Strengthening SNAP as an Automatic Stabilizer

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Abstract

The Supplemental Nutrition Assistance Program (SNAP) is among the most efficient and effective spending programs. It plays a crucial role in alleviating families' temporary economic hardships and enabling them to purchase food. In addition, it also rapidly responds to economic downturns by quickly enrolling those who become eligible for benefits due to temporary income losses. Consequently, SNAP funds are spent rapidly in local communities, contributing to their effectiveness as a fiscal stimulus. In this chapter, we propose two reforms that build on the basic structure of eligibility expansions and benefit-level increases that made SNAP an effective automatic stabilizer during the Great Recession. First, we propose limiting or eliminating SNAP work requirements. Second, we propose a 15 percent increase in the SNAP maximum benefit during recessions. We also caution against policy options including expanded work requirements and a SNAP block grant, both of which would diminish program efficacy and utility as a stimulus.

Introduction

The Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp Program, is the nation's most important food support program. Because it is universally available to eligible participants, SNAP reaches a broad range of poor and near-poor individuals, including the elderly, disabled, families with children, caregivers, workers, and the unemployed. During a typical month in 2018, SNAP helped 40 million people—about one out of every eight Americans—afford the food they need. At the depths of the Great Recession, the reach of the program was

even greater, providing 15 percent of Americans with the resources to purchase food. Beyond the important role for individuals, SNAP is also an important automatic stabilizer in the budget, expanding when the economy is weak and contracting when it is strong, thus providing a fiscal boost when needed.

SNAP is an effective program: it increases resources available to purchase food and household spending on food, reduces recipients' likelihood of experiencing food insecurity, and improves economic and health outcomes (see Currie 2003; Gregory, Rabbitt, and Ribar 2015; and Hoynes and Schanzenbach 2016 for reviews). New evidence adds to this list several positive long-run impacts on children exposed to SNAP (Hoynes, Schanzenbach, and Almond 2016).

In addition to relieving family hardship and improving individual outcomes, SNAP boosts the economy, especially during economic downturns. SNAP is an effective automatic stabilizer that responds relatively quickly at times, in places, and for individuals experiencing the effects of recessions (Blinder and Zandi 2015; Keith-Jennings and Rosenbaum 2015). Data indicate that families quickly spend SNAP benefits, with 80 percent of benefits redeemed within two weeks of receipt, and 97 percent redeemed within a month (Bernstein and Spielberg 2016). According to the Congressional Budget Office (CBO), SNAP is one of three programs (along with unemployment insurance [UI] and Medicaid) that provide the majority of federal spending automatic stabilization (Russek and Kowalewski 2015).

SNAP serves as insurance during economic recessions, helping families by subsidizing food consumption levels during periods of unemployment or underemployment. Recipients quickly spend their SNAP benefits, which provides a rapid fiscal stimulus to the local economy, including the retail, wholesale, and transportation systems that deliver the food purchased.

While SNAP already functions in many respects as an effective stabilizer, existing and proposed rules limit its usefulness in this regard. For example, we show in this chapter how SNAP work requirements can limit its role as an automatic stabilizer, and then discuss how such rules should be designed to maximize SNAP effectiveness. Moreover, federal policymakers could make more use of SNAP as a stabilizer by establishing an automatic procedure for temporarily increasing benefits during economic downturns. Accordingly, we propose that the SNAP maximum benefit be temporarily increased by 15 percent during recessions. SNAP's effectiveness in the Great Recession was augmented by policy choices made at the time. Making these adjustments automatic would remove uncertainty and speed up the use of SNAP as both insurance to individuals and as an automatic stabilizer.

The Challenge

As documented in a chapter by Boushey et al. (2019), recessions lead to a wide range of significant harms for workers, households, and the broader economy. Finding ways to quickly and reliably counteract recessions is therefore an important priority for policymakers.

This section explores the role of SNAP as an automatic stabilizer and describes the evidence on SNAP's effects as well as the ways in which its rules can impair or strengthen its stabilization role.

PROGRAM EXPANSION DURING RECESSIONS

SNAP is meant to fill the gap between the cash resources that are available to a family to purchase food and the cost of a minimum food budget. Families are eligible for benefits if their income is sufficiently low that, according to the benefits formula, there is a gap between their resources available for food purchase and the cost of a thrifty diet.

A family with no net income receives the maximum benefit amount, which was $505 per month for a family of three in fiscal year 2019. As a family's income increases, the family members are expected to be able to spend more of their own funds on food purchases. At the same time, SNAP benefits are reduced accordingly, with a benefit reduction rate of 0.3—that is, for every additional $1.00 in net income, SNAP benefits are reduced by $0.30.[1] Average monthly benefits in 2018 were substantially below the maximum benefit amount, amounting to $252 per household, or $125 per person ($4.12 per person, per day).

Because SNAP is a universal program with eligibility criteria based on household income, it is designed to expand automatically when the economy contracts. During a recession, as unemployment rises, families' incomes fall and poverty increases. Some households that were not previously eligible for SNAP become newly eligible for benefits. Because SNAP targets very low-income families, the benefits are especially likely to be spent, making it a more-effective fiscal stimulus (Parker et al. 2013; Whalen and Reichling 2015).

If a family's monthly income falls below the income cutoff (generally 130 percent of the federal poverty guidelines), members can apply for benefits and, if approved, can receive benefits within 30 days, or within 7 days in emergency situations. SNAP is not only an effective vehicle for stimulus among the newly eligible but also among already-eligible households. SNAP benefits increase for already-eligible households as a function of the benefit formula if they experience an income decline, so households that are already participating in SNAP receive higher levels

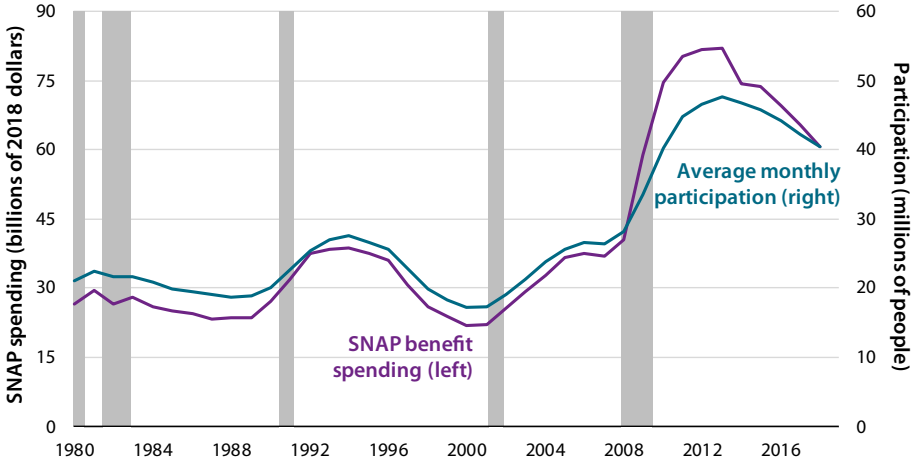
of benefits than they did before as household income declines. Others may become newly eligible for benefits if work requirements are waived in response to poor economic conditions, but obtaining a waiver is not automatic and requires policymakers to take action.

The speed at which SNAP benefits become available to households is critical, not only to alleviate financial pressures on families experiencing an income shock, but also to provide effective stimulus. Benefits are typically paid once per month on an electronic benefit transfer card that participants can use in a checkout line like a debit card. SNAP benefits can be used at authorized grocery stores and farmers' markets to purchase foods to prepare at home. This system makes it possible for families to spend their benefits quickly.

Figure 1 shows that SNAP participation and expenditures increase in times of economic recessions and decline in good economic times. Despite a growing population and economy, there was broadly no increase from 1980 to 2000, and some increase through 2006. These small structural movements contrast with sizable cyclical movements both in the 1990 and 2007 recessions. (These cyclical patterns occur with a lag: the CBO models SNAP rolls as continuing to increase for about two years after the unemployment

FIGURE I.

SNAP Participation and Spending, 1980–2018



Source: Bureau of Labor Statistics (BLS) 1980–2018a, 1980–2018b; U.S. Department of Agriculture (USDA) 1980–2018b.

Note: Shaded areas denote recessions. Values are inflation-adjusted using the CPI-U.

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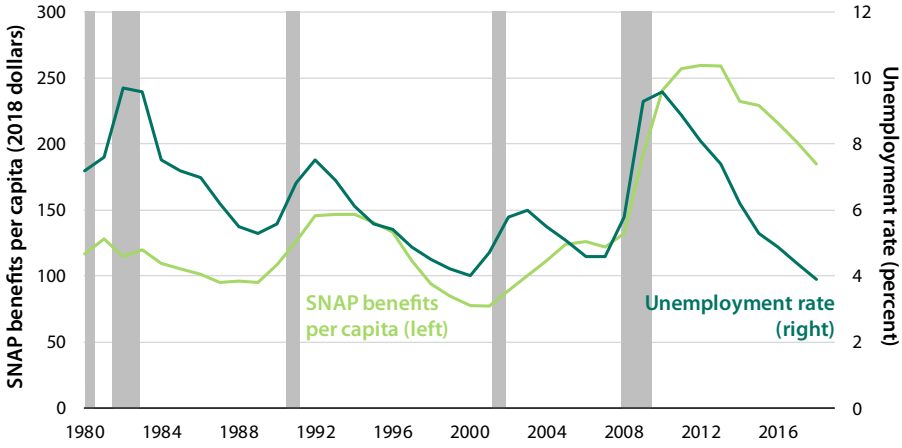
rate hits its peak.) Total benefit expenditures (in inflation-adjusted 2018 dollars) increased from $37.6 billion in 2006 to a peak of $82.0 billion in 2013 ($76.1 billion in nominal dollars), falling to $60.6 billion in 2018. Over the same period, average monthly participation grew from 26.5 million persons in 2006 to a peak of 47.6 million in 2013, declining to 40.3 million in 2018. As a share of the total U.S. population, SNAP participation has grown from 8.9 percent in 2006 to a high of 15.0 percent in 2013, falling back to 12.3 percent in 2018. The CBO predicts that it will fall farther in the coming years in response to a strengthening economy (Rosenbaum 2017).

Figure 2 plots annual per capita SNAP benefit expenditures from 1980 to 2018—that is, inflation-adjusted total annual benefits divided by the total U.S. population in each year, along with the annual unemployment rate. The series tend to move together, indicating that SNAP benefits per capita have a countercyclical pattern, increasing when unemployment is higher. Benefits per capita spiked with the unemployment rate in 2009 and reached a per capita peak in 2012. Between 2012 and 2018, real spending per capita came down nearly 30 percent as the unemployment rate in the U.S. economy declined from more than 8 percent to less than 4 percent.

FIGURE 2.

Per Capita SNAP Benefits and the Unemployment Rate, 1980–2018



Source: BLS 1980–2018a, 1980–2018b; U.S. Census Bureau 1980–2018; USDA 1980–2018b.

Note: Shaded areas denote recessions. Values are inflation-adjusted using the CPI-U.

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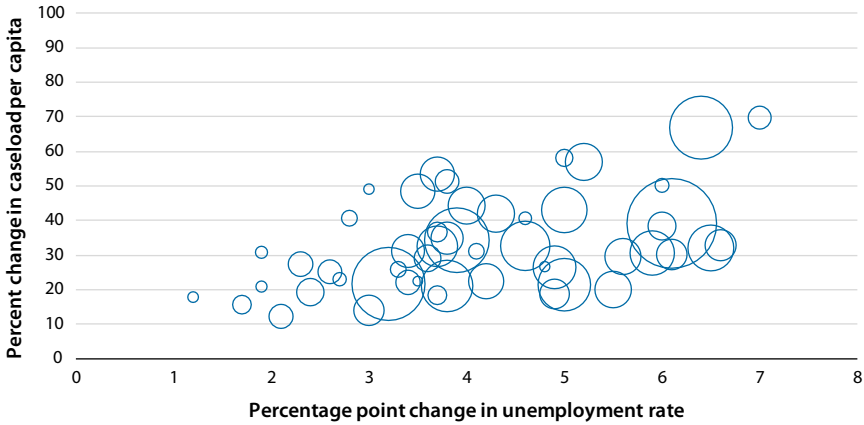
SNAP caseloads in an area increase when the unemployment rate increases, rising by 15 percent when the unemployment rate rises by 1 percentage point (Ganong and Liebman 2018). Moreover, the countercyclical responsiveness of the program has increased since the early 1980s (Bitler and Hoynes 2010). The increase in the unemployment rate during the Great Recession explains most of the increase in caseloads during that period (Ganong and Liebman 2018).[2] Falling unemployment explained the caseload decline in the 1990s, while state policies expanding eligibility or simplifying the application process explain much of the increase in the early 2000s (Ganong and Liebman 2018; Ziliak 2015).

The cyclical responsiveness of SNAP is evident at the state level as well as in the national time series. Figure 3 plots the change in the state-level unemployment rate from 2007 to 2009, at the onset of the Great Recession, against changes in the state's SNAP caseload per capita. Note that there was considerable variation across states in the magnitude of the recession, as shown on the horizontal axis, with increases in the state-level unemployment rates ranging from 1 to 7 percentage points. As shown on the vertical axis, all states experienced an increase in SNAP caseloads, with states that experienced larger increases in unemployment also experiencing larger increases in SNAP caseload.

FIGURE 3.

Increase in Unemployment Rate and SNAP Caseload by State, 2007–9



Source: Bitler and Hoynes 2010.

Note: The size of each state's population is proportional to the area of the circle representing the data point.

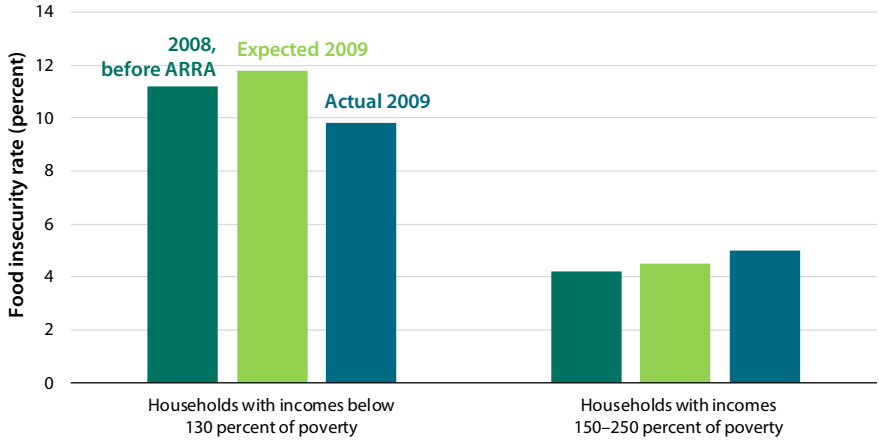
ADDITIONAL SNAP FUNDS BOOST THE ECONOMY

As part of the American Recovery and Reinvestment Act of 2009 (ARRA) economic stimulus bill, Congress increased spending on SNAP by more than the increase that would have occurred automatically in the recession. ARRA provided resources to program administrators to support eligibility expansion, increased SNAP benefit levels, and immediately waived work requirements that had caused some potential recipients to be ineligible.[3] The change in benefit levels raised the value of the maximum benefit to an amount higher than one based on the Thrifty Food Plan (TFP). For example, a family of four saw a 13.6 percent increase in maximum benefits, from $588 under the TFP to $668 under the ARRA. In total, this ARRA increase added $43 billion in additional SNAP funds over a 10-year period, with nearly all the additional spending occurring in the first five years (CBO 2018).

The ARRA increase in benefit levels was designed to be temporary. Originally, Congress planned to keep nominal SNAP benefits levels fixed at the higher ARRA level, with the expectation that normal food price inflation would increase the TFP benefit levels so that inflation-adjusted TFP benefits would exceed the ARRA benefits by 2014. Actual food price inflation was lower than expected, however, which delayed the expected

FIGURE 4.

Food Insecurity among Low-Income Households, 2008 and 2009



Source: Keith-Jennings and Rosenbaum 2015.

Note: The USDA defines food insecurity as a lack of consistent access to enough food for an active, healthy lifestyle. It is measured using a series of survey questions developed by USDA.

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date by which TFP benefits would exceed ARRA benefits. Congress decided to accelerate the sunset provision, cutting SNAP benefits in nominal terms in November 2013. A household of four saw a $36 drop in their monthly benefits at that time (Keith-Jennings and Rosenbaum 2015).

The additional ARRA funds alleviated hardship. The ARRA increase kept a million people out of poverty in 2010, above and beyond the millions that SNAP's regular funds kept out of poverty (Sherman 2011). As illustrated in figure 4, households with incomes below 130 percent of the federal poverty threshold saw their food insecurity rates decline by 2.0 percentage points relative to what was expected, while households with incomes generally out of reach of SNAP saw their food insecurity rates increase relative to expectations.

As expected, SNAP benefits during the recession were spent quickly and boosted food spending. Beatty and Tuttle (2015) estimate that every $1.00 in increased SNAP benefits during ARRA increased food-at-home spending by $0.48. This was effective fiscal stimulus: Blinder and Zandi (2015) find that every $1.00 of spending on the temporary increase in SNAP benefits generated more than $1.00 in total economic activity. As discussed in Boushey et al. (2019), the economic impact of spending is larger during times of slack or when the Federal Reserve has lowered interest rates to zero. Blinder and Zandi estimate that every $1.00 in new SNAP benefits spurred $1.74 in economic activity in the first quarter of 2009, and spurred $1.22 in the first quarter of 2015. They find that additional SNAP benefits was the category of spending that had the highest multiplier of any of the policies adopted during the Great Recession (Schanzenbach et al. 2016).

WORK REQUIREMENTS

SNAP serves a wide range of participants, including the elderly, disabled, families with children, caregivers, workers, and the unemployed. In theory, providing unearned income such as SNAP benefits—particularly when those benefits are phased out as earnings rise—should reduce work effort, but in practice these effects tend to be modest (East 2018; Hoynes and Schanzenbach 2012). The SNAP benefit formula already attempts to reduce the disincentive to work by providing a 20 percent earned income deduction, meaning that the typical benefit reduction applies to only 80 percent of a household's income from earnings. One way to provide further incentives to work is to increase this earned income deduction rate, for example to 30 percent (Schanzenbach 2013).

Beyond incentives, there are also rules that mandate work as a condition of receiving SNAP for certain individuals. Since 1996, able-bodied adults without dependents (ABAWDs) who are between age 18 and 49, who have

no dependents, and who are not receiving disability benefits may receive SNAP for only three months in a three-year period if they do not meet work requirements. To retain program eligibility, an ABAWD must work at least 80 hours per month or participate in a state-approved workfare program. However, at certain times, based on economic circumstances, these work requirements have been temporarily waived in particular places, as described in box 1.

The current system of work requirements limits the impact of SNAP even in good economic times. The harm done by work requirements during economic downturns is even stronger: they punish participants during their time of economic need for circumstances that are out of their control, and they dampen the countercyclical impact of SNAP. Proposals to limit the waivers of work requirements, or to subject more SNAP participants to them, will harm not only the participants but also the macroeconomy.

The Proposal

SNAP is already among the most efficient and effective spending programs. In addition to its crucial role in alleviating families' temporary economic hardships and enabling them to purchase necessary food, it can also rapidly respond to economic downturns by quickly enrolling those who become eligible due to temporary income losses. Consequently, SNAP funds are spent rapidly in local communities, contributing to their effectiveness as a fiscal stimulus.

We propose two reforms that would enhance the automatic stabilizer role of SNAP. First, we propose limiting or eliminating SNAP work requirements. Second, we propose a 15 percent increase in the SNAP maximum benefit during national economic downturns, as determined by criteria described below.

The goal of the two proposals is to build on the basic structure of eligibility expansions and benefit-level increases that made SNAP an effective automatic stabilizer during the Great Recession. To preserve and strengthen SNAP as an automatic stabilizer, it is vital to retain the current program structure while making limited changes that would allow the program to expand more quickly at the onset of an economic downturn and better stimulate the economy throughout a recession. In addition to these proposed improvements, we will also caution against policy options including expanded work requirements and a SNAP block grant, both of which would diminish program efficacy and utility as a stimulus.

BOX I.

State Waivers from SNAP Work Requirements

States have had the ability to request waivers to the time limits in areas with high unemployment since the policy was adopted in 1996. Box figure 1 shows the share of counties that were eligible under such rules from 2007 to 2017.

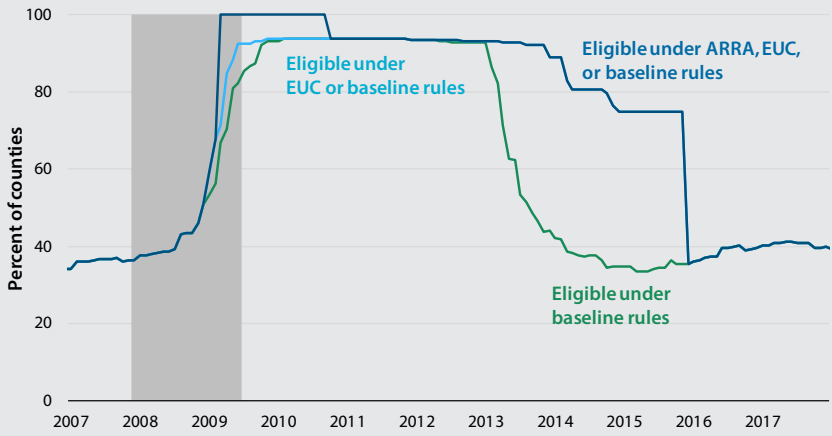
To obtain a waiver, the state must demonstrate it meets the eligibility criteria and request a waiver from the U.S. Department of Agriculture (USDA). To qualify for a waiver, a state must be able to provide evidence that the state or a state-determined sub-state area: (1) has a recent twelve-month average unemployment rate over 10 percent; (2) has a recent three-month average unemployment rate over 10 percent; (3) has a historical seasonal unemployment rate over 10 percent; (4) is designated as a Labor Surplus Area (LSA); (5) qualifies for Extended Benefits to Unemployment Insurance (EB); (6) has a low and declining employment-to-population ratio; (7) has a lack of jobs in declining occupations or industries; (8) is described in an academic study or other publications as an area where there is a lack of jobs; or (9) has a 24-month average unemployment rate 20 percent above the national average for the same period, starting no earlier than the start of the LSA designation period for the current fiscal year.

Work requirements waivers can strengthen and expand the safety net during economic downturns, but existing waiver rules in 2008 were insufficient to meet program needs during the Great Recession, leading federal and state policymakers to take action. Several steps were taken to ensure that work requirements and the resulting time limit on benefit receipt were limited in operation during the Great Recession, though states had the option to retain the time limit if they offered work opportunities to those subject to the rule. In January 2009, the Bush administration announced that states eligible for second-tier Emergency Unemployment Compensation (EUC) would be eligible for a statewide work requirement waiver. ARRA suspended SNAP's time limit for out-of-work ABAWDs for the remainder of fiscal year 2009 through September 2010. (Box figure 1 shows the percent of counties affected by various work requirements waiver conditions during the Great Recession and recovery.)[4]

Congress's act to suspend the SNAP time limit meant that states did not have to submit a request—which would require detailed economic information and analysis—to the federal government, simplifying administrative procedures. Waiver requests based on links to the UI system triggers continued into and supported the recovery. It seems clear that policymakers' preference was to allow more access to waivers than current rules would have provided. At the start of the recession around one-third of counties were eligible and eligibility would have tapered substantially in 2013. The decisions to base waivers on EUC eligibility and the waiver expansions within ARRA dramatically expanded that eligibility and allowed waivers to be implemented more quickly than under prior rules.

BOX FIGURE I.

Counties Eligible for ABAWD Work Requirement Waivers, 2007–17



Source: Bauer, Parsons, and Shambaugh 2019.

Note: "Eligible under baseline rules" shows the share of counties that would qualify for a work requirement waiver on their own, as part of a labor market area, or because the county is in a state that qualifies for a waiver. A location is eligible if its unemployment rate was higher than 10 percent by either a 12-month or 3-month lookback period, its unemployment rate was 20 percent more than the national unemployment rate over a 24-month period no earlier than the start of the LSA designation period for that fiscal year, or the state was eligible for Extended Benefits. "Eligible under EUC or baseline rules" additionally shows the counties eligible for a statewide waiver based on qualifying for the EUC tier linked to work requirement waivers during that period. "Eligible under ARRA, EUC, or baseline rules" additionally shows the counties covered by the provision of the ARRA, which provided blanket eligibility for a work requirement waiver from enactment through fiscal year 2010.

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ADDRESSING WORK REQUIREMENTS

During normal economic times, ABAWDs are subject to SNAP work requirements. In particular, they may receive SNAP in only 3 months in a 36-month period if they are not employed or in a work training program at least 20 hours per week. About 7.8 percent of the SNAP participants in fiscal year 2017 fall into this category (USDA 2019a).

We propose three reforms to SNAP work requirements, listed in descending order of ambition.

- Eliminate SNAP work requirements.
- Establish a new national trigger to remove work requirements during downturns.
- Avoid work requirement expansions.

Eliminate SNAP Work Requirements

Work requirements diminish SNAP's role as a safety net that helps ensure that all Americans have adequate resources to purchase food. Those work requirements also diminish SNAP's role as an automatic stabilizer.

We question the efficacy of SNAP work requirements even during strong economic times. Evidence shows most ABAWDs are in fact in the labor force, though when they do not work it is usually due to challenges in obtaining a job for those temporarily not working or due to health limitations for those persistently out of the labor force (Bauer 2018). Others do not have consistent employment with sufficient hours to meet work requirements (Butcher and Schanzenbach 2018). Recent research on the effects of waivers from work requirements has found that work requirements have little or no impact on employment, but a very large impact on the number of SNAP participants (Han 2019; Harris 2018). There are better ways to encourage work such as an expanded Earned Income Tax Credit (EITC) (Hoynes, Rothstein and Ruffini 2017) and an increased earnings deduction in the SNAP benefits formula (Schanzenbach 2013).

Establish a New National Trigger to Remove SNAP Work Requirements during Downturns

Current rules do not allow SNAP work requirements to be waived rapidly in all the macroeconomic circumstances that would call for such a waiver. USDA, Congress, and states had to take action throughout the Great Recession to ensure more-rapid and appropriately expansive waivers to work requirements during bad economic times. The necessity for these discretionary actions introduced delays that impaired SNAP's functioning as a stabilizer.

If SNAP work requirements are not eliminated, waivers should be made more automatic in two ways to address this problem. First, we propose eliminating the need to request waivers for eligibility areas; instead, USDA should automatically grant waivers. Second, the process that allows suspension of work requirements should also be changed. In addition to existing conditions that allow for waivers, we propose a national trigger that would automatically suspend work requirements once the 3-month moving average national unemployment rate rises at least 0.5 percentage points above its low in the prior 12 months.[5] The trigger would turn off a year after the trigger start date or the year in which the 3-month moving average national unemployment rate falls to within 2 percentage points of the prerecession level, whichever comes later.

Once the national unemployment rate peaks and begins to decline—and with sufficient documentation to prove to the USDA that jobs were available to affected populations—states would retain the right to refuse the work requirement waiver for all or part of the state.

Eligibility for waivers to work requirements should also be effective when Congress authorizes EUC, a temporary program that extends the amount of time during which an eligible UI participant can retain benefits. During the Great Recession, Congress enacted EUC on June 30, 2008, but it took until January 8, 2009 for the Bush administration to clarify that eligibility for EUC also qualified states for SNAP work requirement waivers. Due to the depth of the recession, EUC was repeatedly extended until January 1, 2014; along with EUC, work requirement waivers were maintained. Eligibility for work requirement waivers based on EUC eligibility allows waivers to continue for as long as Congress determines there is a need for expanding eligibility for additional weeks of UI. Linking work requirement waivers to this system is compatible with the goals of both programs.

Avoid Work Requirement Expansions

In the spring of 2018, President Trump issued an executive order requiring each means-tested program to review whether work requirements for eligibility could be increased (White House 2018). During the 2018 reauthorization of the Agricultural Act of 2014 (or Farm Bill), a proposal to expand the population of those subject to work requirements to maintain SNAP eligibility to those between the ages of 18 and 59 with dependent children 6 to 18 as well as to those between the ages of 50 and 59 passed the House but was not ultimately signed into law (Bolen et al. 2018). President Trump's fiscal year 2020 budget request has proposed expanding the age range of ABAWDs subject to work requirements from the current 18-to-49 range to 18 to 65 and to parents of school-age children (USDA 2019).

Strict work requirements are unlikely to motivate recipients to work, since many of those who would fail to meet new work requirements (i.e., the groups that would be exposed under the proposed expansions) either suffer from health limitations or work in jobs that are not sufficiently stable to allow them to meet the work requirements (Bauer, Schanzenbach, and Shambaugh 2018). Limiting these individuals' access to SNAP would limit the program's ability to help them in their time of need and would dampen its automatic stabilizer role.

Similarly, making work requirement waiver eligibility more restrictive would limit the ability of the program to expand rapidly and maintain a high level of coverage during deep recessions and weak recoveries. In late 2018, the USDA secretary proposed new rules that would both limit a state's ability to apply for a statewide work requirement waiver and change the criteria for substate areas to apply and qualify for waivers. The proposed rules remove the 3-month lookback period for areas with 10 percent unemployment, which weakens the speed of waiver expansion at the onset of a recession or acute downturn. The proposed rules would limit waiver eligibility to areas where unemployment is 20 percent higher than the national average and where the local unemployment rate is at least 7 percent. Given that the natural rate of unemployment is estimated to be between 4.0 and 5.0 percent (CBO 2019; Crump et al. 2019), meaning that being 20 percent elevated above that rate falls between 4.8 and 6.0 percent, a 7 percent threshold would exclude many areas with substantially elevated unemployment rates.[6] In such weak labor markets, many people seeking a job would be unable to find one.

RAISING BENEFITS DURING DOWNTURNS

SNAP improves health outcomes. It provides vital nutrition support and improves children's outcomes (see Hoynes and Schanzenbach 2018). SNAP improves health among infants and children (Almond, Hoynes, and Schanzenbach 2011; East 2018) and SNAP participants are less likely than nonparticipants to experience a medical hardship (Shaefer and Gutierrez 2013).

SNAP also decreases risks associated with financial hardship, both at the time of receipt and into the future. Receiving SNAP reduces the risk of falling behind on rent or mortgage payments and on utility bills (Shaefer and Gutierrez 2013). SNAP also directly lifts households out of poverty: in 2017, SNAP lifted 3.4 million people out of poverty (Fox 2018).[7] Furthermore, a recent study found that childhood access to SNAP has lifelong implications—it increases the likelihood of graduating from high

school and improves a wide range of adult health and economic outcomes (Hoynes, Schanzenbach, and Almond 2016).

To these advantages can be added the stimulus effects of a well-timed SNAP benefits increase. As described above, additional SNAP benefits provided through ARRA were among the most effective forms of fiscal stimulus used during that time (Schanzenbach et al. 2016).

Building on evidence of SNAP effects, particularly including effects of the ARRA benefits increase, we propose that Congress amend the SNAP benefits formula to include automatic benefits increases during economic downturns. In normal times, SNAP recipients would receive the maximum benefit less 30 percent of their net income. During a recession, the maximum benefit would be increased by 15 percent while the benefit reduction rate and net income calculation would remain the same. In the ARRA benefits increase, the minimum benefit (available to eligible households that otherwise qualify for a small benefit) increased from $14 to $16 per month. In this proposal, the minimum benefit would be increased to the nearest whole dollar amount that represents a 15 percent increase in payment levels. As was the case for the ARRA benefits increase, this bonus increment should be paid to all participants.

This automatic benefits increase would be governed by the same trigger described above, which requires that the 3-month average national unemployment rate rise at least 0.5 percentage points above its low over the previous 12 months. Making these changes ahead of time would be administratively easier than trying to reprogram benefits rapidly during the middle of a downturn.

The bonus payments should be uniform across all states. But, because the number of SNAP participants will vary by state, and be higher in places with more economic distress, there is also an effective targeting aspect of this proposal. As under the ARRA increase, the expectation would be to hold SNAP benefits at these nominal levels until inflation erodes away the benefits increase. Under ARRA, food inflation was unexpectedly low, and as a result the benefits increase persisted longer than was originally predicted. Were lower-than-expected food inflation to occur again, Congress could adopt a schedule for more quickly returning to the prerecession inflation-indexed benefits levels. As under ARRA, additional administrative funds should also be allocated to states to help them handle increased caseload.

Questions and Concerns

1. Should we have geographic targeting, providing extra resources to places more deeply impacted by the recession?

Historically, SNAP benefits have not included geographic variability in the contiguous United States, even though prices vary across regions. This proposal does not propose changing that norm. As long as work requirements are not excessively strict, SNAP already provides more assistance to regions hurt more by a downturn, as these are the places with many households that lose income and become eligible for SNAP. While it would be potentially beneficial to provide additional resources to places more deeply impacted by recessions, such a policy goal could be better achieved through other programs, such as UI.

2. Would increasing SNAP participation rates improve the countercyclical impact of SNAP?

The overall SNAP participation rate has been climbing in recent years, increasing from 53 percent in 2001 to 83 percent of the eligible population in 2015. Take-up rates are high among participants who are in poverty, and among children, but lower among the elderly and those with incomes above the poverty threshold (Cunnyngham 2018). Improving take-up among groups with low participation rates and maintaining high take-up among all groups is important to ensuring that SNAP is an effective stabilizer.

3. Are there alternative programs that offer a better model for SNAP benefits provision?

Other federal programs that serve similar populations do not function as efficiently as an automatic stabilizer as does SNAP. For example, while the EITC is an important benefits program, by design it provides benefits only when a household has an employed worker. As a result, its effectiveness is reduced in times of high unemployment (Bitler and Hoynes 2010; Bitler, Hoynes, and Kuka 2017). The Temporary Assistance for Needy Families Program (TANF), which provides cash assistance to eligible families, failed to expand based on the severity of the Great Recession in states (Bitler and Hoynes 2016). In fact, about half of states saw a decline in their TANF caseload during the Great Recession. TANF's lack of responsiveness stems from the fact that it was block granted to states starting in 1996; there are no additional funds that are automatically available during economic downturns.

Proposals to block grant SNAP, as was done with TANF, would mean that the program could no longer expand quickly to meet additional economic need. (See Indivar Dutta-Gupta's chapter [2019] in this volume. He proposes

reforms to TANF that would enhance its utility as an automatic stabilizer.) These reforms would break the link between aggregate program spending and the economic situation, and would fundamentally undermine its role as an economic stimulus.

4. What are the likely impacts of SNAP work requirements on labor force participation?

The effectiveness of work requirements and incentives to work are subject to local labor market conditions. If individuals can increase their employment through exerting more effort—such as by searching for a job with more intensity, accepting a lower-paying job, or working more hours—then incentives and/or requirements can potentially be quite effective. For example, in the mid-1990s the increase in the EITC substantially increased earnings among the targeted group of unmarried mothers. On the other hand, the EITC likely had more-limited incentive value during the Great Recession, when jobs were unavailable and individual efforts were less likely to result in employment.[8]

The impact of work requirements in SNAP will similarly vary by factors that influence whether participants can obtain a job, including the local labor market conditions and the individual's work readiness. Bauer, Schanzenbach, and Shambaugh (2018) investigate labor market patterns that inform the likely impact of expanded SNAP work requirements, including the share of SNAP participants stably employed at more than 20 hours per week and reasons for nonemployment. Proposals under debate in the 2018 Farm Bill included adding two new groups to work requirements: those age 18 to 49 with a dependent between ages 6 and 17, and those age 50 to 59 with no dependents under age 6, in addition to those who are currently exposed (age 18 to 49 with no dependents).

Fewer than one-third of current ABAWDs are stably employed for 20 or more hours per week, while just over one-quarter are stably nonemployed. Another one-quarter worked 20 or more hours per month at some time but had some months with nonemployment or fewer than 20 hours per month. These individuals would be sanctioned in the months they work fewer than 20 hours under current SNAP rules, despite working this amount in other months. To the extent that these temporary reductions in hours worked reflect involuntary reductions in hours or unemployment, the work requirements reduce SNAP's effectiveness at helping families during their times of need.

Among groups proposed to be added to SNAP work requirements, the patterns are somewhat different. For those age 18 to 49 with dependents between ages 6 and 17 (but no dependents under age 6), 46 percent are

stably employed for 20 or more hours per week. Among the remainder, more than half transitioned during the period between 20-plus hours and another status. Again, to the extent that these transitions represent labor market shocks that are out of the direct control of the worker, this suggests that more than half of those who would be sanctioned under SNAP work requirements are already workers. When questioned about the reasons for their nonemployment (if they were ever not employed), more than half reported that they were unable to obtain employment despite their efforts.

Among older SNAP participants, only 23 percent are stably employed for 20 or more hours per week. Another 18 percent transitioned between 20 or more hours and another status over the period. Nearly half, however, were stably not employed (either unemployed or not in the labor market). When asked the reason for their nonemployment, half reported that a health problem or disability kept them from working. (This is limited to those who do not receive disability payments, meaning that respondents either have not taken up Social Security Disability or have health barriers to work that fall below the disability threshold.)

The data suggest that a large share of those who would be sanctioned under SNAP work requirements themselves have substantial work histories and may be falling below the required number of hours due to fluctuations on the low-wage labor market that are out of their direct control (Butcher and Schanzenbach 2018). As a result, SNAP work requirements can harm workers for experiencing bad luck in the labor market. The share of those sanctioned due to economic forces out of their control increases as the local unemployment rate climbs. To ameliorate this, current policy allows states to temporarily waive SNAP work requirements either statewide or in certain areas during bad economic conditions.

Conclusion

SNAP is an efficient and effective program that alleviates temporary economic hardships faced by families, and also provides an automatic fiscal stabilizer to the economy during economic downturns. It provides needed resources quickly to families experiencing economic distress. Those families in turn spend those resources in their local communities, providing a boost to the economy. To preserve and strengthen SNAP as an automatic stabilizer, the following steps should be taken:

1. Retain the current program structure that allows the program to expand quickly during economic downturns. Resist major reforms that would fundamentally undermine this role, such as expanded work requirements or block grants.

2. To better stimulate the economy during economic downturns, automatically increase the SNAP maximum benefit and administrative funds for a temporary period. These additional funds would be spent quickly in local economies and could be enacted without congressional delays.
3. Work requirements are ineffective and dampen the antipoverty and countercyclical impacts of SNAP. To the extent that they are retained, it is vital to quickly waive work requirements during economic downturns.

SNAP is one of our most effective countercyclical stimulus tools. Preserving its strengths is important to alleviating hardship and stimulating the economy in times of recession.

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Endnotes

1. The actual SNAP benefit formula is somewhat more complicated than what is described in this simplified discussion, because benefits are based on net income—that is, total income less deductions as specified by Congress. Net income is calculated as total earned income plus unearned income minus the following deductions: a standard deduction, a deduction of 20 percent of earned income, an excess shelter cost deduction, a deduction for child-care costs associated with working/training, and a medical cost deduction that is available only to the elderly and the disabled. In practice, because of the mechanics of these deductions, the benefit reduction rate out of gross income is somewhat lower than 0.3. Important policy decisions for Congress include whether the maximum benefit, benefit reduction rate, and net income calculations are set appropriately.
2. Ganong and Liebman (2018) find that 18 percent of the 2007–11 increase was due to policy changes.
3. Effective through the end of fiscal year 2010, Congress authorized a nationwide waiver of work requirements for program participation so that those subject to the waiver would gain and maintain access to SNAP when avenues to meet the work requirements closed.
4. See Bauer, Parsons, and Shambaugh (2019) for a discussion of how different waiver rules operated during the Great Recession.
5. This trigger is borrowed from a companion chapter written by Claudia Sahm (2019). As described in that paper, this trigger has accurately identified—with no false positives—every recession since 1970.
6. There is also evidence that the natural rate of unemployment varies over time based on demographics and other factors (Crump et al. 2019). The rate has fallen over the past decade; tying waiver eligibility to a floor that is too high seems to be a mistake.
7. This does not account for the well-documented undercount of benefits in the Current Population Survey. A study using 2015 data showed that correcting for the under-count increases the antipoverty impact of SNAP by 83.5 percent (Center on Budget and Policy Priorities 2018).
8. One important point of difference between the EITC and SNAP work requirements is the way that employment is defined. The EITC provides incentives for earnings over the course of a year, without regard to the timing of earnings. For example, a worker earning $12 per hour working 20 hours per week for 50 weeks per year earns the same $12,000—and is eligible for the same EITC—as a worker

earning $12 per hour 40 hours per week for 25 weeks of the year and experiencing unemployment for the rest of the year, or one earning $20 per hour for 20 hours per weeks over 30 weeks. On the other hand, among groups subject to the work requirements only workers employed 80 hours per month (approximately 20 hours per week) are eligible for SNAP, and they lose eligibility if they drop below this threshold in any month due to unemployment or hours variability. This matters to the extent that workers may have limited control over month-to-month variation in hours, but greater control over annual earnings.

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