

# ISSUE BRIEF

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## How to Reform Food Stamps

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For decades, farm bills have combined agriculture policy with the food stamps program. These farm bills would have been better deemed “food stamp bills,” as food stamps account for about 80 percent of farm bill costs.

In July, the House passed an agriculture-only farm bill. By separating agriculture programs from food stamps, the House took a good first step, but it missed the point of separation by passing the bill without any real reforms. The House is expected to take up a food stamps bill in the near future. There are several crucial reforms that should be put into place.

**Ripe for Reform.** The food stamps program is one of the largest and fastest growing of the federal government’s roughly 80 means-tested welfare programs that provide cash, food, housing, medical care, and social services to lower-income Americans. Spending on food stamps has increased substantially over the past several years, doubling from \$20 billion to \$40 billion between fiscal years (FY) 2000 and 2007 and then doubling again to roughly \$80 billion by FY 2012.<sup>1</sup> Moreover, food stamps is just one program of a nearly \$1 trillion government welfare system.

The increase in food stamp spending over the past five years is certainly partially due to the recession and the subsequent increase in food stamp enrollment. However, program growth is also due to policy changes made over the past decade that have eased eligibility requirements. States have also been employing aggressive outreach tactics to bring more individuals onto the rolls.

Food stamps has remained largely unreformed since the 1970s and is in dire need to be brought into the modern world. Policymakers should take the opportunity now to reform food stamps. Congress should:

- **Stagger the authorizations for food stamps and agriculture programs.** If food stamps and agriculture programs are to remain separate in the future, they should not be authorized for the same period of time. Currently, most farm programs and the food stamps program are authorized for five years. By creating at least a two-year difference between the authorization periods, it will be unlikely that overlap will exist when it comes to reauthorizing food stamps and agricultural programs. If there was overlap Congress would likely combine the programs again. Food stamp costs are nearly four times greater than the farm programs and should be reviewed more frequently—at least every two years. More frequent review would be beneficial to both taxpayers and food stamp recipients, as it would give policymakers greater opportunity to ensure that food stamp policy is meeting the needs of those it attempts to assist.

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- **Change food stamps into a work activation program.** Food stamps should not be reauthorized without a serious work requirement. Similar to the 1996 welfare reform, which changed the old Aid to Families with Dependent Children (AFDC) into the Temporary Assistance for Needy Families (TANF), a new reform should make it mandatory for states that receive federal food stamps dollars to implement a work program for able-bodied adult recipients. Able-bodied adults should be required to work, prepare for work, or at the very least look for work in exchange for receiving food stamp assistance. Even in good economic times, work levels among able-bodied food stamp recipients are low. During an average month in 2010, for example, of the approximately 10.5 million food stamp households that contained an able-bodied adult, 5.5 million households performed no hours of work in the previous month, and another 1.5 to 2 million performed fewer than 30 hours per week. This is a typical pattern, even when unemployment rates are low.<sup>2</sup>
- **End broad-based categorical eligibility.** Traditionally, categorical eligibility has allowed individuals receiving cash welfare assistance from programs such as TANF to automatically enroll in food stamps. However, a policy known as *broad-based* categorical eligibility allows states to loosen income limits for potential food stamp recipients and bypass asset tests. Under broad-based categorical eligibility, individuals or families can simply receive some type of TANF “service” and become categorically eligible for food stamps. A “service” can be something as simple as receiving a brochure from a TANF office. TANF services are available to households with incomes higher than those eligible for TANF cash assistance, allowing states to extend food stamp benefits to those with higher incomes than otherwise would be permissible.<sup>3</sup> Policymakers should end broad-based categorical eligibility to ensure that food stamps is focused on helping those truly in need.
- **Close the “heat and eat” loophole.** A loophole known as “heat and eat” is a tactic states have used to artificially boost a household’s food stamp benefit. The amount of food stamps a household receives is based on its “countable” income— income minus certain deductions. Households that receive benefits from the Low-Income Heat and Energy Assistance Program (LIHEAP) are eligible for a larger utility deduction. In order to make households eligible for the higher deduction—and, thus, greater food stamp benefits— states distribute LIHEAP checks for amounts as small as \$1 to food stamp recipients. Policymakers should close this loophole.<sup>4</sup>
- **Transfer food stamps from the U.S. Department of Agriculture (USDA) to Health and Human Services (HHS).** Food stamps is not an agriculture program but rather a large means-tested welfare program. The USDA is designed to assist farming and is not suited to run welfare programs. Food stamps should be transferred to HHS.
- **Require greater financial responsibility from states.** Nearly all food stamp funding comes from federal taxpayer dollars. Because of this, states have very little incentive to use these dollars efficiently. Over time, states should be required to contribute more of their own dollars to food stamps. This would encourage greater accountability in spending.
- **Implement drug testing.** Taxpayers should not be required to pay for food for individuals who use their own dollars to pay for illegal substances. Food stamp applicants and recipients should be required to undergo a test for illegal drug use, and benefits should be ended for those using drugs. Drug users would be allowed to enroll in food stamps in the future but would first have to pass a drug test.

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1. Robert Rector and Katherine Bradley, “Reforming the Food Stamps Program,” Heritage Foundation *Backgrounder* No. 2708, July 25, 2012, <http://www.heritage.org/research/reports/2012/07/reforming-the-food-stamp-program>.

2. Ibid.

3. Ibid.

4. Ibid.

**Opportunity for Reform.** The food stamps program has remained largely unreformed since it was instituted in the early 1970s. It is in desperate need of reform. When the 1996 welfare reform took place, food stamps was not significantly altered. For nearly 20 years the program has operated in a traditional, one-way handout, pre-reform mode. It is time to change this. The key element of food stamp reform is to establish a strong work requirement, similar to the one put into place in the 1996 welfare reform. Able-bodied adult recipients of aid funded by the

taxpayers should be required to work, prepare for work, or look for work in exchange for receiving assistance. That principle does not currently exist in the food stamps program.

Policymakers have the unique opportunity now to reform food stamps and put it on a prudent course that better serves those in need.

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