

EMPIRE CENTER

TESTIMONY OF E.J. MCMAHON

Before the National Commission on Hunger

Albany, NY

May 13, 2015

Good morning. My name is Edmund J. McMahon and I am president of the Empire Center for Public Policy, an independent, non-profit, non-partisan research and educational organization, based here in Albany. I am also a senior fellow at the Manhattan Institute for Policy Research, another non-profit think tank, which is based in New York City. Fostering personal responsibility in the framework of strong local communities is a big part of Empire Center's mission. In pursuing that, we also seek to promote subsidiarity—the notion that problems are best dealt with by the lowest level of government competent to do so.

My background is that of a public policy analyst, with a particular interest in the fiscal impacts and overall effectiveness of government programs. While I do not have a background in welfare administration or nutrition assistance, I would like to approach the Supplemental Nutritional Assistance Program from the broader perspective of the forest, rather than looking at branches of specific bureaucratic trees.

That approach begins with some fundamental questions. What is the purpose of SNAP? Is it run by an agency committed to achieving that purpose? Is it administered in a manner consistent with other important public policy objectives?

Let's consider a thought experiment if we were designing America's human services programs from scratch—that is, the entire array of cash assistance and income supports to needy families and individuals in all sorts of situations—would something like SNAP be on our list? Would we create a separate supplemental subsidy for food purchases? And, if we created such a program, would we have it administered not by the health and human services agency ... but by the department dedicated mainly to promoting and protecting the interests of *farmers*?

Yet that is what we have. It's helpful to briefly consider how this situation came about.

SNAP's progenitor, the Food Stamps program, did not originate solely as a way to feed poor people. Rather, it emerged from the Great Depression of the 1930s, as an experimental effort to create a market for surplus agricultural commodities by subsidizing food purchases by people on relief. Poor families were required to purchase a set of orange stamps, and they automatically received additional stamps, colored blue, worth half the face value of the orange stamps, for free. So, if a family bought \$5 in orange stamps, they got \$2.50 in free blue stamps. While the orange stamps could be used to buy any food items, the blue stamps could only be used to buy food declared "surplus" by the Secretary of Agriculture.¹

It's interesting to note that, from the start, the concept was one in which the cash voucher or "stamp" was seen as a *supplement* for food *purchases* by the recipient.

Food Stamps disappeared during World War II, were revived under President Kennedy as an experimental program, expanded a bit by the Great Society legislation starting in 1964, and then finally established as a permanent program under President Nixon in 1969. Ironically, this occurred at the same time that

¹ Roth, Dennis, "Food Stamps: 1932–1977: From Provisional and Pilot Programs to Permanent Policy," Economic Research Service, Department of Agriculture, at <http://www.nal.usda.gov/ric/ricpubs/foodstamps.htm>

Congress was blocking Nixon's proposed Family Assistance Program, which would have provided all Americans with a guaranteed annual cash income, also known as the negative income tax.

As one historian of the program put it, in 1969 the Food Stamp program itself became something like a guaranteed annual income. Indeed, Richard Nathan—an assistant budget director under Nixon, who founded the Rockefeller Institute—said Food Stamps had turned into a "mini-negative income tax." The concept of providing free food for the needy as a cash "supplement" remained, but the ratio had become more lopsided in the opposite direction: while a Depression era family paid \$1 for every 50 cents in benefits, a family under the original post 1969 paid a dollar and got \$10.60 in stamps.

As you know, since 2000 the Food Stamp budget and the number of beneficiaries has risen sharply, reflecting a series of measures designed to loosen and liberalize the income requirements for the program, both before and after the recession. To review a few key statistics on this from New York:

- Back in 1996, when the welfare reform replaced the old AFDC program with the work-oriented Temporary Assistance to Needy Families, there were more than a million New York State residents receiving cash assistance from AFDC, and about 2 million receiving Food Stamps.
- Fast forward 17 years: As of 2013, there were just over 391,000 TANF recipients in NYS. But the number of SNAP recipients had grown to 3.17 million, or roughly one in six New Yorkers, or fully eight times the TANF caseload. The number of SNAP recipients also dwarfed the number of federal Supplemental Security Income recipients—of which there were about 700,000 people in 2013.
- SNAP benefits for New Yorkers, not including administrative costs, totaled \$5.6 billion in fiscal 2013. That number was 3.5 times the basic cash assistance paid to TANF households. SNAP benefits exceeded the combined total of all of New York's TANF and related maintenance of effort expenditures. SNAP benefits also exceeded the \$4.8 billion in total SSI benefits paid out in the state that year.

In short, in NY as elsewhere, SNAP has come to replace the traditional broad "welfare" entitlement. And like traditional welfare, it is largely unshackled from any incentive to seek work. Clearly, it's time to take a fresh look at this program—but it should be from a broad perspective, in the context of all human services programs and not simply that of "hunger."

The online Merriam Webster dictionary defines "hunger" as "a very great need for food: a severe lack of food." But even the USDA bureaucracy effectively acknowledges that "hunger," in the dictionary sense, is a very rare thing—and thus has shifted to the term "food insecurity." Most people, I think, would equate the term "hunger," as a social matter, with USDA's definition of "very low food security," meaning that "at times during the year, the food intake of household members was reduced and their normal eating patterns were disrupted because the household lacked money and other resources for food." As of 2013, only 5.6 percent of all households fell into this category, and less than one percent of households with children reported that one or more children were hungry at least once in the space of a year.²

To be sure, in a wealthy country like ours, any number above zero is intolerable, and this commission is properly focused on not only alleviating but eliminating actual hunger to the extent it is actually possible, given the vagaries and limitations of human nature. But at the same time, while food insecurity is a real issue, it's important to face facts: when it comes to eating, the larger problem facing poor and non-poor American households alike is not a lack of calories, but too many of the wrong type of calories. To quote some recent testimony by the welfare scholar Douglas Besharov:

Despite [the] massive increase in overweight and obesity among the poor, federal feeding

² U.S. Department of Agriculture, Household Food Security in the United States in 2013, Economic Research Report No. (ERR-173), at <http://www.ers.usda.gov/publications/err-economic-research-report/err173.aspx>

programs still operate under their nearly half-century-old objective *of increasing food consumption*. Few experts are willing to say that federal feeding programs are making the poor fat, although the evidence points in that direction. But no expert thinks they do very much to fight this growing public health problem.³

There is iron rule of government and business: if you subsidize something, people will buy more of it. If you give them money specifically for food, they will buy food, even if some may have a greater need for something else. When you create such a program, you are obligated to decide what qualifies as "food." But a single set of rules for a large and diverse nation of 319 million people inevitably will lead state and local officials to request more flexibility, at least on an experimental basis. Unfortunately, USDA has had an odd approach so such requests.

In recent years, USDA has denied New York State's request for a waiver that would have allowed New York City to bar use of SNAP to purchase of sugared sodas. On the other hand, at roughly the same time, the department granted waivers allowing SNAP recipients in Rhode Island to purchase prepared meals in certain circumstances, and allowing SNAP recipients in Springfield, Ma, to get premium incentives to purchase healthy fresh foods. While the Rhode Island and Springfield experiments certainly sound worthwhile, the granting of their waivers and the denial of New York's inevitably feeds the impression that USDA is inclined to favor any innovation that would sell more food, while being less interested in changes that would restrict some purchases.

Even as USDA blocks any effort to prevent the use of SNAP funds to purchase unhealthy foods, First Lady Michelle Obama has launched a comprehensive initiative "dedicated to solving the challenge of childhood obesity within a generation, so that children born today will grow up healthier and able to pursue their dreams."

Something's wrong with this picture.

It's time to convert SNAP into a block grant—giving states, at long last, both the added flexibility and the incentive to better manage and design their own programs. This is, among other things, the best way to foster innovative approaches to partnering with local private and public agencies, which you've been asked to recommend.

Some states might choose to simply convert SNAP funding to another form of cash assistance. Or they might choose to virtually replicate the existing SNAP approach. Others might steer some of the money to vouchers for housing, or to transportation, to aid people escape from "food deserts"—places lacking full-service grocery stores offering affordable choices of fresh and nutritious foods. They might use some of the grant to provide more direct assistance to food banks, or even to subsidize tax benefits for full-service discount grocery stores located in under-served neighborhoods.

The principle objection to "block-granting" SNAP is the assumption that this would mean a reduction in funding, and that the program would not grow in line with needs. But that doesn't necessarily have to be the case. The appropriation could be indexed to rise with inflation, or to quickly pump out more cash to the states when economic indicators signal the start of a downturn, as when the unemployment rate rises.

I think those who advocate for freedom of choice among the poor should yield the logic of their position: if you think it is unduly patronizing for Congress, or some mayor or governor, to tell SNAP recipients what kinds of food they can and cannot purchase, why not support elimination of SNAP its replacement with some form of unfettered cash assistance—funded, like TANF, through block grants to states?

Earlier I mentioned the inconsistency of subsidizing purchases of unhealthy foods while waging a campaign against obesity. Here's another example: even as it spends \$75 billion a year to subsidize SNAP, USDA also administers a variety of programs designed to promote or even subsidize agricultural activity

³ http://www.welfareacademy.org/pubs/foodassist/Besharov_SNAP_Testimony_15_0225.pdf

that produces the opposite results—by devoting large amounts of farmland to the production of crops converted into biofuels.

The use of biofuels increases both the level and volatility of food prices, in the United States and around the world. Consider ethanol. Fifteen years ago, 90 percent of the U.S. corn crop went to feed people and livestock, with less than 5 percent used to produce ethanol. By 2013, that number was down to 60 percent, and 40 percent went to ethanol. With mounting ethanol mandates and production since 2006, food prices have sharply risen.

The use of spent cooking oil as a fuel competes with other uses of the commodity; this can increase its price as a fuel and increase its cost as an input (such as for livestock farmers, who spray it on feed to fatten their animals) to other food uses. Biodiesel demand alone has been blamed for an increase of 74 cents per bushel, or roughly 8 percent, in the price of soybeans. Higher-cost soybeans have large ripple effects throughout the economy. Energy markets now regularly compete with the food sector for vegetable oil; soybean prices and energy prices have been statistically linked, creating a floor price for soy oil. Rising food and energy prices are add to the problem of "food insecurity."

Something is also wrong with *that* picture.

At the very least, USDA should recognize the contradictions in its current policies. Subsidizing purchase of carbonated sugar water won't help "solve the problem of childhood obesity within a generation." And mandates and incentives to convert food into biofuels are in no way consistent with meeting the goal of ensuring that all Americans can afford a healthy and nutritious diet.

Inclosing, this panel should reconsider the ultimate goals of SNAP and whether those goals could be more efficiently met by block granting the program. I'm fully cognizant that this commission's formal charge is to make recommendations to the Secretary of Agriculture—and that what I am suggesting is that you tell the Secretary to get the USDA out of the business of combatting hunger and food insecurity. But I would argue this would give us a better chance of actually achieving those goals.

Thank you.