

Lost Dollars, Empty Plates: The Impact of Food Stamps on State and Local Budgets

Increased use of federal food stamps benefit state and local coffers

Snapshot

# of eligible Californians not receiving food stamps.....	1,573,071
Lost federal dollars	\$1.6 billion
Lost economic activity	\$3 billion
Lost benefit to state budget.....	\$37 million
Lost benefit to county coffers	\$12 million

The U.S. Department of Agriculture ranks California last in the country for Food Stamp Program participation and access. This underutilization of food stamps not only hurts low-income people but also hurts our state and local economies. The following analysis examines the impact full participation in the federal Food Stamp Program would have on state and local budgets.

THE PROGRAM

As the nation's largest nutrition assistance program, the Food Stamp Program provides a critical supplement when families and individuals don't have enough money to put food on the table. The benefits that households receive are entirely federally funded. The federal government also picks up the tab for half of the program's administrative costs. The state covers 35 percent and the counties, the remaining 15 percent.

THE PEOPLE

In California, roughly 1.8 million people receive food stamps. At an average benefit of \$88 per person per month in 2003, the Food Stamp Program generated over \$1.8 billion in federal food purchasing dollars for children, adults, and senior citizens who met the program's strict income and asset limits.

THE IMPACT

Food stamp dollars increase recipients' demand for the products and services they can buy with the benefit. In addition to families' increased spending power, USDA has shown that every food stamp dollar spent creates \$1.84 in local economic activity.

New analysis in California shows that increased food stamp participation has a beneficial impact on the state budget as well. The Legislative Analyst's Office developed the following premise to estimate the impact of food stamp increases on the state budget:

"Research shows that low-income individuals generally are not able to save money because their resources are spent on meeting their daily needs, such as shelter, food, and transportation. Therefore, for every dollar in food coupons that a low-income family receives, an additional dollar is available for the consumption of food or other items. Research done at the University of California and elsewhere indicates that individuals with income low enough to be eligible for food stamps would, on average, spend about 45 percent of their income on goods for which they would pay sales tax. The state General Fund receives about 5 cents for every dollar that is spent on a taxable good. Local governments and special funds receive the remainder of the sales tax revenue (generally about 2.25 percent). Because additional food coupons would result in low-income families spending more of their other resources on taxable goods, the receipt of federal food coupons helps to generate revenue for the state and for local governments."

See http://www.lao.ca.gov/analysis_2004/health_ss/hss_20_foodstamps_anl04.htm

Since counties share in sales tax revenues, this premise may be applied to local governments as well. In summary, food stamps have a positive impact on families (increased food), retailers and growers

(increased demand for food-related products and services), local and state economies (“multiplier effect” of food stamp dollars) and local and state budgets (increased sales tax revenue).

THE PROBLEM

About half of the people eligible for food stamps do not receive them. Barriers to food stamp participation, such as state-imposed red tape, hurt eligible families by limiting their ability to get adequate, nutritious food. These barriers lead to unnecessarily empty plates and a considerable amount of “lost dollars.”

THE LOST DOLLARS

California Food Policy Advocates estimates that with full food stamp participation, California could bring in as much as **\$1.6 billion** in additional federal funding each year. Applying the ripple effect, this means that full participation would generate an additional **\$3 billion** in economic activity statewide.

With increased resources for food, these new participants in the Food Stamp Program would spend more on non-food, taxable goods. According to the LAO, these purchases would generate over **\$37 million** in revenue for the state general fund and over **\$12 million** for county coffers.

See the attached chart for details and a county-by-county analysis.

THE CONCLUSION

California should take steps increase participation in the Food Stamp Program. Such action will help low-income Californians, increase federal funding to California, add to the state general fund, and provide some new revenue to local communities.

Attachments:

Spreadsheet: State and county estimates of the impact of full food stamp participation

Methodology: Data sources and formulas for calculating these impacts.