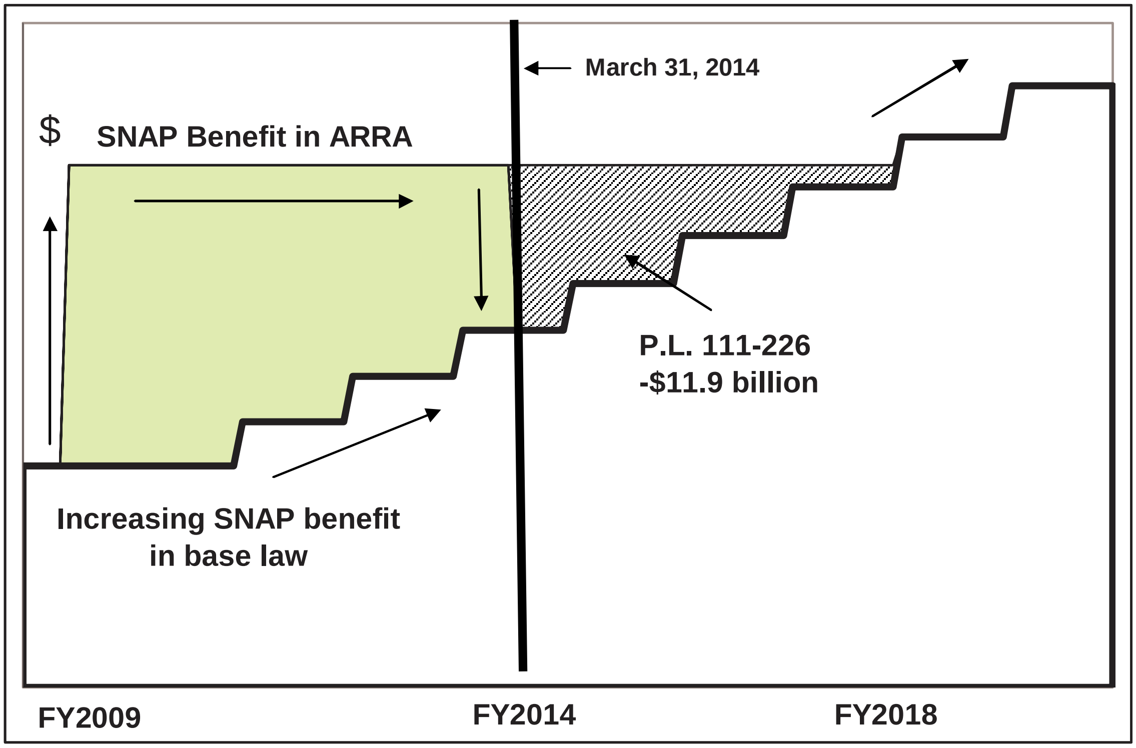
P.L. 111-226 achieves its savings (in Section 203) by terminating the ARRA across-the-board increase effective March 31, 2014. As a result, SNAP benefits will revert to what the base SNAP law directs (i.e., adjusted annually using food-price inflation). CBO estimates that the initial drop in monthly benefits will be between $10 and $15 a person—approximately a 10% reduction in average per person benefits.

Figure 2 illustrates the education jobs/Medicaid law's effect on ARRA-based SNAP benefits. The solid line in the middle of the figure shows the immediate drop in benefits in April 2014. The slow rise in base SNAP benefits (about 2% a year under CBO projections) is represented by step-

[3] For information on the provisions for funding education jobs and Medicaid in P.L. 111-226, see CRS Report R41353, *Education Jobs Fund Proposals in the 111th Congress*, by Rebecca R. Skinner and Steven Maguire; and CRS Report RL32950, *Medicaid: The Federal Medical Assistance Percentage (FMAP)*, by April Grady.

wise (annual) increases. As in **Figure 1**, base SNAP benefits eventually reach the ARRA-prescribed levels by the end of FY2018 (under current food-price inflation scenarios). The shaded area to the right represents the foregone ARRA increase.

Figure 2. Education Jobs/Medicaid Law (P.L. 111-226) SNAP Benefit Reduction



Source: Prepared by the Congressional Research Service (CRS).

Notes: The slope of the lines and size of the areas are for illustration only and not to scale. Under SNAP base law, benefits would not have increased until FY2012 because of the lack of measured food-price inflation.

Child Nutrition and WIC Legislation

On August 5, 2010, the Senate approved an amended version of its measure to revamp laws governing child nutrition programs and the Special Supplemental Nutrition Program for Women, Infants, and Children (the WIC program). This bill, the Healthy, Hunger-Free Kids Act of 2010 (S. 3307) includes, as an offset for its costs, a provision further reducing ARRA-based SNAP benefits by some $2.5 billion.[4]

The child nutrition/WIC legislation achieves its savings (in Section 442) by moving up the date on which the ARRA-generated SNAP benefit increase will terminate—to October 31, 2013.

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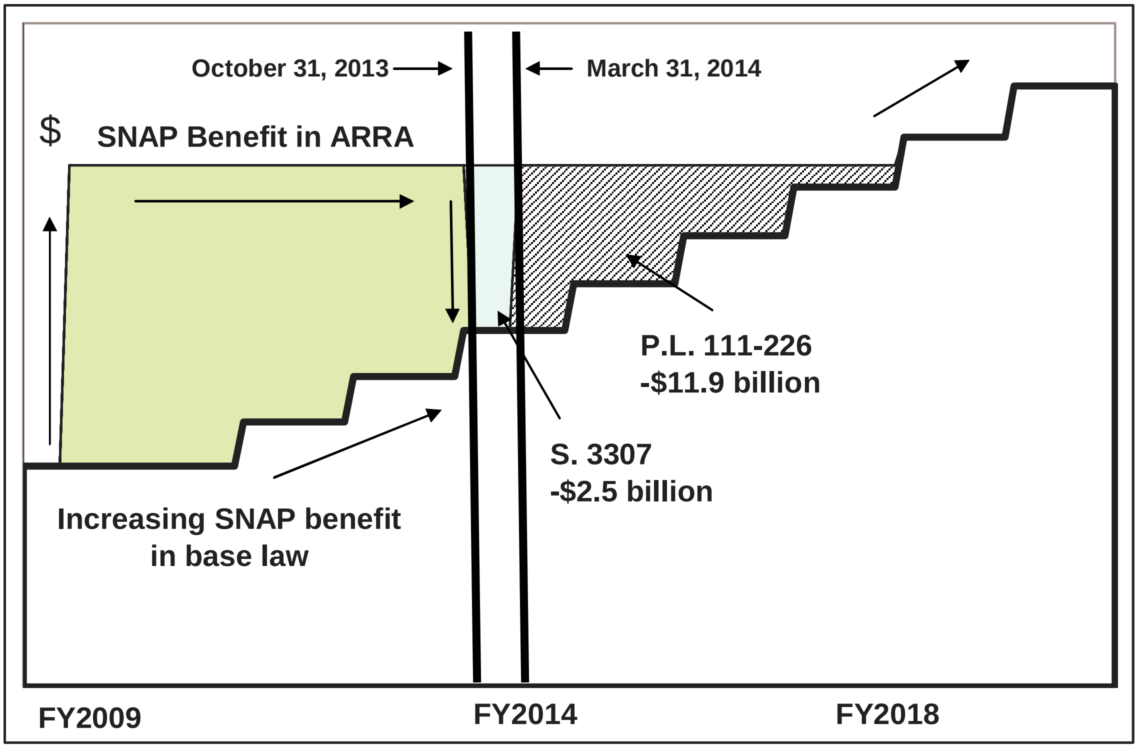
[4] For information on this initiative, see CRS Report R41354, *Child Nutrition and WIC Reauthorization: Issues and Legislation in the 111th Congress*, by Joe Richardson. S. 3307, as reported from the Senate Committee on Agriculture, Nutrition, and Forestry Committee (S.Rept. 111-178), included an offset reducing funding under the Agriculture Department's Environmental Quality Incentives Program (EQIP). This offset was approximately the same size as the ARRA-related offset that *replaced* it in the Senate-approved bill.

Figure 3 illustrates the additional effect on ARRA-based SNAP benefits that the Senate's child nutrition/WIC proposal (S. 3307) would have. The shaded area on the left represents SNAP benefits until November 2013. The shaded area between the two solid vertical lines represents the drop in SNAP benefits that would occur if S. 3307 were to be enacted. The shaded area to the right represents SNAP benefits lost under P.L. 111-226.

Figure 3. Child Nutrition/WIC (S. 3307) SNAP Benefit Reduction



Source: Prepared by the Congressional Research Service (CRS).

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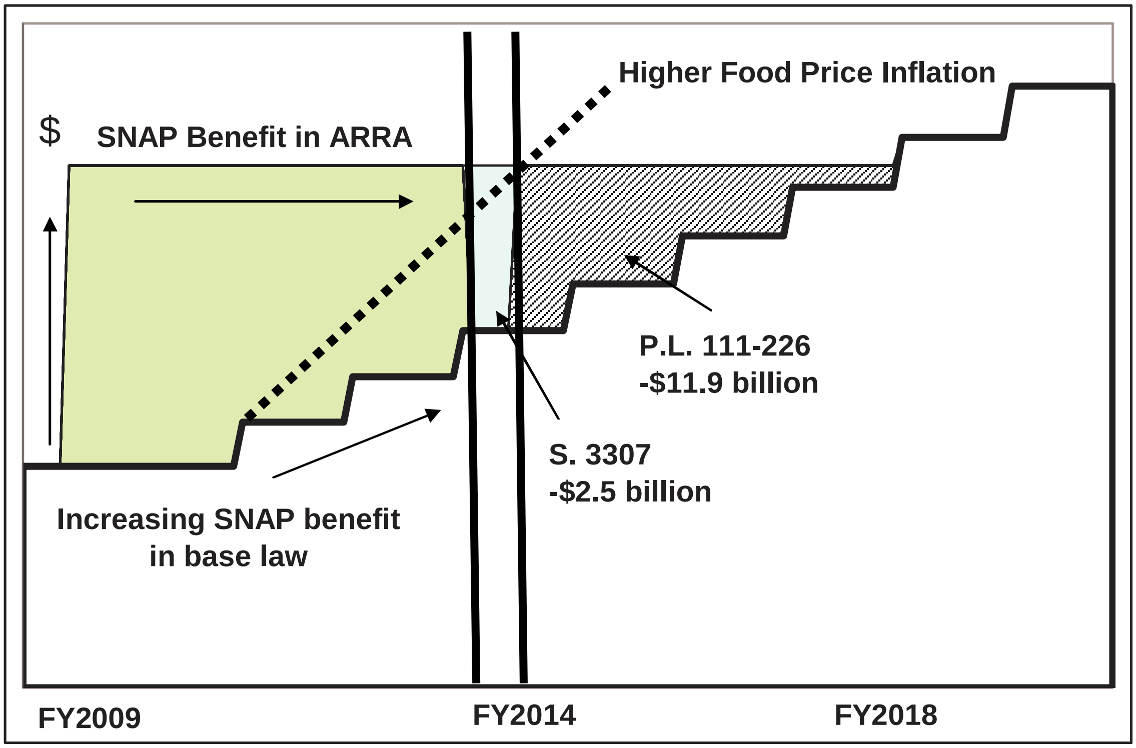
Future Food-Price Inflation

As noted earlier, CBO estimates annual food-price inflation at 2% or less through FY2018. However, if food-price inflation exceeds these projections, the effects of the ARRA-generated SNAP benefit increase, as well as the cutbacks in the education jobs/Medicaid law and the proposed child nutrition/WIC measure, would be lessened.

Figure 4 illustrates the effect that higher-than-projected food-price inflation would have on basic (pre-ARRA) SNAP benefits, benefits as reduced by the education jobs/Medicaid law (P.L. 111-226), and benefits under the Senate's child nutrition/WIC legislation (S. 3307). **Figure 4** is identical to **Figure 3**, with the addition of a dotted line that represents potentially higher food-price inflation and a lessening of the effects of P.L. 111-226 and S. 3307. Effectively, basic benefits would "catch up" to ARRA levels faster and reduce the degree to which the two measures reduce ARRA-based SNAP benefits.

Figure 4. Illustrative Effect of Higher Future Food Prices on SNAP Benefits



Source: Prepared by the Congressional Research Service (CRS).

Notes: The slope of the lines and size of the areas are for illustration only and not to scale. Under SNAP base law, benefits would not have increased until FY2012 because of the lack of measured food-price inflation.

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