Sustaining the Good Life: SNAP in Nebraska

October 2019

open sky POLICY INSTITUTE
Sustaining the Good Life:
SNAP in Nebraska

About OpenSky Policy Institute
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Introduction

The Supplemental Nutrition Assistance Program (SNAP) is Nebraska’s most important anti-hunger program, helping more than 170,000 Nebraskans afford quality food. In addition to helping lift people out of poverty, SNAP is considered to be the most effective form of stimulus during an economic downturn, and each dollar of benefits redeemed has the potential to multiply through the supply chain, strengthening the state’s businesses. Furthermore, studies have shown that childhood exposure to SNAP leads to increased economic self-sufficiency in adulthood and less reliance on similar government programs.

What is SNAP?

SNAP, formerly called Food Stamps, is a program providing important nutritional support for low-wage working families, low-income seniors and people with disabilities living on fixed incomes, and other low-income families and individuals. The federal government pays the full cost of SNAP benefits and splits the cost of administering the program with states. In Fiscal Year 2019 (FY19), more than $220 million in SNAP benefits were issued to Nebraska residents at a cost to the state of $19 million in administrative expenses.

Food Stamps began during the Great Depression, when the government offered orange stamps for sale, pricing them roughly equal to what families would normally spend on food. For every dollar of orange stamps bought, $0.50 of “bonus” blue stamps were also received. Orange stamps could buy any type of food while blue stamps were limited to “surplus” foods, as identified by the U.S. Department of Agriculture (USDA). This program ran from 1939 to 1943, when it was determined that “the conditions that brought the program into being – unmarketable food surpluses and widespread unemployment – no longer existed.”

The program in its current form began in 1961 with President John F. Kennedy’s first executive order, which created pilot programs in eight counties with the stated intention of “increasing the consumption of perishables.” The program was expanded significantly by President Lyndon B. Johnson, who gave all counties the authority to launch their own Food Stamp programs in 1964. Participation was
optional until 1974, although by that point 90 percent of the population was already living in participating counties. In 1977, the requirement that participants make a purchase in order to receive a benefit (the so-called “purchase requirement”) was eliminated. From that point on, participants received the formerly free portion of their benefit in coupons but were expected to continue buying healthy food by supplementing those coupons with cash. This led to the current formula, which assumes a household can spend 30% of its net income on food (explained in more detail below).

Several additional changes have been made over the years, largely aimed at streamlining processes, reducing the potential for fraud and encouraging participants to work or find higher paying jobs. One major change was the adoption of Electronic Benefits Transfer (EBT), a system allowing recipients to authorize a transfer of their government benefits from a federal account to a retail account to pay for groceries, which began as a pilot program in 1984 and spread to all 50 states by 2004. This system is more efficient to administer and cut back on fraud by creating an electronic record of each transaction, making it easier to identify violations.

SNAP is reauthorized by the Farm Bill roughly every five years and is run by the USDA’s Food and Nutrition Service.

How does SNAP Work?

SNAP is intended to fill the gap between the cash a household has available to buy food and the cost of a “thrifty” food budget as set by the USDA.

A household with no income would receive the full cost of a thrifty food budget, known as the “maximum allotment.” As household income increases, the household is expected to contribute more of its own resources to food, and SNAP benefits decrease accordingly. Benefits decline gradually – so for every $1 of added income, a household’s benefits go down by $0.24 to $0.36.
This means a family of four – two adults and two teenaged children – with a net monthly household income of $800 would receive $406 per month in SNAP benefits in fiscal year 2020, or $1.13 per person per meal (assuming a 30-day month and three meals a day).

Nebraska’s benefits are distributed via an EBT system managed by the vendor Fidelity Information Services. EBT cards function like debit cards and can be used at authorized retailers to purchase approved food items. Approved food items include fruits, vegetables, meat, dairy products, breads, snack foods and non-alcoholic beverages, as well as seeds and plants to grow food. Non-approved items include alcohol, cigarettes and nutritional supplements. If a household does not use all of its monthly benefits, they can roll them over for up to a year.

Who is Eligible?

SNAP benefits are broadly available to those with low incomes. Eligibility rules and benefit levels are generally set at the federal level, although states have some flexibility in tailoring the program.

There are two pathways for eligibility: traditional eligibility, under which a household must meet program-specific eligibility rules; and categorical eligibility, under which a household becomes automatically, or “categorically,” eligible by being eligible for or receiving benefits from another low-income program.

Traditional eligibility uses income and asset tests to determine if a household qualifies. Households with a member over 60 or who is disabled must have a net monthly income at or below 100% of the federal poverty level (FPL) and have less than $3,250 in liquid assets, such as cash on hand or anything that could be readily sold for cash.

Households without an elderly or disabled member must also meet the net income test, but also have a gross monthly income at or below 130% of the FPL and have less than $2,250 in liquid assets, excluding the value of their home, any retirement or educational savings and a portion of a vehicle’s value.

Categorical eligibility eliminates the requirement that households that have already met the financial eligibility rules for a different low-income program such as Supplemental Security Income (SSI) or Temporary Assistance for Needy Families (TANF) must also go through a separate eligibility determination for SNAP.

### GROSS INCOME versus NET INCOME

**GROSS INCOME**
- The amount of money a household takes home before deductions.

**NET INCOME**
- Gross income minus:
  - 20% earned income deduction
  - $160 standard deduction
  - Dependent care deduction
  - Medical expenses for elderly/disabled
  - Excess shelter costs (more than 50% of net income)

Source: U.S. Department of Agriculture

Households without an elderly or disabled member must also have gross income below 130% of the FPL.

### MONTHLY INCOME THRESHOLDS for a FAMILY OF FOUR

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% of FPL</td>
<td>$2,092</td>
</tr>
<tr>
<td>130% of FPL</td>
<td>$2,720</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Agriculture
TANF participants may be categorically eligible for SNAP despite the fact that some states make certain TANF benefits available to people with higher incomes or greater assets than allowed under traditional SNAP eligibility rules. Under a policy known as “broad based categorical eligibility” (BBCE), states are given the choice of expanding categorical SNAP eligibility to households with incomes up to 200% of the FPL, or $4,292 a month for a family of four, which is the maximum threshold for any TANF benefit, with the federal government continuing to pay the full cost of benefits issued.

In Nebraska, BBCE is used to raise the asset test threshold for households referred to SNAP through a state program called the Expanded Resource Program. Households referred by the program must still have gross incomes at or below 130% of the FPL, but can have up to $25,000 in liquid assets and still be eligible. Forty-two states have some form of BBCE, although Nebraska is one of six that impose an asset limit on it.

There are some categories of people, however, that will not be eligible for SNAP regardless of their income or assets, including those convicted of certain drug-related felonies, employees on strike, most college students, undocumented immigrants and some legal immigrants.

**Length of Enrollment**

There are no limits on the length of SNAP enrollment for most participants: the elderly, people with disabilities, pregnant women and those with dependent children. All households must reapply for benefits every six months and report any income changes that would affect their eligibility as the changes arise.

Childless adults aged 18 to 50 are generally limited to three months of benefits in any 36-month period when they are not employed or participating in a qualifying workforce or job training program for at least 20 hours a week.

During periods of high unemployment when qualifying jobs may be hard to find, states may apply for a waiver of the three-month time limit for specific areas. States must demonstrate that the target location has an insufficient number of jobs or an unemployment rate over 10%. If granted, the three-month limit is suspended until the waiver ends, usually a year later, although it could be two years in areas of chronic high unemployment or job insufficiency. The federal government continues to pay the full cost of benefits provided during the waiver period.

During the Great Recession, the federal government suspended the three-month time limit for part of 2009 and 2010, allowing states to keep the limit only if they also provided workforce or job training to anyone affected. States did not have to request a waiver, so most states, including Nebraska, operated under waivers during the recession and its aftermath. As of 2017, nine states had a statewide waiver, 27 had a partial waiver and 17, including Nebraska, had no waiver.
Safeguards

SNAP has a rigorous upfront eligibility determination system to ensure program efficiency and integrity. To apply, households report income and other information that is verified by a state eligibility worker — through interviews with a household member, data matches and documentation provided by the household or another party, such as an employer or landlord.36

Policymakers at both the state and federal levels have long been focused on reducing fraud and improving payment accuracy.37 These efforts generally target four types of inaccuracy or misconduct:

- Trafficking, which is the illicit sale of benefits and can involve retailers and participants;
- Retailer application fraud, which involves an illicit attempt by an ineligible retailer to participate in the program;
- Errors and fraud by applying households, with errors considered unintentional and fraud considered intentional; and
- Errors and fraud by state agencies, which result in improper payments and involve state quality control systems.

Fraud is “relatively rare” within the program.38 The most common measure is the national retailer trafficking rate, which is released about every three years and most recently estimated 1.5% of SNAP benefits redeemed from FY12 to FY14 were trafficked. A review of the USDA’s State Activity Report from 2016 concluded that most overpayments resulted from error rather than fraud: about 62% from recipient error, 28% from agency error and 11% from recipient fraud.39

To prevent fraud and over- or underpayment, states are required to conduct a monthly audit of their programs through a SNAP quality control system. This involves independent state reviewers checking the eligibility and benefits decisions made in a representative sample of SNAP cases. Federal officials then re-review a subsample of the reviewed cases and release payment error rates based on the reviews. States may be penalized if their error rates are repeatedly above the national average.40

SNAP as a Long-Term Investment

A recent comprehensive study41 found that childhood exposure to SNAP benefits “reduces the likelihood that individuals receive income from public programs in adulthood.” The implication, therefore, is “that the social safety net for families with young children may, in part, ‘pay for itself’ by reducing reliance on government support in the long-term.”42

Researchers looked at data on 43 million Americans to track the long-term impacts of childhood exposure to Food Stamps and SNAP on adult economic productivity and well-being.43 They linked Census data to data from the Social Security Administration to track children from SNAP-enrolled families through adulthood and found that those exposed in utero through age five were more likely to live longer, be economically self-sufficient and own their own home and less likely to be incarcerated.44

“The social safety net for families with young children may, in part, ‘pay for itself’ by reducing reliance on government in the long-term.”
This study confirmed prior research showing access to nutritional support programs early in life improves economic self-sufficiency in later life, especially for women. In households with young children, the study’s authors found, SNAP “is the opposite of a ‘welfare trap.’”45 Providing critical benefits to children at pivotal developmental stages “apparently allows them to invest in the skills that, in turn, will enable them to escape poverty when they grow up.”46

SNAP and Businesses

SNAP is an important public-private partnership. In addition to helping families afford a basic diet, it also generates business for retailers and boosts local economies. To participate, retailers must stock a prescribed variety of foods and have applied for and received authorization from the USDA. There are 1,276 authorized retailers in Nebraska, ranging from farmer’s markets and butchers to national chain superstores, that redeemed roughly $246 million in benefits in 2017.47

According to Moody’s Analytics, $1 in SNAP spending generates about $1.70 in economic activity during a weak economy.48 This means the $246 million received by retailers in 2017 would have generated $416 million in overall economic activity for Nebraska were the state in an economic downturn. This is called a “multiplier effect.”

How does the multiplier effect work? In an economic downturn, many households have less money to spend, causing business at local stores and restaurants to slow. These businesses then also have less money to spend, furthering the downturn. To weather the downturn, some households may enroll in SNAP, which gives them more money to spend at the local grocery store. Every dollar spent there helps the store recover. More revenue means the store can hire back staff, make improvements and purchase more food from farmers and distributors to meet increased demand. As the increased spending from SNAP flows through the economy, each sector receiving a share of that additional money is able to spend more money.
Because households are able to redeem their monthly SNAP benefits quickly, the program is one of the most effective forms of economic stimulus during an economic downturn. In fact, a May 2019 study by the USDA looked at the impact of SNAP redemptions on county-level employment and found that, during the Great Recession, one job was created for every $10,000 in SNAP benefits redeemed within rural counties (the impact was smaller in metropolitan counties). Further, because SNAP benefits can only be spent on food, money may be freed up for these households to spend on other goods and services at local businesses, helping them recover and raising sales tax revenue for state and local government entities.

**SNAP and Workers**

Although the state is not required to offer workforce or job training to SNAP recipients, Nebraska has two: Next Step and Employment & Training (E&T). Next Step, which is a collaboration between the Department of Health and Human Services (DHHS) and the Department of Labor, offers job search and resume assistance, interview training, vouchers to buy interview clothing and childcare and other services. It is available to SNAP households with: no more than four people; a worker or someone recently unemployed (within 90 days); and at least one work-eligible member (a legal permanent resident or citizen). The program is currently only available to participants residing in Adams, Cheyenne, Hall, Lincoln, Madison, Platte and Scottsbluff counties, but is expected to expand to more counties in the future. E&T is run by DHHS and provides mostly job search training. It’s run out of Buffalo County and serves only the surrounding counties at present, but DHHS is in the process of broadening its scope. Unlike Next Step, the only qualification to participate is enrollment in SNAP.

However, many Nebraskans who receive SNAP are already working: more than half of SNAP households (56%) had at least one member working and nearly 20% had at least two members working in 2017. A significant share of workers participating in SNAP work in service industries such as retail, hospitality and home health. These types of jobs are likely to have low wages (see below), few benefits and unpredictable or seasonal hours. SNAP can supplement low and fluctuating pay and help workers get by during periods of unemployment or limited hours.

<table>
<thead>
<tr>
<th>TOTAL WORKERS ON SNAP BY INDUSTRY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Installation, Maintenance and Repair</strong></td>
</tr>
<tr>
<td><strong>Management, Business and Financial</strong></td>
</tr>
<tr>
<td><strong>Construction and Extraction</strong></td>
</tr>
<tr>
<td><strong>Professional and Related</strong></td>
</tr>
<tr>
<td><strong>Transportation and Material Moving</strong></td>
</tr>
<tr>
<td><strong>Production</strong></td>
</tr>
<tr>
<td><strong>Sales and Related</strong></td>
</tr>
<tr>
<td><strong>Office and Administrative Support</strong></td>
</tr>
<tr>
<td><strong>Service</strong></td>
</tr>
</tbody>
</table>

5,000 | 10,000 | 15,000 | 20,000
SNAP is structured – and funded – as an entitlement program, meaning that anyone who meets the eligibility criteria can participate. This allows most workers with fluctuating incomes to regain access to benefits quickly during downswings. Other programs, such as child care or housing assistance, are often subject to funding limitations that lead to long wait times. A worker may therefore be reluctant to accept a raise or additional hours that could render them ineligible because they may not be able to reenroll quickly in those programs if circumstances change. SNAP is structured to avoid this dilemma.

The program also gives workers preferential treatment, allowing a deduction for earned income – but not for unearned income – from the net income calculation. This means that a household with workers will receive a larger SNAP benefit than a same-sized household with income from unearned sources. Benefits also phase out slowly as incomes rise, so most households will see an increase in their total income – earnings plus SNAP benefits – when their earnings go up modestly.

Some households, however, may face a benefit “cliff” if an increase in earnings puts them over the 130% of FPL limit. Once earnings exceed the limit, even by a little bit, a household loses eligibility in the program. If the increase was less than what the household was receiving in benefits, their total income will decrease and the household becomes worse off despite the added income.

More than 30 states use categorical eligibility to smooth the transition for these households by raising the income limit, allowing them to accept higher paying work or increased hours without losing their eligibility. Nebraska has not elected to use its categorical eligibility in this way.

Conclusion

The benefits of SNAP participation for low-income families are extensive and well documented, as is the program’s potential to help communities recover during economic downturns. These make the program a sensible, long-term investment for the state and its residents.


54 U.S. Census Bureau, 2017, 5-year ACS estimates.


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