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States Hungry for Revenue Leave Billions in Food Aid on Table

December 08, 2011, 5:14 PM EST

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By Jennifer Oldham

Dec. 8 (Bloomberg) -- California and Colorado are among cash-strapped states leaving billions of dollars on the table in federal food aid that could fuel growth by stimulating spending throughout the country.

Almost a third of people who qualify for food stamps aren't getting them, the U.S. Agriculture Department estimates. In California and Colorado, about half of those who are eligible aren't being served.

With tax collections well below pre-recession levels, escalating Medicaid costs and rising foreclosure rates, states are failing to take full advantage of the food stamp program, now known as Supplemental Nutrition Assistance Program or SNAP, which generated \$64 billion in retail sales last year, analysts say.

"When federal food-assistance programs have low participation, there certainly is a risk it will compound the harm state economies are taking," said David Super, a professor at Georgetown University Law Center who studies public welfare programs. Food-aid dollars "offset declines in the disposable income that consumers have when the economy goes bad," Super said in a telephone interview from Washington.

Federal food assistance does more to boost consumer spending than any other stimulus program, according to the American Recovery and Reinvestment Act, President Barack Obama's stimulus program, according to Mark Zandi, chief economist of Moody's

In a 2008 report, Zandi found that increasing food-stamp payments by \$1 boosts U.S. gross domestic product by \$1.73. A USDA report two years later estimated that an increase of \$1 billion in SNAP expenditures would raise GDP by \$1.79 billion.

\$5.8 Billion

While there's no national estimate of the total dollar value of federal assistance going unused, California, Colorado and Minnesota are leaving a combined \$5.8 billion in annual benefits on the table, according to estimates prepared by food-stamp advocacy organizations in the three states.

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Administrative costs of SNAP programs, lack of staff to process cases at the state and county level, and large increases in people newly eligible for food stamps are among the reasons states don't take advantage of all the federal money they're entitled to, officials say. With the number of Americans receiving food stamps setting records every month but one since December 2008, states are scrambling to keep pace with double- and triple-digit caseload increases, they say.

"The program is undergoing, without a doubt, historic changes," said Sue McGinn, director of the food and nutrition division of Colorado's Human Services Department, in a telephone interview. "Caseloads are rising and resources are not rising."

Colorado is missing out on \$755 million a year by serving only 47 percent of those who are eligible for food stamps, according to Denver-based Hunger Free Colorado.

Second to Last

That ranks it second to last in use of food aid, or 49th among states in the USDA's 2010 SNAP Program Access Index. Spending that \$755 million on food would create 12,300 jobs for agricultural producers, wholesalers and transporters, plus support positions such as electricity production, building maintenance and advertising, said David Keyser, an economist with Colorado's Local Affairs Department, in an e-mail.

In California, which ranks last in food-aid use, the numbers are far higher. If 100 percent of those who qualify for food stamps participated, the state would collect \$4.9 billion in additional federal benefits each year, according to a 2010 study by Oakland-based California Food Policy Advocates.

These benefits would generate \$8.7 billion in additional economic activity per year, yielding \$131 million of additional sales-tax revenue for the state general fund, the report found.

'Sour Economy'

"It's our sour economy that helped people understand what an economic benefit this is," said Assemblyman Felipe Fuentes, a Democrat from Sylmar, who sponsored a bill this year aimed at increasing involvement. "The low participation in California certainly means we're not receiving valuable federal tax dollars we've sent to Washington."

Retailers are big beneficiaries of the SNAP program, redeeming \$64 billion worth of food stamps in fiscal 2010, according to the USDA's Food and Nutrition Service. The program's debit cards can be used in about 216,738 outlets nationwide.

"There's recognition in the food industry that this has a very direct bearing on their bottom line," said Kevin Concannon, the undersecretary for food, nutrition and consumer services, in a telephone interview.

"I visited HEB, a very large chain of grocery stores in Texas and Oklahoma, and one of their executives pointed and said, 'See those hourly workers going by? They would be receiving fewer hours of work each week except for the fact that we have the food stamp program,'" Concannon said.

Unlikely Alliances

The realization that SNAP can increase revenue is prompting businesses to form unlikely alliances in some states with officials and food advocates.

In Minnesota, General Mills Inc. partnered with Second Harvest Heartland on promotional materials to reach elderly people who qualify for food stamps.

A Boston Consulting Group Inc. study found Minnesota is missing out on \$210 million by not fully participating in SNAP. Of the 368,000 eligible Minnesotans not enrolled, the 2010 report found, 169,000 didn't realize they're eligible and 130,000 were deterred by cumbersome administrative requirements.

Minnesota, which administers the program through 87 county offices, is shortening its SNAP application and plans to allow people to apply online next year, said Erin Sullivan Sutton,

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assistant commissioner for children and family services.

"About 65 percent of eligible Minnesotans are receiving SNAP benefits, but only 41 percent of eligible seniors," she said. "We're very conscious of the importance of these resources to our state's economy."

Administrative Costs

States are on the hook for half of the program's administrative costs, so they may be reluctant to increase participation, said Gus Faucher, director of macroeconomics at Moody's Analytics, in a telephone interview.

"If there's a way for states to boost economic activity and boost revenues, then they would be foolish not to do it," Faucher said.

Other data suggest states would gain more than they lose by increasing food-aid participation.

\$140 Million

After Nevada received federal permission to screen applicants at food banks, grocery stores and by telephone, participation rates climbed, bringing an additional \$140 million in SNAP dollars in fiscal 2010, statistics compiled by the Food Bank of Northern Nevada show.

These subsidies -- in a state where the caseload increased 230 percent since 2008 -- generated \$702 million in additional economic activity in fiscal 2010, the food bank found.

"The amount of money coming in through SNAP benefits is staggering as compared to the money expended to run the program," said Cherie Jamason, president of the Food Bank of Northern Nevada, in an e-mail.

Even with the increase in participation, Nevada's penetration rates lag. The state served 57 percent of those who were eligible in 2010, or 42nd in the nation, USDA figures show.

These numbers distort the population that is eligible for SNAP in Nevada because some who fall below the poverty threshold don't qualify for benefits, said Romaine Gilliland, administrator of the Division of Welfare and Supportive Services.

In Colorado, employees in 64 counties struggle to process cases on a seven-year-old computer system that wasn't designed to handle the record workload. The system freezes, county workers say, and doesn't allow as many people as necessary to use it at once.

'Hampered by Technology'

"We've all been hampered by technology," said Frank Alexander, director of the Boulder County Department of Housing and Human Services. Since 2008, Alexander has seen the number of people receiving SNAP in his county almost triple, to 17,000 from 6,000.

McGinn, the human services official in Colorado, said participation improved this year after the state reduced the SNAP application to 8 pages from 26, and rolled out an online screening process. The computer system is being upgraded to handle more users simultaneously, she said.

"We're working on balance between wanting to bring in more individuals and working with what the system capacity is," McGinn said. "We all have to look at how to do business differently."

--Editors: Jeffrey Taylor, Pete Young

-0- Dec/08/2011 21:52 GMT

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