



News Release

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APRIL 1: A BIG DAY FOR THE ECONOMIC RECOVERY ACT Food Stamp Increases and Other Elements Will Boost Economy and Reduce Hardship

A key element of the economic recovery package — an increase in food stamp¹ benefits — is about to kick in, providing a big economic boost to communities across the country and helping struggling families put food on the table, just weeks after President Obama signed the package into law. Two other important elements, added jobless benefits and the new Making Work Pay tax credit, are already in place in many areas.

The American Recovery and Reinvestment Act is designed to stimulate the economy by bolstering consumption by individuals, businesses, and government. Its temporary food stamp increase will take effect nationwide beginning on April 1. It will provide \$19 billion in added benefits over the next several years, more than \$4 billion of which will be delivered between April and September 2009.

The Agriculture Department estimates that every \$1 in food stamps expands the economy by \$1.84, and that the added benefits will save or create 100,000 jobs over the next two years. Table 1 estimates the economic boost each state will receive from the benefit increase over the April-September 2009 period.

Thanks to the economic recovery act, all food stamp recipients will get an increase in benefits starting April 1.

- Benefits will go up by 13.6 percent, or roughly \$20-\$24 per person per month for most families.
- All food stamp households — currently about 14 million households containing almost 32 million Americans — will benefit from the increase. More than 75 percent of all food stamp participants are in families with children; nearly one-third of participants are elderly people or people with disabilities.

The added food stamp benefits will benefit the economy by boosting consumer demand.

- Experts agree that food stamps are one of the most effective forms of economic stimulus available because low-income people generally spend (rather than save) their available resources to meet basic needs such as shelter, food, and transportation.
- The gains from the added food stamp benefits will ripple through the entire economy. When a family uses its food stamp benefits to shop at a local grocery, this helps the grocer pay his employees and purchase more from his suppliers. That, in turn, helps the suppliers pay their employees (as well as the truckers who deliver their products), and so on.

¹ The Food Stamp Program has been renamed the “Supplemental Nutrition Assistance Program” or SNAP. Some states use different names.

These benefits will go to many of the people who are having the hardest time making ends meet during the recession.

- The Food Stamp Program is designed to respond quickly and effectively to economic downturns: enrollment expands automatically to support the larger number of low-income families and communities when the economy weakens and contracts when the economy recovers. During the first year of this recession (December 2007 to December 2008), food stamp enrollment nationally increased by more than 4 million, or about 15 percent. Many areas have seen bigger increases.
- Nearly nine in ten households that receive food stamps have incomes below the poverty line; roughly four in ten have incomes below *half* of the poverty line (about \$8,800 for a family of three). Families with the greatest need receive the largest food stamp benefits.

Also as a result of the recovery act, unemployed workers are receiving added jobless benefits, which help stimulate the economy.

- Unemployed workers receive an extra \$25 per week under the act. Roughly 18 million will benefit, according to the National Employment Law Project.
- The recovery act also extends the number of weeks that unemployed workers can receive jobless benefits.
- In addition, the recovery act gives states new options to reform their unemployment insurance programs. These reforms extend benefits in high-unemployment states and make certain groups of jobless workers, notably low-wage workers, eligible for unemployment benefits. Many states are starting to take advantage of these options.
- Like food stamps, unemployment benefits are one of the most cost-effective forms of stimulus since they go to people who will spend the money quickly to cover basic expenses. Every \$1 in unemployment benefits generates \$2.15 in economic activity, according to a Labor Department study.

Workers will also see an added boost in their paychecks by April 1, the deadline for employers to begin implementing the recovery act's Making Work Pay tax credit. Many workers already are receiving the credit, which boosts demand and stimulates the economy.

- The credit, worth up to \$400 per worker, is available to single workers earning up to \$95,000 and married couples with earnings up to \$190,000.
- An estimated 111 million Americans will see or have already seen an increase in their take-home pay from the new credit.

The new credit will help low- and moderate-income workers make ends meet — and in doing so, it will boost the economy for the reasons outlined above.

The Center for Community Solutions is a private, independent, nonprofit organization focused on policy and system reform. It provides strategic leadership to improve targeted health, social, and economic conditions. Established in 1913, it is a United Way agency.