



CALIFORNIA BUDGET PROJECT

September 30, 2009

Allen Ng
Regional Administrator
Western Region
Food and Nutrition Service
US Department of Agriculture
90 Seventh Street, Suite 10-100
San Francisco, CA 94103

SUBJECT: President Obama's Goal of Eliminating Childhood Hunger by 2015

Dear Mr. Ng:

The California Budget Project (CBP) appreciates the opportunity to comment on President Obama's goal of eliminating childhood hunger in the United States by 2015. The CBP is a nonprofit organization that engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. For 15 years, the CBP has analyzed the impact of state and federal policies – including food and nutrition policies – on California's low- and middle-income families.

The CBP believes that the President's objective is both laudable and potentially achievable with the right mix of policy changes, additional federal funding, and continued efforts to overcome the deepest and longest economic downturn since the end of World War II. However, we are concerned that the severity of the recession in California, combined with the state's persistent budget crisis, has the potential to undermine federal efforts to achieve the President's goal.

Consequently, the CBP believes that:

- Additional federal assistance, similar to the broad range of assistance provided by the American Recovery and Reinvestment Act of 2009 (ARRA), is needed to boost the state's economy and help California avoid subsequent rounds of deep budget cuts;
- Federal law changes and waivers are needed to help increase the number of eligible Californians who receive Supplemental Nutrition Assistance Program (SNAP) benefits in California; and
- Targeted federal funds are needed to support California counties' food stamp outreach activities, which have been curtailed or eliminated in recent years due to repeated state budget cuts.

In addition, the CBP recommends that the federal government take steps to strengthen SNAP, the nation's most important anti-hunger program, including boosting benefit levels and restoring eligibility for all legal non-citizens.

1107 9th Street, Suite 310
Sacramento, California 95814
P: (916) 444-0500
F: (916) 444-0172
cbp@cbp.org
www.cbp.org

The Economic Downturn and California's Budget Crisis Have the Potential To Undermine President Obama's Goal of Eliminating Childhood Hunger by 2015

California is in the midst of the deepest and longest recession in the post-World War II era, with the state's workers and their families facing one of the toughest job markets in decades.¹ The state lost more than 950,000 nonfarm jobs between July 2007 and July 2009, wiping out all of the jobs that California gained during the previous four-year economic expansion. The state's unemployment rate reached a record-high 12.2 percent in August 2009, and a smaller share of Californians is working today than at any point since the late 1970s. Among Californians with jobs, the number of *underemployed* workers – those who are working part-time but who want full-time work – reached 1.4 million in July 2009, more than double the number two years earlier. The severity of the recession has diminished workers' earnings, making it harder for families to make ends meet.

The economic downturn has also had a significant impact on the state's budget. The recession has caused revenues to plummet below expectations over the past year, substantially increasing the size of budget shortfalls that state policymakers have faced. While federal ARRA funds helped to close a portion of California's two-year, \$60 billion budget gap, more than half (\$31.0 billion) of this shortfall was closed with spending reductions to a broad range of programs and services, including cuts for the ninth consecutive year to state funding for county operation of SNAP.

Although national data suggest the end of the recession may be near – in part due to the impact of the ARRA – many economists believe that recovery in the labor market is a long way off and that unemployment in California will remain in the double digits at least through 2011. A slow and potentially "jobless" economic recovery would continue to diminish state revenue collections, contributing to further budget shortfalls. In fact, the state Department of Finance projects annual budget gaps of \$7.4 billion in 2010-11, \$15.5 billion in 2011-12, and \$15.1 billion in 2012-13. Rising shortfalls will put pressure on policymakers to consider additional spending reductions.

The persistence of the state's budget crisis has the potential to undermine the President's goal of eliminating childhood hunger by 2015 because, according to economic theory, additional state budget cuts would further dampen the state's (and, potentially, the nation's) economic recovery.² A diminished economic recovery, in turn, would undercut efforts to help parents in low-income families find jobs and increase their incomes – a prerequisite to eliminating childhood hunger. At the same time, the state's budget crisis makes it difficult for California to enact policies that could boost SNAP participation if those changes would result in short-term state costs.³ Furthermore, the budget crisis increases the likelihood that California will continue to underfund counties for SNAP administration, which could cause counties to reduce or eliminate any remaining outreach activities they conduct to boost eligible Californians' participation in SNAP.

Due to these factors, the CBP suggests that:

- **Additional federal assistance is needed to boost the state's economy and help California avoid subsequent rounds of deep budget cuts.** State policymakers used \$8.0 billion in ARRA funds to help close the state's two-year, \$60 billion budget gap, allowing the state to avoid making additional spending cuts of a similar magnitude. In addition, California will receive an estimated \$11.0 billion in ARRA funds over three years

¹ The data cited in this paragraph are from California Budget Project, *In the Midst of the Great Recession: The State of Working California 2009* (September 2009).

² California Budget Project, *Budget Cuts or Tax Increases: Which Are Preferable During an Economic Downturn?* (Updated November 2008).

³ Although the number of Californians receiving SNAP benefits has increased during the current recession, California's participation rate – which was 50 percent in 2006, the lowest in the nation – likely remains low relative to those of other states.

to help mitigate the impact of state budget cuts to K-12 and higher education. Low- and middle-income families are also receiving help from the Making Work Pay Credit and increases to unemployment insurance benefits, the Earned Income Tax Credit, and the Child Tax Credit. However, most ARRA funding is expected to be spent over the next two to three years, just as significant state budget shortfalls are projected to return. The federal government should consider providing additional assistance, similar to that provided by the ARRA, to further boost job creation and help state policymakers avoid making deep spending cuts in 2010 and beyond.

- **Federal law changes and waivers are needed to help increase participation of eligible Californians in SNAP.** California is one of only a few states that require SNAP applicants to be fingerprinted and the only state that requires SNAP recipients to report to program administrators four times per year. Both of these policies increase “red tape” and reduce participation in the program. The state has maintained these policies at least partly because eliminating or modifying them would result in short-term costs that may be difficult to support in the state’s current budget environment. To help increase participation, the federal government should prohibit states from requiring SNAP applicants to be fingerprinted and should require all states to implement semi-annual reporting, possibly providing federal funds to offset one-time state costs. In addition, the federal government should encourage California to submit a waiver to implement continuous eligibility, in which SNAP benefits are suspended instead of terminated in response to a late report from a recipient. This change would prevent recipients from having to reapply for SNAP benefits if they submit forms late, thereby increasing retention rates and reducing administrative “churning.”
- **Targeted federal funds are needed to support counties’ outreach activities.** In response to persistent state budget shortfalls, California has not provided funding to cover counties’ rising operating costs for SNAP since 2000-01, and this funding is unlikely to be restored in the near future. These “cost-of-doing-business” adjustments – when provided – allow counties to pay for rising costs, while maintaining core services. However, counties have lost ground to rising costs due to the state’s failure to provide funding that reflects counties’ actual cost of delivering services. As a result, counties report delays in processing SNAP paperwork and note that they have reduced or eliminated outreach efforts that are designed to increase participation of eligible Californians in the program.⁴ The federal government should consider providing targeted funds to help offset the state cuts and support counties’ outreach efforts in order to help boost the number of families that receive SNAP benefits.

The Federal Government Can Take Steps To Strengthen SNAP

The federal government could make additional changes that would increase the adequacy of SNAP benefits as well as increase the number of low-income families that receive them. For example, the federal government could:

- **Boost benefit levels by basing benefits on a more accurate measure of the cost of food.** The maximum SNAP benefit is based on the USDA’s Thrifty Food Plan, which estimates the cost of food needed to provide a minimally adequate diet. The Thrifty Food Plan understates the cost of an adequate diet, particularly one that includes more nutritious, and thus more expensive, food. The federal government should consider basing SNAP benefits on a food plan – such as the federal government’s Low-Cost Food Budget – that more accurately reflects what it costs to provide a family with a nutritious diet.

⁴ California Budget Project, *Stretched Thin 2008: State Budget Cuts Undermine California’s Human Services Programs* (August 2008).

- **Restore eligibility for all legal non-citizens.** The 1996 federal welfare law disqualified most legal non-citizens without significant work history in the US from receiving SNAP benefits. Congress subsequently restored eligibility for many legal non-citizens, including children and certain elderly individuals. However, federal law generally prohibits legal non-citizen adults from receiving federally funded SNAP benefits during their first five years in the US. This exclusion prevents many adults, including those in low-income working families, from receiving federal nutrition assistance and can discourage non-citizen parents from seeking SNAP benefits for their US-citizen children.

In summary, President Obama's goal of eliminating childhood hunger by 2015 is commendable and potentially achievable. However, this objective will be difficult to achieve given the severity of the economic downturn in California and the state's persistent budget crisis, unless efforts are undertaken by the federal government and others to mitigate these factors.

I hope you find these comments helpful. If you have any questions, please contact me at (916) 444-0500.

Sincerely,

Scott Graves
Senior Policy Analyst