



Stimulating State and Local Economies: Reaching More Eligible People with Food Stamps

The nation as a whole and most states and communities are facing a serious economic slowdown and, very possibly, a recession. One fast and effective way for a state, a county, a city or a town to give a boost to the local economy is to get food stamps to as many eligible low-income people as possible.

Since food stamp benefits are 100 percent federally-funded, and the federal government also shares the administrative costs, the cost to a state or local government of reaching eligible people is very small – the federal government bears almost all the cost. And USDA studies show that every \$1 of federal food stamp benefits coming into the economy generates nearly double that amount in local economic activity.

Beyond that, state spending to augment food stamp benefit levels and/or coverage also have stimulative effects. Supplementing benefit levels and extending coverage to certain needy populations have been considered and/or enacted in some states.

In the recent federal stimulus debate, a remarkable range of economists, policymakers, and editorial writers spoke to the fact that food stamps are the best stimulus. While a food stamp boost did not make it into the final federal package, the exact same principles apply at the state and local level.

Attached is a compendium of quotes from government leaders, newspapers, and economists on the value of food stamps as a stimulus. There are still important opportunities for advocates to use these statements about food stamps a way to focus attention on the need to improve outreach and push for positive food stamp changes at the state and local level.

FRAC has compiled this toolkit for your use. It contains suggested message points, a model letter to the editor, and a model op-ed outline, in addition to the compilation of quotes. We have also included the latest USDA hunger numbers for easy reference. We hope that this will serve as a helpful guide for you in the coming weeks. Please contact Jennifer Adach (202.986.2200 x3018) or Ellen Vollinger (202.986.2200 x3016) with any questions.

#1: Suggested Message Points

When talking with reporters or the general public, here are some suggested points to include.

- With rising costs – especially for food and energy – and a slow economy, more households are falling on hard times, but there are some good choices states can make.
- Reaching more eligible low-income people with the Food Stamp Program is perhaps the best choice. It can help the local economy – and help struggling households put food on the table and use their scarce income for other needs.
 - Just one dollar of food stamps translates into nearly double that amount for the local economy. It helps a struggling family put food on the table, pays the salary of the clerk at the store, and keeps rebounding through the economy.
- States can increase their outreach to potentially eligible people. And, they can take advantage of options from the federal government that would reduce their administrative burden and get more households into the Food Stamp Program.
- Small state investments to augment federal benefit levels and/or coverage also can help boost economic impact.
- Economists and researchers agree that food stamps are an effective way to stimulate the economy.
- As we look at ways to improve the economy and help struggling families, food stamps are an essential part of that plan.

#2: Model Letter to the Editor

You can customize this letter to the editor to respond to any articles that mention the economic stimulus, hunger in the state, rising food costs, or deteriorating local economic conditions. Look for your paper's submission guidelines, but most newspapers require that letters to the editor be 150 words or less.

Dear Editor:

As more families fall on hard times, there are some good choices that our state can make to help restart our local economies and make sure that people don't fall through the safety net. For starters, [STATE] can commit to making sure that more households, especially low-income working families and recently unemployed workers, apply for food stamps. [STATE] can also take advantage of options that would reduce red tape, cut state costs, and make it easier for people to get food stamps.

This will help struggling households, and also help our local economy. Each added dollar of federal food stamp benefits will generate nearly twice that in local economic activity. In the recent debate in Washington over the stimulus package, economists and researchers, from Federal Reserve Chairman Ben Bernanke to former Treasury Secretary Robert Rubin, agreed that food stamps were the fastest way to boost the economy.

#3: Model Op-Ed Outline

We encourage you to use this outline to write an op-ed for your local paper. We've included some key message points and lines, but left plenty of opportunity for you to customize this piece for your community.

The economy is struggling and many people across [State] are feeling the pinch.

Complicating the problem are rapidly rising prices for food. The price of milk, for example, has gone up 13 percent in the past year. Wallets will become increasingly thinner if predictions for the cost of gas hold true – experts forecast that gas might cost \$4 a gallon by spring.

Customize! Visit AAA Web site at www.aaa.com for a list of the average gas prices by state.

But, there are some good choices that leaders in [STATE] can make to help restart our local economy and help struggling households. Perhaps the best choice a state can make is to reach more eligible people with food stamps. It can help the local economy – just one dollar of food stamps translates into nearly double that amount for the local economy. It helps a struggling family put food on the table and use their scarce income for other needs. It pays the salary of the clerk at the store and keeps rebounding through the economy.

Outreach is the first step, and one that doesn't cost much to the state. Matching funds from the federal government pay half the costs of outreach, and food stamps are funded entirely with federal dollars. By enrolling 1,000 new households in the Food Stamp Program, a typical state can bring \$158,000 federal dollars into its economy per month or \$1,896,000 in a year.

In addition to outreach, there are other good choices that [STATE] can make. It can take advantage of options that would reduce red tape, cut state costs, and make it easier for people to get food stamps.

Customize: Use the latest State Options Report from USDA (www.fns.usda.gov/fsp/rules/Memo/Support/State_Options/7-state_Options.pdf) to highlight some choices that the state can make. For example:

- ✓ **Easing reporting requirements:** States can make the application process easier for caseworkers and for eligible families. For example, many families must reapply

every three months, and must do so during a face-to-face meeting. States have the choice to extend their certification periods to twelve months. By choosing this option, many families will continue to receive food stamps – and ease state caseworkers' workload.

- ✓ **Easing the asset limits:** To receive food stamps, households must have very few or no assets. Families are often not eligible if they own a car worth more than \$4,650, or retirement savings or other assets of more than \$2,000. These limits create terrible choices for low-income families and newly unemployed workers: if they want food stamps to feed their children, they must sell their car – which may be needed in a job hunt or to make future employment possible – and must cash in even meager retirement savings (often paying a penalty to do so). But, states can choose to exclude the value of all household vehicles (as 29 states do) or even eliminate the asset restrictions altogether for most low-income households. By choosing such options, states can make sure that more households receive food stamps paid for with federal funds.

By increasing awareness and easing the application process for food stamps, [STATE] can bring in more federal dollars, boost the local economy, and help struggling families. Food stamps lead directly – and quickly – to increased economic activity, with low-income communities receiving the immediate benefit. And, that's not just opinion of advocates for the disadvantaged. Federal Reserve Chairman Ben Bernanke, former Clinton Administration Treasury Secretary Lawrence Summers, and Martin Feldstein, former head of Reagan's Council of Economic Advisers, all agreed that food stamp benefits are an effective tool to stimulate the economy.

***Customize:** Use FRAC's compilation of quotes and statements to find an expert that might better reflect your community or priorities.*

More people are falling on hard times. The most recent hunger numbers from the U.S. Department of Agriculture find that [XXX] in our state face a constant struggle against hunger. The recent economic turmoil will only add to those numbers. Increasing the number of people receiving food stamps is the best choice our state can make to help struggling families and the struggling economy.

Nothing could be more basic. And nothing could provide a quicker stimulus to an economy that is no longer working for many [STATE] families.

#4: Quotes and Statements

Many Senators, economists and other opinion leaders have spoken out in favor of food stamps as a way to stimulate the economy quickly and help struggling people. These range from Federal Reserve Board Chairman Bernanke, former Treasury Secretary Lawrence Summers, and Congressional Budget Office Director Orzag to Democratic Senate Majority Leader Reid, Senate Agriculture Committee Chairman Harkin, Senate Finance Committee Chairman Baucus, Joint Economic Committee Chairman Charles Schumer and Senate Judiciary Committee Chairman Leahy and Republican Senators Collins, Snow and Smith. Below is a compilation of the many recent statements made in support of food stamps as economic stimulus.

Just one dollar of food stamp benefits creates a "ripple effect" through the economy.

- A study by industry research firm **Moody's Economy.com** looked at the potential impact of each stimulus dollar. According to economist Mark Zandi, "some provide a lot of bang for the buck to the economy. Others ... don't." Zandi said that the study shows the fastest way to infuse money into the economy is through expanding the food stamp program. "If someone who is literally living paycheck to paycheck gets an extra dollar, it's very likely that they will spend that dollar immediately on whatever they need - groceries, to pay the telephone bill, to pay the electric bill," he said. Tracking that single dollar shows what economists call the ripple effect, Zandi said. It helps to pay the salaries of the grocery clerks, pays the truckers who haul the food and produce cross-country, and finally goes to the farmer who grows the crops.

- Based on **U.S. Department of Agriculture** analysis, it is estimated that each \$5 of federal food stamp benefits generates nearly twice that in economic activity.

Across the board, economists and researchers agree that boosting food stamp benefits also boosts the economy.

- The **Congressional Budget Office** (CBO) has rated a temporary increase in food stamp benefits highly for cost-effectiveness, short lag time, and relative certainty about the policy impact. "[Options for Responding to Short-Term Economic Weakness](#)," CBO (January 2008).
- At a Senate hearing, **Peter R. Orszag, director of the Congressional Budget Office**, testified that increases in food stamps and unemployment benefits would have more immediate economic effects than rebates. 'Food stamp and unemployment benefits can affect spending in two months,' Mr. Orszag said. 'Rebates would affect spending at the end of 2008.'" "Bush and House in Accord for \$150 Billion Stimulus," by David M. Herszenhorn, [The New York Times](#), 1/25/08.
- **GOP Economist Martin Feldstein** "embraced" the idea of increasing food stamp benefits as a way to stimulate the economy. At a Brookings Institution forum, Feldstein said he supported a flat rebate for all who pay taxes, as well as temporary increases in the food stamp and supplemental income programs. "Dems Eye Tax Rebates, Fatter Benefits," by Andrew Taylor, [AP](#), 1/11/08, and "Bush tax guru backs stimulus plan," by Steve Hargreaves, [CNNMoney](#), 1/24/08.
- Former **Treasury Secretaries Lawrence Summers** and **Robert Rubin** agreed that additional food stamp benefits would have an immediate impact on the economy. In testimony before the Joint Economic Committee, Summers said "[o]n the spending side the measures most likely to be effective are temporary increases in benefits perhaps for the long term unemployed and food stamp recipients." In an interview with NPR, Rubin said that "immediate effects such as extending the unemployment insurance time, additional food stamps, measures of that kind that will have effect on... the demand of the economy right away." "Ex-Treasury Secretary Assesses Recession Risk," interview with Robert Rubin, [NPR's All Things Considered](#), 1/23/08.
- **Stuart Greenbaum**, the former dean of the Olin Business School at Washington University in St. Louis, said that expanding food stamps and unemployment benefits, would "provide the largest spending kick per dollar of stimulus."

As more families struggle with rising food costs, an increase in food stamp benefits would help quickly those that need it the most.

- **Page Walley**, commissioner of the Alabama Department of Human Resources, brought together leaders from across the state to brainstorm ideas for outreach programs that will encourage more people to apply. An increase of just five percent could mean tens of millions of dollars in new economic activity and more food on the table for low-income families, said Walley. "[E]very \$5 in federal food stamps issued generates \$9.20 in local and state economic activity... About 546,000 Alabama residents each month receive food stamps, and these stamps brought more than \$600 million in federal benefits to state residents last year. The total economic impact was estimated to be \$1.1 billion," he added. "Alabama pushes for more poor to take advantage of food stamps: Both needy, economy gain, DHR head says," [Birmingham News](#), 2/18/08.
- The Food Stamp Program EBT System has a proven record in responding quickly and effectively in times of distress. For example, in response to Hurricane Katrina, newly hard hit victims and existing clients were provided with food stamp benefits on their Electronic Benefit Transfer (EBT) cards that they used at grocery stores to help meet their food needs. USDA's response to Hurricane Katrina – including implementation of the Disaster Food Stamp Program – is described in the "[What Went Right](#)"

section of the White House's official report, "Federal Response to Hurricane Katrina: Lessons Learned" (February 23, 2006).

- Regular food stamp allotments leave families short of the necessary amount to purchase an adequate diet. Food stamp allotments are theoretically based on the Thrifty Food Plan (TFP) market basket, but this amount is not sufficient for recipients to meet the cost of an adequate diet in their neighborhoods. Boston researchers report that the actual cost of the TFP exceeded the maximum food stamp allotment for a family of four in small and large stores. Averaging across all stores, the maximum food stamp allotment fell short by almost \$27 per month. When the researchers investigated the cost of a modified TFP with substitutions of healthier food products, such as whole grains, the maximum food stamp allotment fell short by about \$148 per month. John Cook, Vivien Morris, Nicole Neault, and Deborah Frank, "[The Real Cost of a Healthy Diet in Boston, Massachusetts](#)," Boston Medical Center (August 2005).
- On the House Floor, **Representative Jim Mc Govern (D-MA)** pointed out that "[an] increase in Food Stamp benefits would generate \$1.73 in economic activity for every dollar in cost and we know that a temporary increase in food stamps can be delivered quickly and will be spent right away."

Columnists and editorial writers agree that food stamps are an effective – and targeted – stimulus strategy.

- According to the blog maintained by **The New York Times Editorial Page**, "Congress' own budget office, and many other economists and analysts, told lawmakers — and the public — that the most effective form of stimulus is increased food stamps and extended unemployment benefits for the long-term unemployed who exhaust their initial 13-weeks of benefits... The decision about what kinds of stimulus are better than others is not a close call. A study by Moody's Economy.com shows that every extra dollar spent on food stamps would generate \$1.73 in GDP within a year. A dollar of extended unemployment benefits generates \$1.64; a dollar of infrastructure spending, \$1.59; and a dollar of state aid, \$1.36."
- Oregonian columnist **David Sarasohn** wrote that "[b]asically, the time between food stamps reaching people and the time the money gets into the economy is about as long as it takes the recipients to get to the grocery store. This makes food stamps an especially effective strategy if you're trying to stimulate an economy to ward off a recession."
- **Nick Jimenez, editorial page editor for the Corpus Christi Caller-Times**, wrote "I would think that folks out of a job would spend every nickel they get and that every person who gets extra food stamps has no choice but to use them at the grocery store."
- Journalist and blogger **Neil deMause** believed that the debate over increasing food stamps and unemployment insurance was "a useful lesson not only for Congress, but for New York City officials considering how to help Gotham's economy. First off, those with little money on hand tend to spend it not only fast, but locally. This cuts down on what economists call "leakage." Second, they're likely to spend it where they live, which is — surprise, surprise — in depressed neighborhoods, helping to revitalize them without the bulldozers and evictions that usually accompany that term. Finally, not only do programs for the poor provide more bang for the buck, but ... government benefits come out of the pocket of the federal government, not city coffers. So when the food-stamp rolls rise, Washington is effectively pouring buckets of money into New York's economy."