

FISCAL POLICY NOTES

Food Stamps: Increasing Access Would Boost the New York City Economy

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The Food Stamp Program is our country's primary response to the problem of hunger in America. While food stamps have succeeded in addressing severe hunger in the United States and here in New York City, over a quarter of those eligible for food stamps do not receive this critical food assistance. And beyond assisting those who need food stamps to help feed their families and make ends meet, food stamps have an often-overlooked, broader economic impact. The ripple effect of these federal dollars gives a significant boost to local economies, particularly in low-income neighborhoods most in need of economic stimulus.

New York City has significantly improved food stamp reciprocity in recent years. Nearly one-third more New Yorkers received food stamps in 2005 than in 2002, an increase of over 250,000 people. As of July 2006, the latest month for which data are available, there were 1.1 million New York City residents living in 588,022 households receiving food stamps.

Yet, according to the latest estimates, there are still over 400,000 New Yorkers who are eligible but not receiving food stamps. Under the federal food stamp program, benefits are 100 percent funded by the federal government, with the city and the state picking up some of the administrative costs. Food stamp spending has a substantial economic and employment impact in grocery stores in New York City, and a spillover effect in supplier and related industries. Stepped-up efforts are needed in New York City to increase food stamp participation, both to address the food needs of low-income households as well as to pump additional spending power into low-income neighborhoods.

This report provides an updated estimate of the number of New York City residents who are eligible for food stamps, but not currently receiving these benefits, and estimates the economic impact of food stamp spending in New York City.

The impact of food stamps in New York City today

- During calendar year 2005, food stamp spending in New York City totaled \$1.431 billion. This represented an average monthly benefit of \$110 per person for 1,084,739 individuals. All of these benefits were paid for with federal funds.
- This spending means more food needs to be stocked and checked out, and thus more employment in grocery stores, including supermarkets, green grocers or bodegas. The \$1.4 billion in 2005 food stamp spending accounted for upwards of 6,100 jobs in New York City grocery stores and an additional 3,300 in other industries in the city – wholesalers, bakeries and other food manufacturers and small businesses of many kinds. A total of 9,400 jobs in New York City can be traced to current levels of food stamp spending.

- The total compensation of the 6,100 grocery store workers whose jobs depend on food stamps equals nearly \$150 million. In addition, since many groceries are “mom-and-pop” stores such as green grocers and bodegas, food stamp purchases generate about \$25 million in proprietors’ income in grocery stores a year.
- Counting the combined impact of wages, proprietors’ incomes, other business income and purchases from other businesses and related effects, food stamp spending generates a total economic impact of \$850 million annually in New York City.

What could be – the impact of expanding the number of households receiving food stamps

- Using data from the federal government’s 2005 American Community Survey, we estimate that there are an additional 410,000 New York City residents who are eligible for food stamps, but not receiving them.
- If all those eligible but not receiving food stamps were to begin participating in the program, there would be an additional \$355 million in spending annually on groceries in New York City. (This calculation takes into account estimates by the U.S. Department of Agriculture, the federal agency administering food stamps, indicating that people who are eligible but not receiving food stamps tend to be eligible for lower benefits. They have slightly higher incomes but are still within the 130 percent of poverty threshold.)
- This additional spending of \$355 million would generate 1,500 jobs in grocery stores and about 800 jobs elsewhere in the New York City economy.
- In addition to 2,300 new jobs, there would also be commensurate increases in wages and proprietors’ income, with much of this impact occurring in the low-income neighborhoods where food stamp residents reside.
- Overall, this 410,000 increase in the number of people receiving food stamps would boost the New York City economy by \$210 million annually, pushing the economic impact of food stamps (from current benefits plus the potential increase) well over the billion dollar mark.

The recent report of the Mayor’s Commission for Economic Opportunity highlighted the critical challenges facing a city in which 340,000 New Yorkers are working but remain in poverty. Among the strategies to address the growing problem of the “working poor,” the Commission recommended that stepped-up efforts are needed to “facilitate enrollment and improve retention” in work support programs such as food stamps so that “many poor households can get the support necessary to meet immediate needs and better plan for their future.” The numbers in this report underscore what’s at stake for New York’s poor and their neighborhoods – an economic payoff that is attainable through expanding food stamp participation.

The Fiscal Policy Institute (FPI) is a nonpartisan research and education organization that focuses on tax, budget, and economic issues that affect the quality of life and the economic well being of New York State residents.

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