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SNAP Reform: Leaner Budgets and Healthier People

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The Supplemental Nutrition Assistance Program, or SNAP, is one of the largest income support programs in the United States, with spending projected to exceed \$120 billion in 2023.¹ It was initially created in 1964 as the food stamps program as part of then president Lyndon B. Johnson's Great Society initiative, and it has since grown drastically in both funding and participation.² As the program grows larger, it is worth evaluating its economic costs and benefits in order to understand how it can most effectively help those in need while keeping taxpayer costs low.

The SNAP System

SNAP is funded by the federal government but jointly administered by the federal and state governments. Recipients qualify if they earn less than 130 percent of the federal poverty level in annual income. The size of benefits varies based on income and household size.³ Benefit payments are transferred to SNAP recipients on an electronic benefit transfer (EBT) card, which recipients can use to purchase food. SNAP benefits are calculated based on the Thrifty Food Plan, an official estimate from the Department of Agriculture of the costs of a nutritious diet in the United States. In 2021, the Biden administration announced it was redrafting the Thrifty Food Plan, resulting in an increase in the average SNAP benefit of 27 percent.⁴

Problems with SNAP

The goal of the Supplemental Nutrition Assistance Program should be to raise the availability and consumption of nutritious food for low-income Americans. Unfortunately, SNAP's current structure makes it a highly inefficient and ineffective vehicle for doing so.

High Cost of SNAP Benefits

The cost of providing benefits to a SNAP recipient extends far beyond the budgetary cost of the benefit. First, not all SNAP funding goes directly to intended beneficiaries. To facilitate payments, SNAP incurs administrative costs. In 2008, these costs amounted to 15.8 cents for every benefit dollar issued.⁵ Second, not all SNAP benefit payments make it to the intended recipient. That same year, the program had an overpayment rate of 4.5 cents for every benefit dollar.⁶ These additional costs divert funding away from intended beneficiaries and inflate costs to taxpayers.

In addition to the direct costs of administering the program, SNAP's structure undercuts its own efficiency. SNAP provides funds to low-income households to buy food. On one hand, this increases the amount of food purchased by low-income households, but it also raises food prices by increasing demand. These higher prices

hurt all consumers, not just SNAP recipients. A study published in the *Journal of Public Economics* indicates that for every additional dollar of SNAP benefits issued, non-SNAP recipients lose 40 cents of value through higher grocery prices.⁷

Finally, the taxes necessary to fund SNAP make economic activity more difficult. When taxes are high, businesses have less incentive to invest and expand, and workers have less incentive to work hard. A study from Harvard professor and former chairman of the Council of Economic Advisors Martin Feldstein estimates that raising an additional dollar in taxes reduces economic activity by \$2.06.⁸

Put together, the economic cost of providing one additional dollar in benefits to a SNAP recipient can be estimated at \$3.66: \$1 to pay for the benefits, 20 cents in administration and overpayment, and \$2.46 in indirect costs to the economy.

SNAP Inefficiently Increases Food Consumption

While SNAP spends over \$100 billion on benefits every year, this does not directly translate to increased food spending by low-income families. In 2016, the poorest 20 percent of households spent \$322 on food every month.⁹ This approximates the spending of SNAP eligible households, which were the poorest 19 percent of households in 2016.¹⁰ That same year, SNAP benefits for a representative household of two amounted to only \$251.¹¹ Since food spending is more than benefits among SNAP recipients, SNAP benefits largely supplant existing food spending rather than adding to it. Researchers from the economic research service concur with this finding, estimating that providing a dollar of SNAP benefits increased a recipient's food spending by only thirty cents.¹² The rest just supplanted existing spending, since the beneficiaries shifted spending to other areas.

SNAP Promotes Dietary Inadequacy

Although the value of SNAP spending is based on a nutritious diet, there is no requirement that SNAP beneficiaries use the benefits to buy healthy food.¹³ In fact, the Department of Agriculture estimates that 22.1 percent of grocery spending in SNAP recipient households goes toward unhealthy food like sweetened beverages, prepared desserts, salty snacks, candy, jams, jellies, preservatives, and other sweets. This slightly exceeds the rate of spending on the same items by non-SNAP recipient households.¹⁴ Further, grocery spending is only 74 percent of food spending in SNAP households.¹⁵ The rest, meals away from home, largely goes to fast food (like pizza and hamburgers), which is generally higher in calories, sodium, saturated fat, and sugar.¹⁶

The Solution: Nutritionally Targeted Benefits

SNAP benefits should implement nutrition-based limits. Rather than applying to all food products, SNAP should apply only to nutritious food purchased from a grocery store. The program already has a mechanism for doing this. SNAP benefits do not cover alcoholic beverages, vitamins and supplements, or prepared foods

in certain states. To implement this policy, the Department of Agriculture could expand the restrictions to allow only certain kinds of food to be purchased. For example, whole fruits, vegetables, and whole grains are all lacking in the American diet.¹⁷ Current SNAP beneficiaries spent only 6 percent of their budget on fruits, 8 percent on vegetables, and 12 percent on all grains.¹⁸ Though the nutritional standards could vary, limiting SNAP purchases to these categories would improve the health outcomes of SNAP recipients, reduce costs for taxpayers, and improve the efficiency of SNAP payments by supplementing, rather than replacing, existing food spending.

Health Advantages

Nutrition standards for SNAP benefits would improve health outcomes for SNAP recipients. By providing subsidies to nutrients lacking in the average American's diet, SNAP could make healthy food options more affordable than unhealthy alternatives. This would be effective in encouraging people to improve their diet. According to a study published in the National Library of Medicine, a 1 percent decrease in price led to a 0.6 percent increase in vegetable consumption and a 0.7 percent increase in fruit consumption.¹⁹ Finally, when people eat more fruits and vegetables, they replace other, less healthy parts of the diet, rather than just adding on additional food. SNAP recipients would be free to purchase whatever they wanted with their own money, but SNAP could help push people in a healthier direction by making healthy food more accessible without subsidizing the products that Americans already consume too much of.

This policy change is important not just for the individuals who receive benefits, but also for the taxpayers who provide them. The social costs of eating unhealthy diets are well documented. Poor nutrition is linked to increased rates of obesity, heart disease, cancer, and diabetes, which in turn raise healthcare costs and reduce productivity. A study funded by the National Institutes of Health indicates that costs stemming from Americans' poor diet amounted to at least \$50 billion every year, much of which must be covered by taxpayers.²⁰ Given the high cost of Americans' poor diet, it is unlikely that federal subsidies to sodas, desserts, and salty snacks increase social welfare, especially for those who consume them.

Economic Advantages

Additionally, nutrition-based restrictions on SNAP purchases would increase SNAP's efficiency. Currently, a dollar of SNAP subsidies increases recipient food spending by thirty cents since SNAP tends to replace existing spending instead of supplementing it. Further, only 26 percent of SNAP funding went to fruits, vegetables, and all grains. If SNAP were available for fruits, vegetables, and whole grain products only, recipients could drastically increase their spending on those products, since the SNAP benefits would drastically exceed the amount they currently spend. This would incentivize SNAP recipients to increase their consumption of healthy food instead of just shifting resources to other purchases.

Nutrition-based restrictions would also save money for taxpayers. Though SNAP recipients are likely to increase their consumption of fruits, vegetables, and whole grains as a result of the policy change, they are unlikely to increase it so much that they spend the full value of SNAP benefits on those products. Therefore, SNAP spending could be reduced by half, saving taxpayers over \$60 billion in budgetary costs and far more in grocery prices and reduced economic damage from taxation, while still allowing SNAP recipients to double their consumption of fruits, vegetables, and whole grains.

Modifying Benefits Promotes Health Without Increasing Hunger

A 2010 study indicates that 64.4 percent of SNAP recipients were food secure, meaning that they never had to reduce the quantity or quality of food consumed over the course of the year.²¹ A further 20.2 percent were food insecure, meaning they had to reduce the quality of food consumed for financial reasons, but not the quantity. Only 15.4 percent of SNAP recipients were very food insecure, meaning they had to reduce the quantity of food they consumed. This tells us that the main problem addressed by SNAP is a lack of quality food, not a lack of food in general. The policy change targets SNAP to high-quality food, encouraging recipients to address the lack of quality. It makes little sense for the government to subsidize the purchase of low-quality food like soda and salty snacks for the 84.6 percent of SNAP recipients who have no problems with food quantity.

For the few who are very food insecure, it is worth remembering that unrestricted SNAP benefits mostly replace existing food spending, so SNAP functions as an income support program, rather than a food assistance program. While income support may be worthwhile, there are existing programs that could be expanded to provide it more directly. Further, limiting SNAP funds to fruits and vegetables could actually increase total food spending by recipients, since SNAP benefits exceed the amount currently spent on fruits and vegetables, but not the total amount spent on all food. Nutrition-based restrictions would increase fruit and vegetable consumption while no longer supplanting other purchased foods.

Conclusion

SNAP as it exists today is poorly equipped to provide nutritious food for low-income Americans. It imposes substantial economic costs while only marginally increasing food access, much of which is to unhealthy food. To remedy these problems, SNAP should limit the use of its benefits to only certain nutrient-dense foods, like vegetables, fruits, and whole grains, which would lower economic costs, boost recipient health, and increase program efficiency without decreasing food security.

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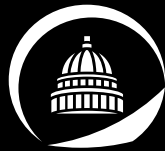
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