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The Food Assistance Landscape

FY 2016 Annual Report

Victor Oliveira



At some point during the year, about 1 in 4 Americans participates in 1 or more of the U.S. Department of Agriculture's (USDA) 15 domestic food and nutrition assistance programs. Over two-thirds of USDA's budget goes to these programs, which differ by size, target population, and type of benefits provided.



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Abstract

The U.S. Department of Agriculture (USDA) administers 15 domestic food and nutrition assistance programs that together affect the lives of millions of people. About one in four Americans participates in at least one of these programs at some point during the year. Accounting for \$101.9 billion, or over two-thirds of USDA's annual budget, these programs also represent a significant Federal investment. This report uses preliminary data from USDA's Food and Nutrition Service (FNS) to examine trends in U.S. food and nutrition assistance programs through fiscal 2016 (October 1, 2015, to September 30, 2016). The report also summarizes a recent Economic Research Service (ERS) report that examined trends in the prevalence and severity of household food insecurity in the United States through 2015 and highlights another recent ERS report that examined the effect of Supplemental Nutrition Assistance Program (SNAP) benefits on food spending.

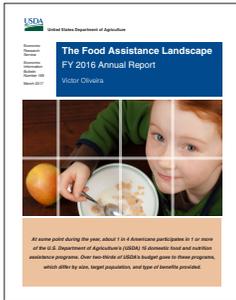
Keywords: Food and nutrition assistance programs, Supplemental Nutrition Assistance Program (SNAP); Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); National School Lunch Program; School Breakfast Program; Child and Adult Care Food Program; food security; economic conditions

Acknowledgments

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Contents

Summary	iii
Introduction.....	1
Total Food Assistance Expenditures Fall	2
Participation in SNAP Declines for Third Straight Year	4
Number of WIC Participants Continues To Decline	6
Participation in National School Lunch Program Holds Steady	8
School Breakfast Program Continues To Grow.....	10
The Child and Adult Care Food Program Expands Once Again in Centers	12
Prevalence of Food Insecurity Declines in 2015.....	13
Economic and Social Indicators Related to Participation in the Food and Nutrition Assistance Programs.....	15
ERS Research Update.....	18



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The Food Assistance Landscape FY 2016 Annual Report

Victor Oliveira

What Is the Issue?

At some point during the year, about 1 in 4 Americans participates in 1 or more of 15 domestic food and nutrition assistance programs that provide children and needy families better access to food and a more healthful diet. These programs also represent a significant Federal investment, accounting for over two-thirds of USDA's outlays. This report uses preliminary data from USDA's Food and Nutrition Service (FNS) to examine trends in food and nutrition assistance programs through fiscal 2016. The report also summarizes a recent ERS report that examined trends in the prevalence and severity of household food insecurity in the United States through 2015.

What Did the Study Find?

Spending for USDA's 15 domestic food and nutrition programs totaled \$101.9 billion in fiscal 2016, 2 percent less than the previous fiscal year. This was nearly 7 percent lower than the historical high of \$109.2 billion set in FY 2013.

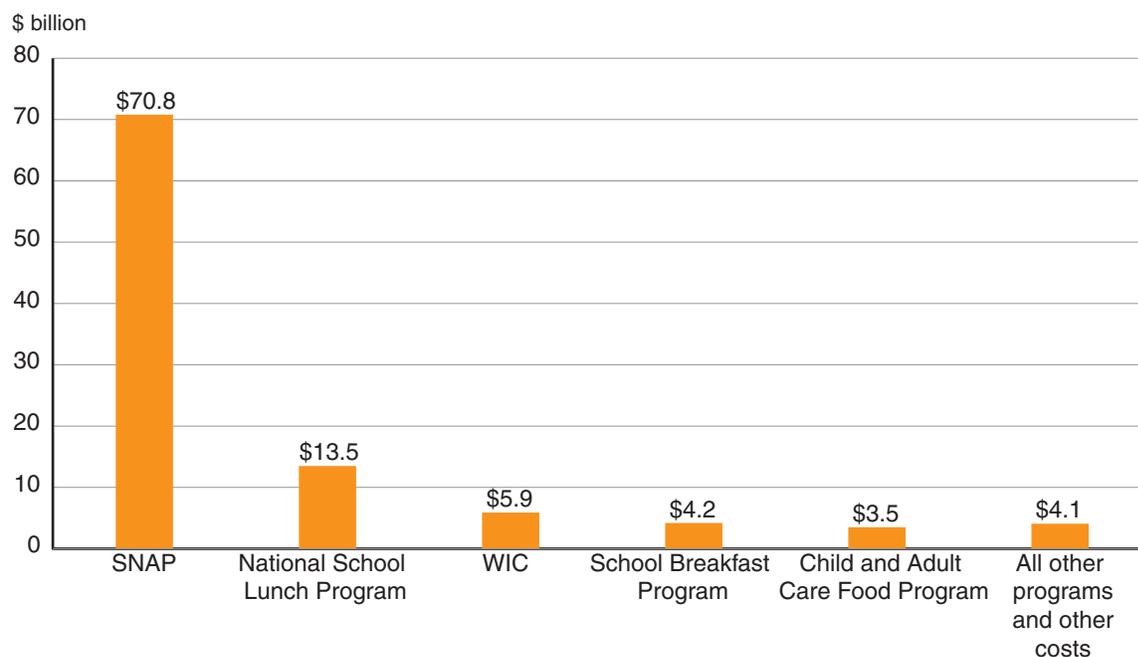
- The Supplemental Nutrition Assistance Program (SNAP)—formerly the Food Stamp Program—accounted for 69 percent of all Federal food and nutrition assistance spending in fiscal 2016. An average 44.2 million persons per month participated in the program, 3 percent fewer than the previous year. FY 2016 marked the third consecutive year that participation decreased.
- An average 7.7 million people per month participated in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program in FY 2016, 4 percent less than the previous year. This was the sixth consecutive year that participation fell.
- Daily participation in the National School Lunch Program averaged 30.3 million in FY 2016, about the same as the previous year. Free lunches comprised two-thirds (66 percent) of all lunches served, reduced-price lunches comprised 7 percent, and full price lunches comprised 27 percent.
- An average of 14.5 million children participated in the School Breakfast Program each school day, 3 percent more than the previous fiscal year. Free breakfasts comprised almost four-fifths (79 percent) of all breakfasts served, reduced-price breakfasts comprised 6 percent and full price breakfasts comprised 15 percent.

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Summary figure 1

Food and nutrition assistance expenditures by program, FY 2016

Five programs accounted for 96 percent of total expenditures



SNAP = Supplemental Nutrition Assistance Program.

WIC = Special Supplemental Nutrition Program for Women, Infants, and Children.

Note: All other programs and costs include expenditures for all other programs not listed as well as administrative and other costs. Expenditures for all food and nutrition assistance programs totaled \$101.9 billion.

Source: USDA, Food and Nutrition Service.

- A total of almost 2.1 billion meals were served through the Child and Adult Care Food Program, 3 percent more than in the previous year.

An estimated 12.7 percent of U.S. households (or 15.8 million households containing 42.2 million people) were food-insecure at least some time in 2015, significantly less than in 2014. Fifty-nine percent of food-insecure households participated in one or more of the three largest food and nutrition assistance programs (i.e., SNAP, National School Lunch Program, or WIC) in the month prior to the survey.

How Was the Study Conducted?

In this report, the Economic Research Service uses preliminary data from USDA's Food and Nutrition Service (FNS)—the agency responsible for administering the food and nutrition assistance programs—to examine trends in these programs through fiscal 2016 (October 1, 2015 to September 30, 2016). The report also summarizes a recent ERS report that examined trends in the prevalence and severity of household food insecurity in the United States through 2015 and highlights another recent ERS report that examined the effect of SNAP benefits on food spending.

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Introduction

About 1 in 4 Americans participates in at least 1 of the U.S. Department of Agriculture's (USDA) 15 domestic food and nutrition assistance programs at some point during the year. Together these programs—which vary by size, type of benefits provided, and target population—form a nutritional safety net for millions of children and low-income adults. These programs represent a significant Federal investment, accounting for over two-thirds of USDA's annual budget. USDA's Economic Research Service (ERS) conducts studies and evaluations of these programs.

This report uses preliminary data from USDA's Food and Nutrition Service (FNS), the agency responsible for managing the programs, to examine trends in the food and nutrition assistance programs through fiscal 2016 (October 1, 2015 to September 30, 2016). The report also looks at trends in economic and social indicators that affect participation in and spending on food and nutrition assistance programs. In addition, the report highlights a recent ERS study that examined the prevalence and severity of household food insecurity in the United States through 2015 and summarizes another recent ERS publication that examined the effect of SNAP benefits on food spending.

Total Food Assistance Expenditures Fall

Federal food expenditures for USDA's domestic food and nutrition assistance programs totaled \$101.9 billion in fiscal 2016, or 2 percent less than the previous fiscal (October 1-September 30) year (table 1). This was about 7 percent lower than the historical high of \$109.2 billion set in FY 2013 (fig. 1). (Note: all references to expenditures in this report refer to nominal—i.e., not adjusted for inflation—Federal expenditures).

Table 1
USDA nutrition assistance at a glance, FY 2015 and FY 2016

Program		FY 2015	FY 2016	Percent change
SNAP	Average monthly participation (millions)	45.8	44.2	-3.4
	Average benefit per person (\$/month)	126.81	125.51	-1.0
	Total annual expenditures (\$ billions)	73.9	70.8	-4.3
WIC	Average monthly participation (millions)	8.0	7.7	-4.2
	• Women	1.9	1.8	-4.5
	• Infants	1.9	1.9	-3.4
	• Children	4.2	4.0	-4.4
	Food cost per person (\$/month)	43.37	42.62	-1.7
	Total expenditures (\$ billions)	6.2	5.9	-4.4
National School Lunch Program	Average daily participation (millions)	30.5	30.3	-0.7
	• Free	19.8	20.0	1.0
	• Reduced price	2.2	2.0	-8.0
	• Full price	8.5	8.2	-2.7
	Total expenditures (\$ billions)	13.0	13.5	3.7
School Breakfast Program	Average daily participation (millions)	14.0	14.5	3.3
	• Free	11.1	11.5	3.8
	• Reduced price	0.9	0.9	-4.3
	• Full price	2.1	2.2	3.7
	Total expenditures (\$ billions)	3.9	4.2	7.5
Child and Adult Care Food Program	Meals served in:			
	• Childcare centers (millions)	1,420.0	1,492.3	5.1
	• Family daycare homes (millions)	525.9	511.3	-2.8
	• Adult daycare centers (millions)	73.5	76.3	3.8
	Total expenditures (\$ billions)	3.3	3.5	5.8
All programs	Total expenditures (\$ billions)	104.4	101.9	-2.3

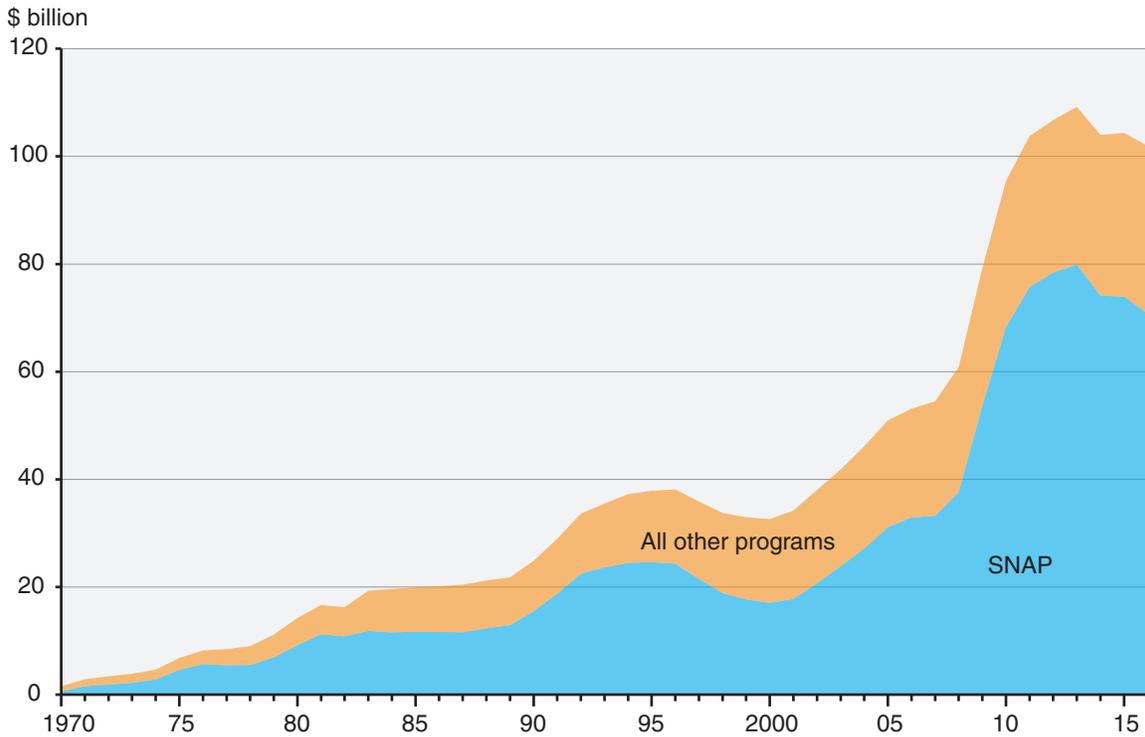
SNAP = Supplemental Nutrition Assistance Program.

WIC = Special Supplemental Nutrition Program for Women, Infants, and Children.

Note: Figures are based on preliminary data provided by USDA, Food and Nutrition Service as of December 2016 and are subject to change. Total program expenditures include figures from other programs not shown in the table.

Source: USDA, Economic Research Service, using data from USDA, Food and Nutrition Service.

Figure 1
USDA expenditures for food assistance, fiscal 1970-2016
Food assistance expenditures fall in FY 2016



SNAP = Supplemental Nutrition Assistance Program.

Source: USDA, Economic Research Service using data from USDA, Food and Nutrition Service.

The five largest programs in fiscal 2016—the Supplemental Nutrition Assistance Program (SNAP); the National School Lunch Program; the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); the School Breakfast Program; and the Child and Adult Care Food Program—accounted for 96 percent of total USDA expenditures for domestic food and nutrition assistance. Expenditures increased for some of these programs but decreased for others in fiscal 2016.

Participation in SNAP Declines for Third Straight Year

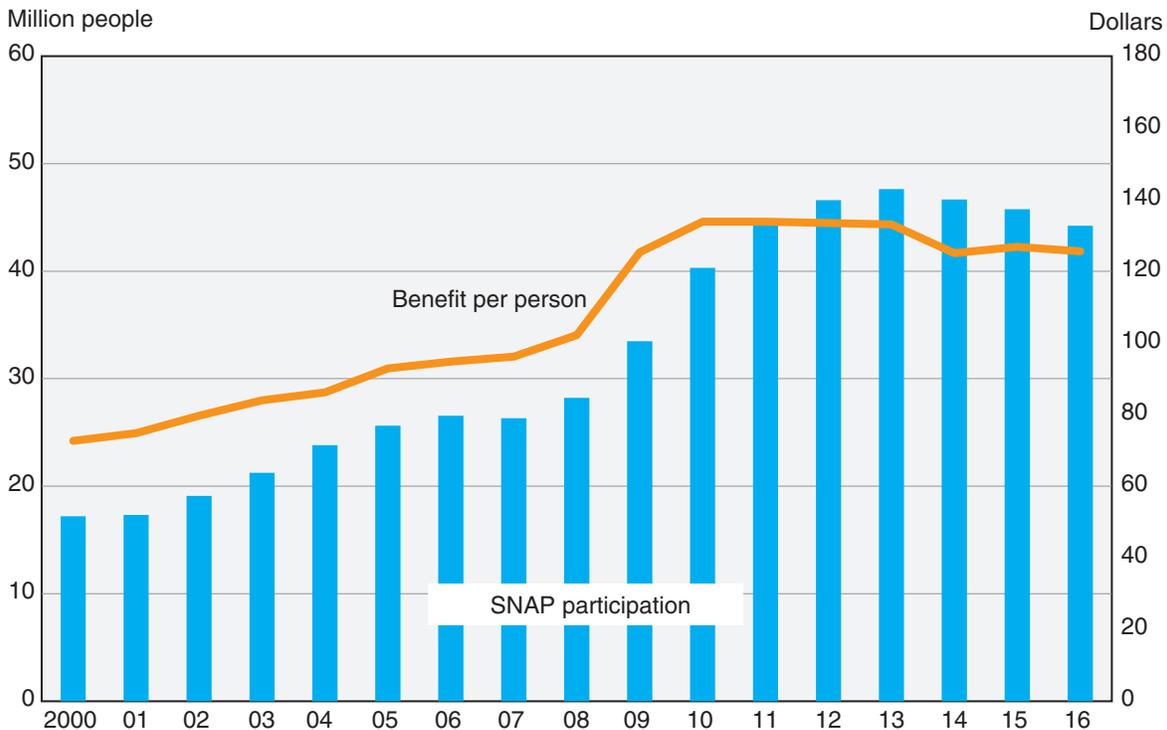
The Supplemental Nutrition Assistance Program (SNAP)—formerly the Food Stamp Program—is the cornerstone of USDA’s food and nutrition assistance programs, accounting for 69 percent of all Federal food and nutrition assistance spending in fiscal 2016. The program provides monthly benefits for eligible participants to purchase food items at authorized retail food stores. SNAP benefits can be redeemed for most types of food but cannot be used to purchase tobacco, alcohol, hot foods, or foods intended to be eaten in the store (except by people who cannot cook for themselves). Unlike other food and nutrition assistance programs that target specific groups, SNAP is available to most needy households with limited income and assets (subject to certain work and immigration status requirements). During fiscal 2016:

- An average 44.2 million persons per month participated in the program, 3 percent fewer than the previous fiscal year. This was also the fewest participants since FY 2010 and 7 percent less than the historical high of an average 47.6 million per month in FY 2013.
- FY 2016 marked the third consecutive year that participation decreased after increasing in 12 of the previous 13 years (fig. 2). The decrease in 2016 was likely due in part to the country’s continued economic growth as well as the reinstatement in many States of the time limit—3 months of SNAP within any 3-year period—on participation for able-bodied adults without dependents (ABAWDs).

Figure 2

Average monthly SNAP participation and per person SNAP benefit, FY 2000-2016

Both participation and per person benefit fall in FY 2016



SNAP = Supplemental Nutrition Assistance Program.

Source: USDA, Food and Nutrition Service.

- About 14 percent of the Nation's population participated in the program in an average month.
- Per-person benefits averaged \$125.51 per month, 1 percent less than the previous fiscal year and 6 percent less than the historical high of \$133.85 set in FY 2011. The American Recovery and Reinvestment Act of 2009 (ARRA), also known as the Stimulus Act, temporarily increased benefit levels in SNAP from April 2009 to November 2013.
- Reflecting both the decrease in participation and the decrease in average benefits, Federal spending for SNAP totaled \$70.8 billion, 4 percent less than the previous fiscal year. This was also 11 percent less than the historical high of \$79.9 billion set in FY 2013.

Number of WIC Participants Continues To Decline

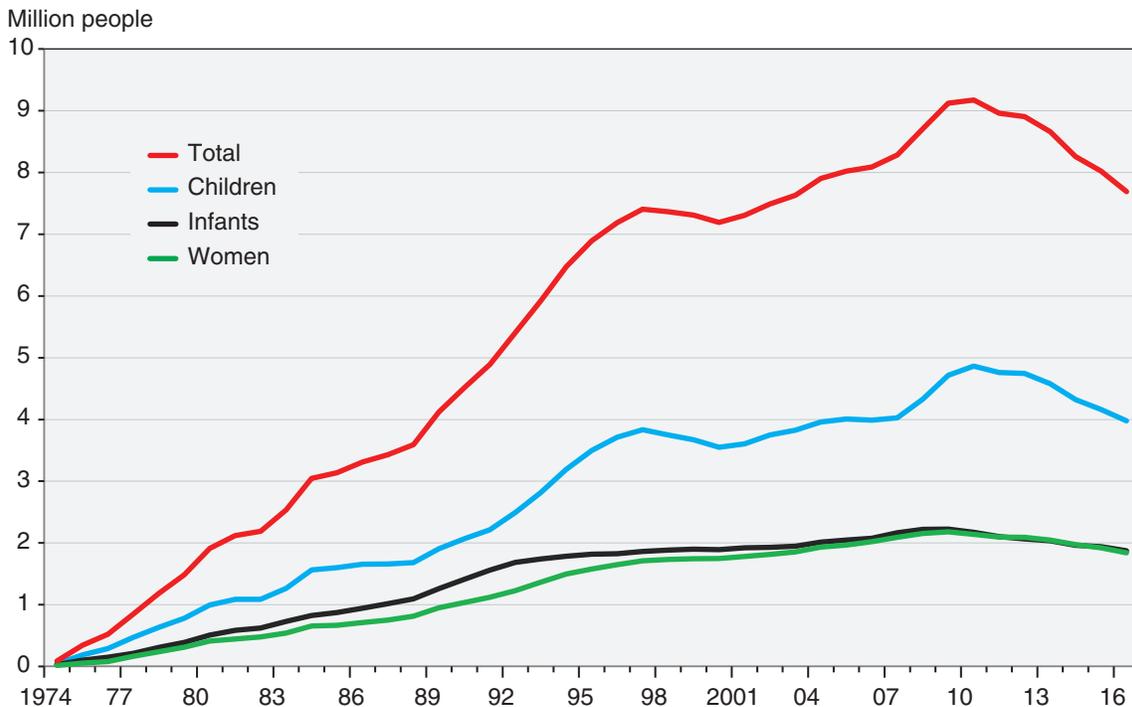
The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) helps safeguard the health of low-income pregnant, breastfeeding, and postpartum women as well as infants and children up to age 5 who are at nutritional risk by providing supplemental foods, nutrition education, and health care referrals at no cost to participants. The foods are designed to supplement the energy and nutritional needs of the target population. To be eligible on the basis of income, applicants' income must be at or below 185 percent of poverty. A person who participates or who has certain family members who participate in other benefits programs such as SNAP, Medicaid, or Temporary Assistance for Needy Families (TANF) automatically meets the income eligibility requirement. During fiscal 2016:

- An average 7.7 million people per month participated in the program, 4 percent fewer than the previous fiscal year (fig. 3). This was the fewest number of participants in 13 years.
- Children made up more than half (52 percent) of all participants, while women and infants each comprised about 24 percent.
- The number of children and women participating in WIC each fell by 4 percent, and the number of infants fell by 3 percent. This marked the sixth consecutive fiscal year—and only the sixth year in the program's history—that participation for all three groups fell.

Figure 3

Average monthly WIC participation, FY 1974-2016

Participation for each of the three participant groups fell for the sixth consecutive year in FY 2016



WIC = Special Supplemental Nutrition Program for Women, Infants, and Children.

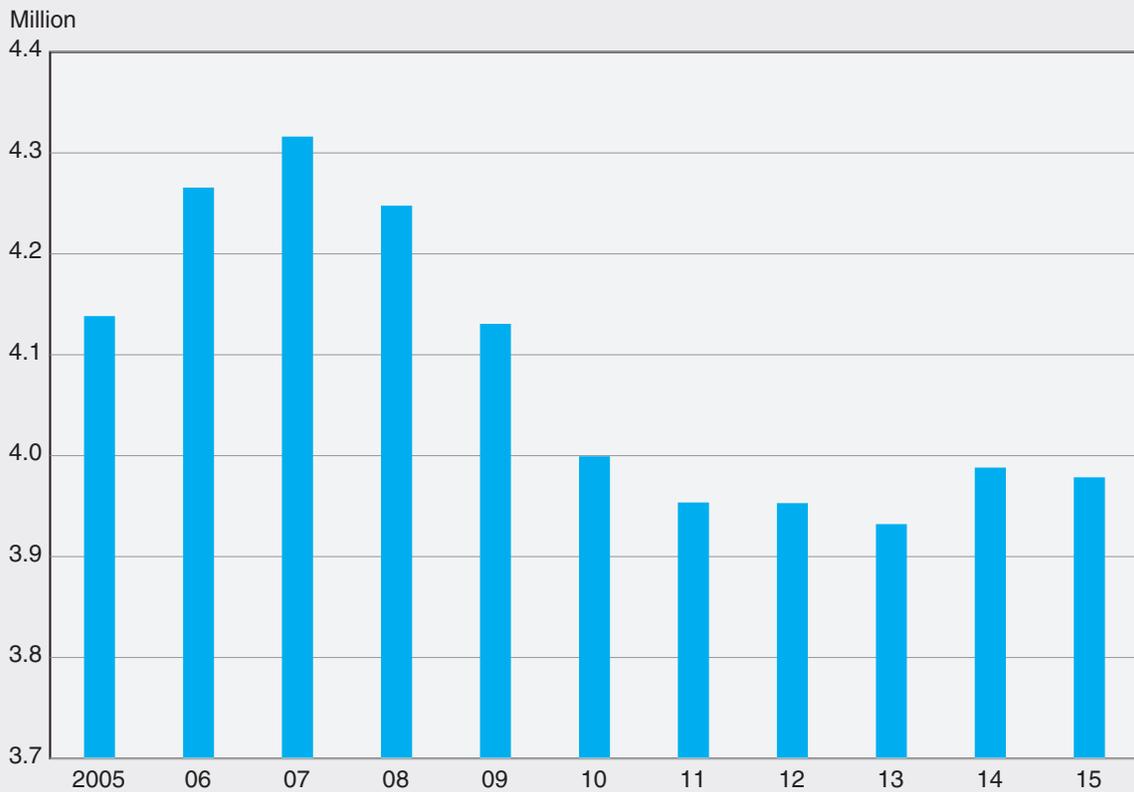
Source: USDA, Food and Nutrition Service.

- Food costs per person averaged \$42.62 per month or about 2 percent less than the previous fiscal year.
- Spending on the program totaled \$5.9 billion, 4 percent less than the previous fiscal year and 18 percent less than the historical high of \$7.2 billion set in FY 2011.

Number of Births in the United States

Although improving economic conditions have reduced the demand for WIC in recent years, another likely factor in the decrease in the number of WIC participants since FY 2010 is the decline in the number of births in the United States. WIC is heavily influenced by the number of births: the participation of infants and pregnant, breastfeeding, and postpartum women all occur within a short window surrounding a birth event. Furthermore, because the number of children is influenced by the number of births in previous years, declining births can also have a cumulative and long lasting impact on the number of children participating in WIC. After peaking in 2007, the number of births declined in 7 of the next 8 years.

U.S. births, 2005-2015



Source: National Center for Health Statistics.

Participation in National School Lunch Program Holds Steady

The National School Lunch Program provides nutritious lunches at low or no cost to students at school and snacks to children participating in after-school care programs. Schools that participate in the program receive cash and some commodities from USDA to offset the cost of operating the program. In return, schools must serve lunches that meet Federal nutrition requirements and offer free or reduced-price lunches to children from low-income families. Any child at a participating school may participate in the program. Children from families with incomes at or below 130 percent of the Federal poverty guidelines are eligible for free meals, and those from families with incomes between 130 percent and 185 percent of the poverty guidelines are eligible for reduced-price meals. Children from families with incomes over 185 percent of the poverty guidelines pay full price, although their meals are still subsidized to a small extent.

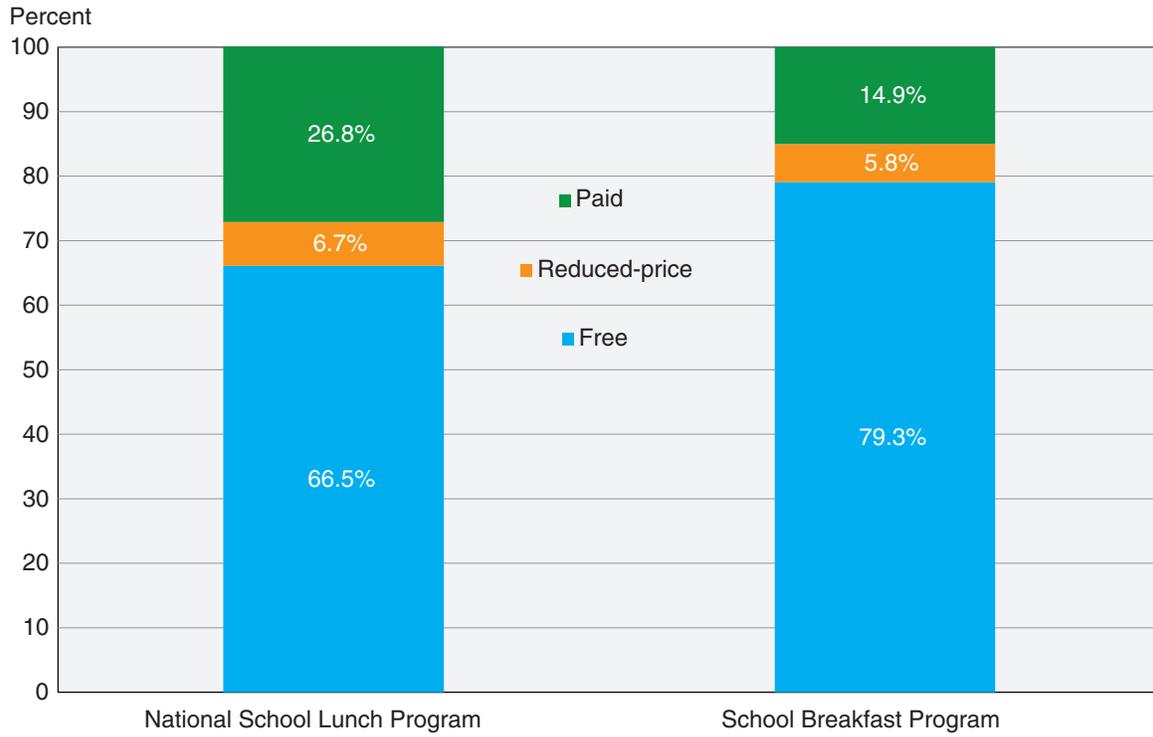
The Community Eligibility Provision (CEP), initiated in the Healthy, Hunger-Free Kids Act of 2010, allows schools and local educational agencies in high-poverty communities to offer free breakfast and lunch to all students. CEP eliminates the burden of collecting household applications to determine eligibility for school meals and simplifies how schools are reimbursed for meals. Eligibility to participate in CEP and the Federal reimbursement for CEP schools is based on the percentage of enrolled students who participate in other means-tested programs, such as SNAP. During fiscal 2016:

- On average 30.3 million children participated in the program each school day, 0.7 percent fewer than in the previous fiscal year and about 5 percent fewer than in fiscal 2010 and 2011 (when an average 31.8 million participated).
- Free lunches comprised two-thirds (67 percent) of all lunches served, reduced-price lunches comprised 7 percent, and full price lunches comprised 27 percent (fig. 4).
- The share of meals served free or reduced-price increased from 72 percent in fiscal 2015 to 73 percent in fiscal 2016, the 9th consecutive year that cohort has increased.
- Spending for the program totaled \$13.5 billion, 4 percent more than in the previous fiscal year. This increase in expenditures reflected, at least in part, the percentage increase in free meals (which are more heavily subsidized) claimed in the program. Federal reimbursement rates for school lunches (and breakfasts) in school year 2015-16 were higher than the previous school year due to an increase in the Consumer Price Index for food away from home (reimbursement rates for school meals are adjusted annually for inflation).

Figure 4

Share of school meals served by type of reimbursement, FY 2016

Most school meals are served free to students



Source: USDA, Food and Nutrition Service.

School Breakfast Program Continues To Grow

The School Breakfast Program provides federally subsidized breakfasts to schoolchildren in participating schools. Students from low-income families receive either free or reduced-price meals (eligibility requirements are the same as those for the National School Lunch Program). Schools that participate in the program receive cash from USDA to offset the cost of operating the program. Participating schools receive higher “severe need” reimbursements when 40 percent or more of their lunches were served free or at a reduced price during the second preceding school year. During fiscal 2016:

- An average of 14.5 million children participated in the program each school day, or 3 percent more than the previous fiscal year.
- Similar to the previous year, free breakfasts comprised almost four-fifths (79 percent) of all breakfasts served, reduced-price breakfasts comprised 6 percent, and full-price breakfasts comprised 15 percent (fig. 4).
- Spending totaled \$4.2 billion, 7 percent more than in the previous year, making it the fastest growing of all the major food assistance programs in terms of expenditures.

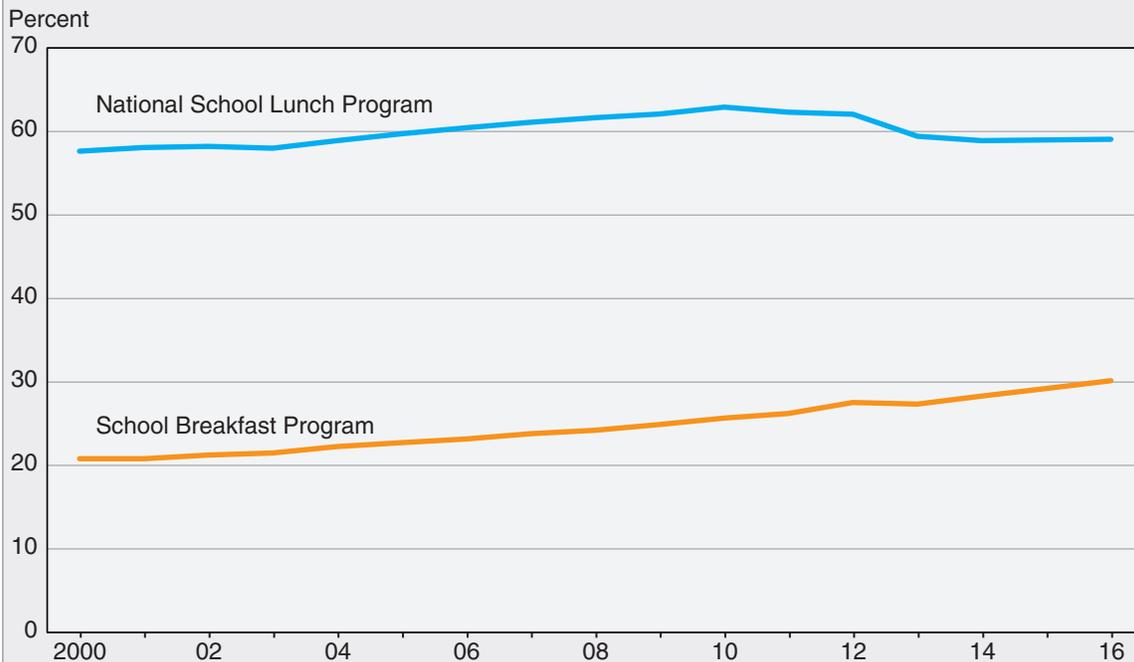
School Meals Participation Rates

The number of children participating in the National School Lunch Program and the School Breakfast Program is a function of the number of children enrolled in schools that participate in the programs as well as the share of children in those schools who participate (the participation rate). Since the School Breakfast Program was permanently authorized in 1975, the number of schools participating in the program has been smaller than the number of schools participating in the National School Lunch Program, which was established in 1946. However, as program funding increased and grants to schools to help start the program became more available, the number of schools participating in the School Breakfast Program grew steadily. By FY 2016, the School Breakfast Program was available to about 94 percent of children who had access to the National School Lunch Program.

Throughout its history, the participation rate in the School Breakfast Program has been much lower than in the National School Lunch Program. Until FY 2010, the participation rates in both the National School Lunch Program and the School Breakfast Program generally increased. However, starting around FY 2011, the trend in participation rates diverged. While the participation rate in the School Breakfast Program continued to increase (reaching 30 percent of enrollment in participating schools in FY 2016), the participation rate in the National School Lunch Program decreased from FY 2011 to FY 2013 and has remained flat since (standing at 59 percent in 2016).

Participation rate in the National School Lunch Program and the School Breakfast Program, fiscal 2000-2016

Trends in the participation rate between the programs started to diverge after fiscal 2010



Note: Participation rate equals the number of children participating divided by the enrollment in participating schools and institutions.

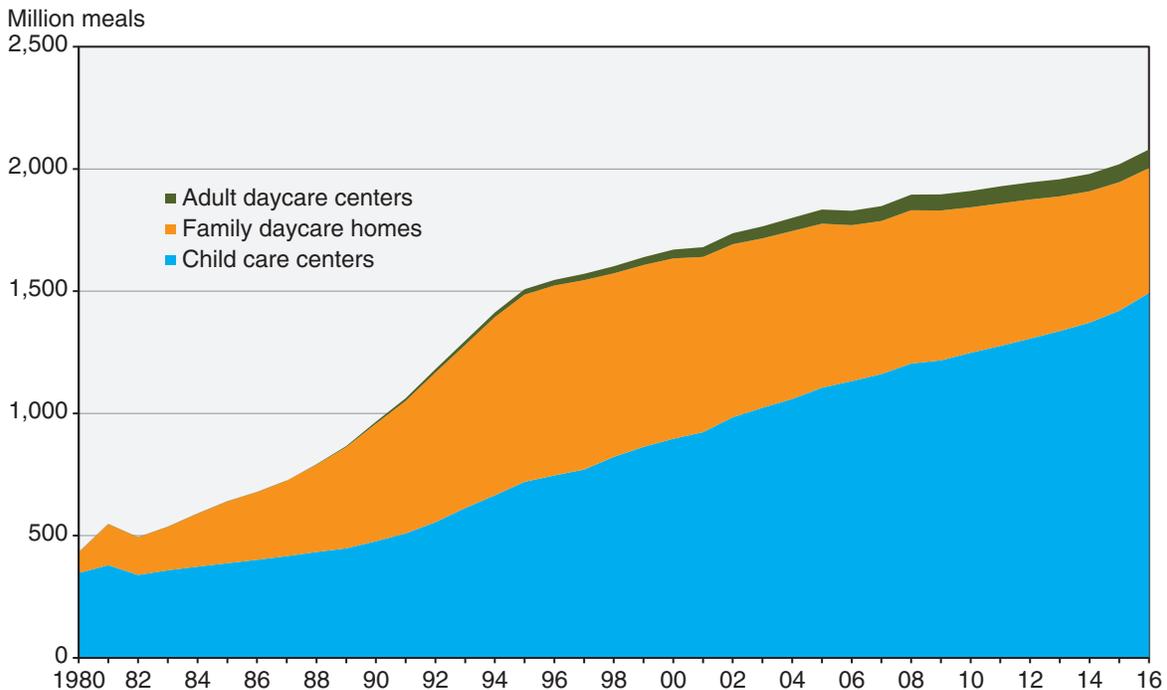
Source: USDA, Food and Nutrition Service.

The Child and Adult Care Food Program Expands Once Again in Centers

The Child and Adult Care Food Program (CACFP) subsidizes healthy meals and snacks in participating childcare centers, daycare homes, and adult daycare facilities. Care providers are reimbursed for each type of qualifying meal (breakfast, lunch/supper, or snack) they serve. In addition to cash reimbursement, USDA makes donated agricultural foods or cash (in lieu of donated foods) available to institutions participating in CACFP. During fiscal 2016:

- Almost 2.1 billion meals were served, 3 percent more than in the previous year. Childcare centers accounted for 72 percent of all meals served, family daycare homes 25 percent, and adult daycare centers 4 percent (fig. 5).
- The number of meals served increased by 5 percent in childcare centers and by 4 percent in adult daycare centers, while the number of meals served in family daycare homes decreased by 3 percent. The decline in the number of meals served in family daycare homes is a continuation of a general trend that that began in FY 1997.
- Program expenditures—which are adjusted annually for inflation—totaled \$3.5 billion, 6 percent more than in the previous year. The program has expanded almost continuously since it was established in 1968.

Figure 5
Meals served in the CACFP by type of provider, FY 1980-2016
Childcare centers are responsible for most of meals served in the CACFP



CACFP = Child and Adult Care Food Program.
 Source: USDA, Food and Nutrition Service.

Prevalence of Food Insecurity Declines in 2015

Food security—access by all people at all times to enough food for an active, healthy life—is one of several conditions necessary for a population to be healthy and well nourished. Food-insecure households are those that, at times, were unable to acquire adequate food for one or more household members because they have insufficient money or other resources for food. Food-insecure households are further classified as having either low food security or very low food security. In the more severe range of food insecurity—very low food security—the eating patterns of one or more household members were disrupted and their food intake reduced, at least some time during the year, because they could not afford enough food.

USDA's food and nutrition assistance programs increase food security by providing low-income households access to food, a healthful diet, and nutrition education. USDA monitors the prevalence and severity of household food insecurity in the United States through an annual nationally representative food security survey sponsored by ERS. Household food security status is based on responses to a questionnaire about food-insecure conditions experienced by household members in the prior 12 months. Results from the survey are reported in a series of annual reports. The most recent available data are from the December 2015 survey. During 2015:

- An estimated 12.7 percent of U.S. households (or 15.8 million households containing 42.2 million people) were food-insecure at least some time during the year, significantly less than the previous year (table 2 and fig. 6).
- A total of 5.0 percent of all households (6.3 million households) had very low food security, also significantly less than the previous year. On average, households classified as having very low food security experienced the condition in 7 months of the year, for a few days in each of those months.
- Among households with children under age 18, 16.6 percent were food insecure at some time during 2015. In about half of food-insecure households with children, only adults were food insecure (8.8 percent of households with children); in the rest (i.e., 7.8 percent of households with children), children were also food insecure. In 0.7 percent of households with children (274,000 households), food insecurity among children was so severe that caregivers reported that children were hungry, skipped a meal, or did not eat for a whole day because there was not enough money for food.
- Rates of food insecurity were higher than the national average (12.7 percent) for households with children headed by a single woman (30.3 percent) or a single man (22.4 percent); households headed by Black, non-Hispanics (21.5 percent) and Hispanics (19.1 percent); low-income households with incomes below 185 percent of the poverty threshold (32.8 percent); and households located in nonmetropolitan (rural) areas (15.4 percent).
- The typical food-secure household spent 27 percent more for food during 2015 than the typical food-insecure household of the same size and composition.
- Fifty-nine percent of food-insecure households in the month prior to the survey participated in SNAP, WIC, and/or received a free or reduced-price lunch in the National School Lunch Program.

Table 2

U.S. food security at a glance

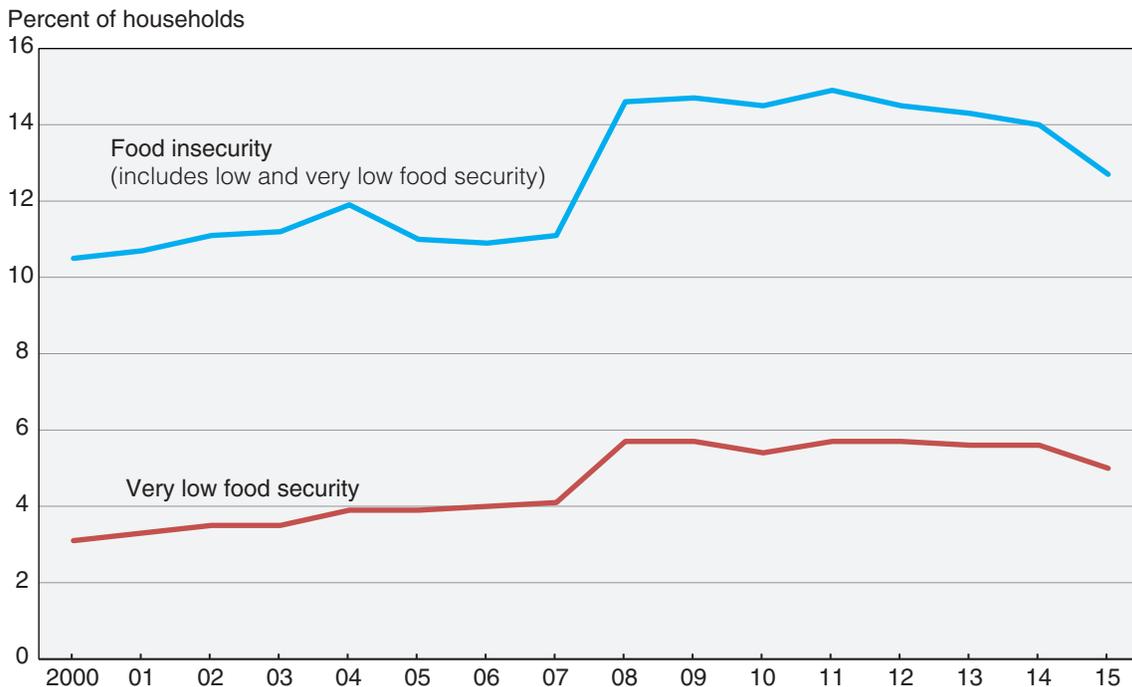
Food security status	2014		2015	
	<i>Thousands</i>	<i>Percent</i>	<i>Thousands</i>	<i>Percent</i>
All households	124,044	100.0	125,164	100.0
• Food-secure households	106,618	86.0	109,315	87.3
• Food-insecure households	17,426	14.0	15,849	12.7
— With low food security	10,488	8.4	9,540	7.7
— With very low food security	6,938	5.6	6,309	5.0
All households with children	39,079	100.0	38,978	100.0
• Food-secure households	31,590	80.8	32,519	83.4
• Food-insecure households	7,489	19.2	6,459	16.6
— With food-insecure children	3,665	9.4	3,022	7.8
— With very low food security among children	422	1.1	274	0.7

Source: USDA, Economic Research Service, *Household Food Security in the United States in 2015*, ERR-215, September 2016.

Figure 6

Percent of households experiencing food insecurity and very low food security, 2000-2015

Prevalence of food insecurity and very low food security falls in 2015



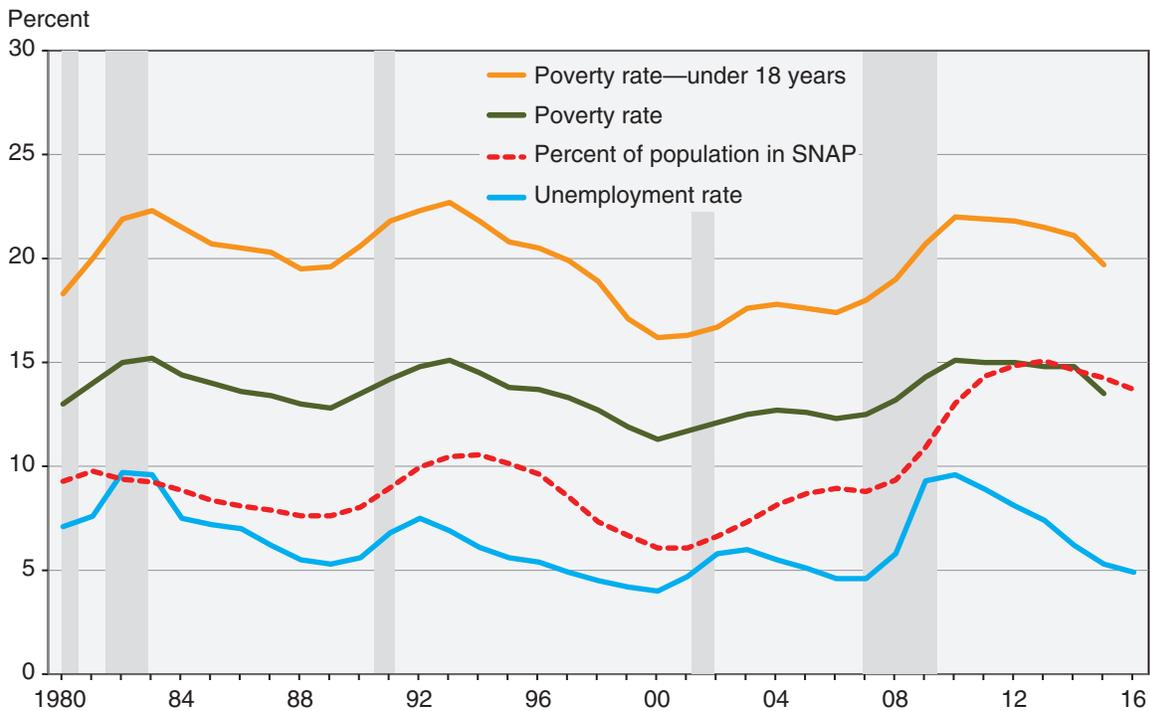
Source: USDA, Economic Research Service, *Household Food Security in the United States in 2015*, ERR-215, September 2016.

Economic and Social Indicators Related to Participation in the Food and Nutrition Assistance Programs

Economic and demographic conditions affect participation in and spending on food assistance programs by influencing (1) the size of the eligible population, (2) the rate of participation among eligible people, and (3) benefit levels.

As means-tested programs, the number of persons eligible for USDA’s food and nutrition assistance programs is inherently linked to the economy. In particular, there is a strong association between economic conditions and SNAP caseloads. SNAP is one of the Nation’s primary countercyclical programs, expanding during economic downturns and contracting during periods of economic growth. The share of the population in SNAP generally tracks the poverty rate and—to lesser degrees—the unemployment rate and the poverty rate for children under age 18 (fig. 7). However, the improvement in economic conditions during the early stage of recovery may take longer to be felt by lower educated, lower wage workers who are more likely to receive SNAP benefits, resulting in a lagged response of SNAP participation to a reduction in the unemployment rate.

Figure 7
Percentage of population in SNAP and selected economic indicators, 1980-2016



SNAP = Supplemental Nutrition Assistance Program.
 Note: Gray vertical bars indicate recession. Recessions: January 1980 to July 1980, July 1981 to November 1982, July 1990 to March 1991, March 2001 to November 2001, December 2007 to June 2009.
 Source: USDA, Food and Nutrition Service; U.S. Department of Labor, U.S. Bureau of Labor Statistics; and U.S. Department of Commerce,

In general, economic conditions have improved in recent years (table 3). For example, in 2016:

- The number of employed persons grew by 2.6 million.
- The unemployment rate fell to 4.9 percent, the 6th consecutive year the unemployment rate fell, and the lowest rate since 2007.
- Real gross domestic product (GDP) increased by 1.6 percent.
- The average price of food as measured by the Consumer Price Index (CPI) increased by 0.3 percent. The CPI for food away from home increased by 2.6 percent while the CPI for food at home decreased by 1.3 percent.

Income and poverty data from the U.S. Census Bureau indicate that in 2015 (the latest data available):

- The number of people in poverty fell by 3.5 million.
- The poverty rate fell to 13.5 percent, a decrease of 1.2 percentage points from 2014.
- Real median household income increased by 5.2 percent, the first increase in median household income since 2007.

Table 3
Selected economic and social indicators, 2013-16

Indicator	2013	2014	2015	2016
Population in July (millions)	316.4	318.9	321.4	323.9 (PJ)
Births (1,000)	3,932	3,988.1	3,979	NA
School enrollment (1,000)	55,036 (PJ)	54,965 (PJ)	54,994 (PJ)	55,077 (PJ)
Prekindergarten-grade 8 (1,000)	39,045 (PJ)	38,938 (PJ)	38,926 (PJ)	39,010 (PJ)
Grades 9-12 (1,000)	15,990 (PJ)	16,026 (PJ)	16,067 (PJ)	16,067 (PJ)
Employed persons (1,000)	143,929	146,305	148,834	151,436
Unemployed persons (1,000)	11,460	9,617	8,296	7,751
Unemployment rate (percent)	7.4	6.2	5.3	4.9
Labor force participation rate (percent)	63.2	62.9	62.7	62.8
Persons in poverty (1,000)	46,269	46,657	43,123	NA
Poverty rate (percent)	14.8	14.8	13.5	NA
Children in poverty (1,000)	15,801	15,540	14,509	NA
Poverty rate for children (under age 18)	21.5	21.1	19.7	NA
Median household income (2014 dollars)	54,525	53,718	56,516	NA
CPI for all items (percent change)	1.5	1.6	0.1	1.3
CPI for food (percent change)	1.4	2.4	1.9	0.3
CPI for food at home	0.9	2.4	1.2	-1.3
CPI for food away from home	2.1	2.4	2.9	2.6
Real GDP (percent change)	1.7	2.4	2.6	1.6

CPI = Consumer Price Index.

GDP = Gross Domestic Product.

NA = Data not available.

(PR) = Provisional.

(PJ) = Projected.

Population data come from the U.S. Census Bureau.

Birth data come from the National Center for Health Statistics.

School enrollment data come from the National Center for Education Statistics.

Employment, unemployment, and labor force participation data come from the Bureau of Labor Statistics.

Poverty and household income data come from the U.S. Census Bureau.

CPI data come from the Bureau of Labor Statistics.

GDP data come from the Bureau of Economic Analysis.

ERS Research Update

ERS research related to domestic food and nutrition assistance is conducted internally by ERS staff as well as through a portfolio of ERS-funded extramural research projects and partnerships. ERS has compiled a web-accessible database of over 1,000 peer-reviewed reports based on this research (searchable by title, author, year of publication, and topic area): <https://data.ers.usda.gov/FANRP-research-reports-articles-database.aspx>. Among the ERS research reports released in fiscal 2016, one examined the effect of SNAP benefits on food spending.

The Stimulus Act of 2009 and Its Effect on Food-At-Home Spending by SNAP Participants, ERR-213, August 2016. Because SNAP accounts for most of USDA's food and nutrition assistance budget, policymakers and their constituents are particularly interested in how SNAP participation and benefit levels affect the spending behavior of low-income households. For example, anti-hunger advocates and policymakers sometimes differ on how food assistance should be issued. Cash allows households to optimize spending based on their preferences and needs, while in-kind transfers can direct household spending to specific items such as food.

The American Recovery and Reinvestment Act (ARRA), commonly known as the Stimulus Act, was implemented in 2009 to help mitigate the consequences of the Great Recession of 2007-09. ARRA increased maximum monthly benefits for participating households by nearly 14 percent; for a family of 4, this equated to an \$80 increase in maximum monthly benefit (from \$588 to \$668). The temporary increase in benefits (benefit increases ended in October 2013) provided a unique opportunity to measure how participants respond to changes in benefit levels.

A recent ERS report examined how SNAP participant households responded to the large increase in benefits after ARRA and compared these results to the predictions of neoclassical theory. Neoclassical theory treats income as fungible: \$5 can be used to buy children's clothing as easily as food at the grocery store. Likewise, for many SNAP households that use both cash and SNAP EBT (electronic benefit transfers) to buy food at the grocery store, additional SNAP benefits can free up cash for nonfood purchases. Because of this, neoclassical theory expects households who spend more on food than they receive in SNAP benefits to treat in-kind benefits such as SNAP no differently than the equivalent amount of cash. This implies that the ARRA-induced increase in benefits should not cause households to buy more food than they would with extra cash of the same amount. In other words, an \$80 increase in SNAP benefits should not cause households to behave differently than had they received an \$80 increase in cash. Or, as theory indicates, a household's marginal propensity to spend (MPS) out of SNAP is equivalent to its marginal propensity to spend out of cash, where MPS is defined as the proportion of the change in income a household spends (versus saves).

The report examined the effects of the ARRA-induced increase in benefits by estimating the effect on households' food-at-home share of total expenditures. (Households whose benefit levels were greater or equal to food spending were dropped from the sample.) Among the entire SNAP population, for every additional \$1 received in benefits, a household was found to spend 53 cents on food at home (that is, MPS on food out of SNAP = .53). This implies that the additional 47 cents is allocated to other household expenditures. By contrast, previous studies comparing SNAP and cash income have found that every additional \$1 received in cash will result in just 5-10 cents more spent on food. So, not only did SNAP households' food expenditures increase after the implementation of ARRA, but they increased more than would be expected if the benefit was in the form of cash income. That is, SNAP benefits provide a larger boost to food-expenditure share than an equal amount of cash.

SNAP households are only allowed to use benefits on food at home: restaurant and takeout food (known as food away from home) cannot be purchased using SNAP. The ERS report found that the food-away-from-home share of total expenditures did not change after ARRA, implying that higher benefits disproportionately affected food-at-home spending, above and beyond the income effect (the increase in all household spending due to a higher income). As such, higher SNAP benefits can redirect households' spending behavior toward food at home.

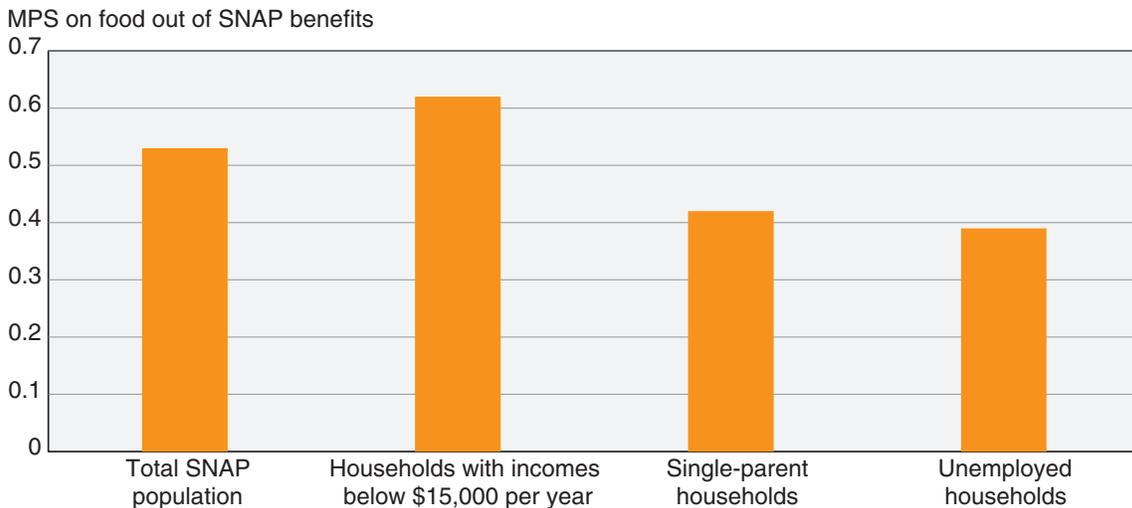
The report also looked at the response to an increase in SNAP benefits for four vulnerable subgroups: households with incomes under \$15,000 per year, single-parent households, elderly households, and households with an unemployed member (fig. 8). The lowest income, single-parent, and unemployed households demonstrated significant increases in the food share of total expenditures after ARRA. The lowest income households demonstrated an MPS of 0.62, single-parent households 0.42, and unemployed households 0.39. This suggests that the lowest income households may be operating close to the margin—that is, their total monthly food expenditure is closer to their SNAP benefits than other participant households. Elderly households showed no significant change in food budget shares after the benefit increase, suggesting they may rely on other forms of income—such as Medicare, Medicaid, and Social Security—to supplement food spending.

The findings indicate that SNAP benefits are not interchangeable with other income because the marginal propensity to spend on food out of SNAP is higher than the propensity to spend out of cash income. This suggests that households budget SNAP benefits differently than cash, a concept known as mental accounting. Mental accounting theorizes that households categorize and spend differently out of different income sources such as salary, assets, or welfare assistance. The mental accounting effect suggests that because households budget SNAP differently than other income, public policies related to SNAP can significantly influence the spending behavior of individuals.

Figure 8

Estimated marginal propensity to spend (MPS) on food out of SNAP benefits

Poorest households had the highest MPS on food out of SNAP benefits



SNAP = Supplemental Nutrition Assistance Program.

Source: USDA, Economic Research Service, *The Stimulus Act of 2009 and Its Effect on Food-At-Home Spending by SNAP Participants*, ERR-213, August 2016.

Information on food assistance research can be found on the ERS website at www.ers.usda.gov/briefing/foodnutritionassistance and on the FNS Office of Policy Support website at www.fns.usda.gov/ops/research-and-analysis. Information on USDA's food assistance programs can be found at www.fns.usda.gov. For more information on this report, contact Victor Oliveira at victoro@ers.usda.gov.