



# **Hunger In South Dakota**

And What State Leaders  
Can Do About It

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# Executive summary

Low-income families in South Dakota are struggling. They are struggling to find jobs that pay a living wage. They are struggling to pay rising utility, housing, and health care costs. And, they are struggling with the basic task of putting food on their tables.

This study, the first of its kind, examines the food security of 403 poor and very poor South Dakota families. The participating households, most of whom are clients of Head Start and Native American, answered 33 questions about their food security and additional questions about their involvement with the Food Stamp Program. The study found that for many of these families food insecurity is not a short-term emergency, but a long-term continuing struggle.

## *Key findings about food security*

- Families are concerned about getting enough food: 29 percent reported that they often worried about whether they would run out of food before they got money to buy more. Less than 20 percent of families said that they never worried about this.
- More than a quarter of the adults in the survey said that they went an entire day without food because of lack of money at least once in the past year; one-fifth of this group said this occurred every month.
- For adults living on reservations, one in three said that they did not eat for an entire day at least once in the past year because they were unable to buy food.
- More than a quarter of parents said that they believed their children were not eating enough because they couldn't afford enough food for them.

The most important hunger-prevention tool in South Dakota is the Food Stamp Program. The program provides funds for food (in the form of an electronic benefits card that works much like a debit card) that can be used at grocery stores to buy approved food items. More than 50,000 people in South Dakota currently participate in the program.<sup>1</sup> In 2003, \$50.5 million in food stamp benefits (funded with federal dollars) were provided to participants in South Dakota and spent in local stores.<sup>2</sup>

The Center for Community Change's 403-household study also inquired about Food Stamp Program participation. Due to the low incomes of households in the study, it is likely that all were eligible for benefits.<sup>3</sup> Yet only about 40 percent of the households in the survey were participating in the program. While most of the respondents (99 percent) knew about the existence of the program, two-thirds of the non-participants believed that they were not eligible. The study also revealed significant barriers to applying for the program, all of which can be eliminated by the South Dakota Department of Social Services.

South Dakota can do much to increase the food security among its poor and very poor households. Encouraging potentially eligible families to apply for the Food Stamp Program through a targeted public education campaign (for which federal funds are available<sup>4</sup>) is an important first step. Streamlining and simplifying the process to apply for food stamps is equally important to ensure that eligible families who do inquire about the program are quickly provided benefits.

In addition, South Dakota can address the issue of the grocery tax in a way that will make a real difference for poor and very poor families. While proponents of the grocery tax credit claim that they aim to help these very families, the new credit promises to be a red-tape nightmare for these families, and low participation in the program can be expected. A better solution is to simply eliminate the grocery tax and make up the revenue in a progressive manner that does not harm these families. The grocery credit is particularly unhelpful for families participating in the Food Stamp Program because they will be required to deduct any credit they receive from their food stamp benefit. While these families do not pay taxes on the food they purchase with their food stamps, they still must pay taxes on the food they purchase with their own funds and will receive no tax relief under the Governor's plan. Food stamps provide only 78 cents per meal, on average. According to America's Second Harvest (2001), the largest food bank network in the country, 84 percent of their clients' food stamps last for three weeks or less.<sup>5</sup> This means that families must use their own funds to buy foods and with the Governor's plan they will receive no tax relief on these purchases.

The improvement of South Dakota's Food Stamp Program and repeal of the state grocery tax are straightforward, achievable policy solutions South Dakota can implement to eliminate hunger for South Dakota families.

## Introduction

While South Dakota enjoys a lower unemployment rate than the national average, workers face some of the lowest wages in the country.<sup>6</sup> Household income declined between 2000 and 2002<sup>7</sup> and personal bankruptcies skyrocketed during this period — up 29 percent.<sup>8</sup> South Dakota's bleak economy has left many families without the resources they need to provide for their basic needs. It is during times like these that income support programs and fair taxation systems become vital for the survival of low-income families.

With South Dakota's hunger rate climbing to over 8 percent of the population in 2002, a strengthened Food Stamp Program is the most important step in preventing hunger in low-income families. Improvements, however, must occur at the local and state level to ensure that South Dakota families have access to the food stamps they need to avoid hunger. In addition to improving the Food Stamp Program, South Dakota can also reduce hunger in the state by repealing the state grocery sales tax.

# Section I:

## South Dakota families do not have access to adequate nutritious, affordable food

South Dakota's state economy is failing to create jobs that provide a living wage to all workers. Housing, utility, health care, and food prices in South Dakota are rising beyond the capacity of many low-income families' monthly budgets. Declining real wages combined with rising costs of living forces South Dakota families to choose which basic needs to satisfy and which to forgo. For many low-income South Dakota families, this means going hungry or surviving on food that does not meet minimum nutritional standards.

### *South Dakota's economy is not creating jobs that pay a living wage and prevent poverty*

The most important source of income for all South Dakota families is the income derived from employment. It is crucial that working family members make a wage that provides all the basic needs without resorting to public assistance. Personal incomes of South Dakotans are not stacking up to the national average. In 2001, per capita personal income in South Dakota was \$26,967, or 87 percent of the national average.<sup>9</sup> According to the Economic Policy Institute, 32 percent of South Dakota jobs in 1999 paid below the wage needed to lift a family of four above the poverty line with full-time work, year round.<sup>10</sup>

When real wages in South Dakota fail to provide the income needed to cover a family's basic cost of living, a family is often forced into poverty. According to the U.S. Census Bureau, a family of four with income lower than \$18,850 in 2004 was officially living "in poverty," although most people consider families with incomes considerably higher than this to be living in poverty.<sup>11</sup> South

### **Belinda Running Wolf, Spearfish**

**M**y fiancé and I are very involved in spiritual rituals. I was raised to support my family's needs. It's just the way the Native American culture is. We just help each other out.

My mother is a diabetic with liver disease caused by the diabetic pills. The food that she receives from commodities is food that should not be eaten on a diabetic diet. Yet, my parents and I don't get enough food stamps to buy food that is recommended for a diabetic. I support my parents on my income with two children in Spearfish. I make \$8.10 per hour working overnight shifts in a residential center for mentally disabled people. I make enough money to support me and my girls. When I have enough money, I try to help my parents out by getting them some food.

We spend a lot of time at home to avoid spending money. We are really tight with spending. I can make one tank of gas last two weeks. I don't make extra bills for myself. I just basically live paycheck to paycheck. I plan accordingly when I have less money available. I get \$100 for food stamps and I buy meat with it. I go to the food bank and look for commodities to get all other groceries for a meal. I can get a two to three day supply from Spearfish or I can go back to the reservation and get a one-month supply of food. The reservation food is better and has more variety. They include fresh fruit and vegetables and we rarely see that with Spearfish commodities. The Salvation Army provided seeds so I can rely on canning fruits and vegetables. It has become a way of life. Chips, pop, fresh vegetables or named brand foods are a real treat. We can only get it when we have the cash.

Dakota's poverty rate continues to surpass the national average and has grown from 8.4 percent in 2001 to 11.5 percent in 2002.<sup>12</sup> Nearly one in five children, over 17 percent, in South Dakota lives in poverty.<sup>13</sup>

The approximately 60,000 residents of South Dakota's eight Indian reservations face significantly greater economic challenges. Personal incomes are much lower on the Indian reservations than the state as whole. For example, per capita personal income on the Crow Creek and Rosebud reservations were more than \$13,000 lower than the state average in 2001.<sup>14</sup> Poverty rates are much greater for children and adults on Indian reservations. For example, the percentage of children in poverty is more than twice the state average on the Standing Rock, Crow Creek, Rosebud, and Pineridge reservations.<sup>15</sup>

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*“Living in a small town, grocery prices are high. We can drive to Rapid City and save money or drive to Chadron, Nebraska. In Nebraska, I don't have to pay food tax so it is cheaper to drive 60 miles to get a better price on groceries. With the cost of gasoline, I am afraid that I will be stuck paying the higher prices for groceries because I can't afford to drive anywhere.”*

— NICOLE LOCKWOOD, HOT SPRINGS

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### ***South Dakota's regressive tax system compounds the problem***

Low-income South Dakota families pay a significantly higher share of their income in state taxes than do the richest South Dakotans. Families earning less than \$15,000 a year pay 10 percent of their income in state taxes, the highest percentage of any income group. The top 1 percent of South Dakota families pays only 2.1 percent of their income in state taxes, while the top 20 percent pay only 5.8 percent of their income in state taxes.<sup>16</sup> Without a personal income tax, South Dakota is dependent on a sales tax for a third of its annual revenue.

South Dakota is one of 16 states that include groceries in their state general sales tax base. South Dakota's recently adopted food tax credit promises to rebate some of the taxes for lower-income families. However, the four other states that have adopted similar credits for low-income families have had considerable difficulty implementing and maintaining their credit programs.<sup>17</sup>

A better solution is to eliminate the tax on food entirely. While upper-income South Dakotans will also benefit from the removal of the tax, the food tax absorbs a much greater proportion of income from poor families. As a share of income, food taxes are typically four to five times as high for poorer families as for upper-income families.<sup>18</sup> A repeal of the food tax in South Dakota would save families between \$300 to \$400 a year — a significant amount of money for a family living at the poverty line.<sup>19</sup>

The key to ensuring that the removal of the food tax benefits the families at risk of hunger is how the state replaces the lost revenue from the food tax. If the revenue lost is replaced with a progressive revenue source (such as an income tax or other tax where wealthy households pay equal or more of



their income in taxes than low-income households), then lower-income families are likely to realize the intended tax relief.<sup>20</sup> If the revenue is replaced by increasing the overall sales tax rate or by cutting vital services, lower-income families could be harmed rather than benefited.

### ***The lack of living wage jobs, high poverty levels, and increased costs of living has resulted in large numbers of hungry families in South Dakota***

With real wages declining and the cost of living increasing in South Dakota, many low-income families have to reduce the amount of food they eat in order to afford other costs of living. Nationally, families living below the federal poverty line are three and half times more likely to be food insecure than the general population.<sup>21</sup> Households with children also experience higher food insecurity rates than those without children; they are twice as likely to be food insecure. In South Dakota, the USDA reported that 8 percent of the population was food insecure.

### ***Hunger causes irreparable harm to children***

Hunger harms children in many ways beyond the immediate misery it causes. Health problems are frequent among children who face hunger.<sup>22</sup> Hungry children suffer two to four times as many health problems, including unwanted weight loss, fatigue, headaches, and irritability. Hunger also causes children to suffer from frequent colds and difficulty concentrating. Inadequate nutrition is also linked to stunted growth and iron deficiency anemia.

Pediatricians from around the country have initiated a study on the impact of malnutrition and children, called the Children's Sentinel Nutrition Assessment Program (C-SNAP). This study has evaluated more than 15,000 low-income babies and found that 21 percent of babies who live in household without sufficient nutritious food were 25 percent more likely to have been hospitalized since birth than those in other households.<sup>23</sup> The study also found that early malnutrition and inadequate food has long-term, serious consequences for the rest of a person's life.

Hunger and poor nutrition affect a child's ability to learn and perform in school. This can have life-long consequences for the child and society. Children who are hungry have difficulty concentrating in school and do not do as well as others on assigned tasks. Inadequate nutrition also has a negative effect on a child's cognitive development. A 1998 study of low-income Philadelphia and Baltimore public elementary schools found that the teachers of hungry children reported higher levels of hyperactivity, absenteeism, and tardiness.<sup>24</sup> The study found that when these schools implemented the School Breakfast Program, children's participation in the program led to greater achievement in math and decreased rates of absence and tardiness. Teens and adults who suffered from hunger when they were young are more aggressive and become frustrated more easily than those who didn't suffer from hunger as children.<sup>25</sup> Food deprivation is also related to depression and anxiety.

The consequences of hunger are severe, not just for the approximately 26,000 children in South Dakota who are considered "food insecure,"<sup>26</sup> but for the entire state of South Dakota. Students who do not do well in their early school years will miss out on future educational opportunities and become lower skill workers compared to students who advance further in school. For South Dakota's long-term economic future, all its children should get the best start possible, which requires their basic food needs to be met.



## Section Two:

### **A groundbreaking statewide survey shows food insecurity among low-income South Dakota families and major barriers to participation in the Food Stamp Program**

A groundbreaking survey of 403 poor and lower-income households, most of whom are Native American, across the state of South Dakota shows that the families face difficulty avoiding hunger. The survey tool was based on the Community Food Security Toolkit produced by the U.S. Department of Agriculture and on the Northwest Federation of Community Organizations food security studies. The Center for Community Change contacted families at Head Start in 15 counties and 65 towns and asked them to participate in the survey.

#### ***Survey Findings: food Security among all respondents***

##### Families

- 19 percent of households reported that in the past 12 months they “sometimes did not have enough to eat”; and 4 percent said that they “often did not have enough to eat.”
- The top reason households reported not having enough to eat or the kinds of food they wanted to eat was lack of money for food.
- Families are concerned about getting enough food: 29 percent reported that they often worried about whether they would run out of food before they got money to buy more. Less than 20 percent of families said that they never worried about this.

##### Adults and food

- About half of households reported that they cut the size of their meals because there wasn’t enough money for food over the past 12 months. More than a quarter of these households said they cut the size of their meals every month.
- More than a quarter of respondents said that in the past 12 months they didn’t eat when they were hungry because they couldn’t afford enough food.
- More than a quarter of the adults in the survey said that they went an entire day without food because of lack of money at least once in the past year; one-fifth of this group said this occurred every month.

##### Children and food

- More than a quarter of parents said that they believed their children were not eating enough because they couldn’t afford enough food for them.
- More than 40 percent of parents said that they “often” or “sometimes” could not feed their children balanced meals because they couldn’t afford to.

- Twenty percent of parents said that some of their children skipped meals due to lack of money for food. Of these parents, more than a quarter said it happened every month.

#### Accessing food

- One of three households (34.5 percent) does not have access to consistent and inexpensive transportation to an affordable, fresh food market.
- Twenty-one percent do not have access to a vehicle that would allow them to purchase more affordable, bulk foods.
- While nearly all (93 percent) of families surveyed have a reliable stove and refrigerator, about one quarter lack a reliable freezer, making the storage of bulk food difficult.

#### ***Survey findings: families living on reservations and large families are particularly at risk of hunger***

*Families living on South Dakota's Indian reservations reported higher food insecurity than their urban and rural counterparts.*

- Only 11 percent of families on reservations said that they never worry about running out of food, compared to 34 percent of families living in rural areas and 16 percent living in urban areas who said that they never worry about running out of food.
- Three quarters of families on reservations said that it is often or sometimes true that “the food we bought just didn’t last, and we didn’t have money to get more,” compared with one half of rural families and two thirds of urban families.
- One in three adults living on reservations said that they did not eat for an entire day at least once in the past year because they were unable to buy food, compared to about one in five adults in rural areas and in urban areas.
- About one third of parents on reservations said that their kids had to skip meals at least once in the past year due to lack of money, compared to about one fifth of rural parents and one tenth of urban parents.
- Families on reservations are less likely to own a reliable stove, refrigerator, or freezer than their urban counterparts.

*Large families (those with eight or more members) have a greater challenge meeting their food needs than smaller families (those with four or fewer members).*

- Large families were more likely to report that they did not always have enough money to buy food than smaller families (68 percent compared to 51 percent).
- Large families were twice as likely as small families to say that the food that they buy doesn’t last and that they didn’t have money to buy more.
- Adults in large families were almost twice as likely as adults in small families to go hungry at least once in the past year due to lack of money to buy food.

- Parents in large families were three times as likely to say that their children had to skip meals because there wasn't enough money for food as parents in small families.
- More than half of parents in large families who said their children skipped meals said that their children skipped meals every month due to lack of money to buy food, compared with less than one fifth of small families.

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*“When I went into the office to get food stamps it seemed as if the staff isn't very nice. They make me feel like “you shouldn't be hungry.” I was told to fill out the application and to come back at a certain time or to call at a certain time as the caseworkers were overbooked. When I took all of my stuff in they got mad at me. I feel that if you don't know the procedure they take it out on you.”*

— NAME WITHHELD BY REQUEST, RAPID CITY

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### ***Survey findings: Food Stamp Program participation***

The study also asked families about the involvement with the Food Stamp Program. The Food Stamp Program is an essential anti-hunger program that serves more than 20 million people each month nationwide, a number that increases when economic times are difficult.<sup>27</sup> Today, more than 50,000 people in South Dakota benefit from the program;<sup>28</sup> more than half of whom are children.<sup>29</sup> The vast majority of food stamp participants (89 percent) live in poverty as defined by the federal government, which means that they have insufficient income to meet their basic needs.<sup>30</sup> Without access to food stamps, these families would have a difficult time obtaining the food they need to stay healthy.

State economies also benefit from the Food Stamp Program. The federal government pays for the entire cost of the Food Stamp benefit. State governments are responsible for enrolling eligible families and pay for 50 percent of the cost of enrollment administration. In 2003, more than \$50.5 million in Food Stamp benefits were provided to participants in South Dakota and likely spent at local grocery stores.<sup>31</sup> One grocery store official notes that “Food Stamps represent a high percentage of our income.”<sup>32</sup> The Program is particularly important during times of recession. According to the Center on Budget and Policy Priorities, the Food Stamp Program is the second most-important anti-recessionary resource when unemployment rises; only unemployment insurance has a greater counter-cyclical impact.<sup>33</sup>

For the benefit of both low-income families and state economies, it is critical that all eligible households participate in the Food Stamp Program. Yet despite its clear benefits, federal data shows that only 71 percent of eligible households participated in the program in South Dakota in 2002 (the most recent year when data is available).<sup>34</sup> This number fell from a national-high of 92 percent participation in 2001. The dramatic drop in participation by eligible households between 2001 and 2002 deserves attention.

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*“When I applied for food assistance the paperwork was horrendous.*

*I took my wages verification and other papers to the office which was to be stamped and given to a caseworker. I completed the process and left, but did not receive benefits for the month. When I called the office to ask what happened, I was told that the paperwork was not given to a caseworker. I then had to do the paperwork and process all over again. Now when I go into the office I make sure that I hand in copies and tell others to do the same thing so that this doesn't happen to them.”*

— MAISIE HERMAN, RAPID CITY

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### ***Why are eligible families not participating in South Dakota's Food Stamp Program?***

After meeting the basic requirements of federal law, a state can design the enrollment processes as it desires. It can choose a lengthy application or a short one. It can train eligibility technicians to aid applicant families throughout the process or simply hand out applications. It can require a lot of documentation from applicants or a little. It can open offices during evening or weekend hours in convenient locations or keep limited hours in few locations. It can aggressively promote the program or not. How a state manages its Food Stamp Program plays a major role in how many eligible families will participate in the program.

### ***Who participates in the Food Stamp Program?***

About 40 percent of the households responding to the Center for Community Change's survey participate in the Food Stamp program. Families living in urban areas were more likely to participate in the program (about 49 percent), compared with about 40 percent of families living in rural areas or on a reservation. Families whose income range was in the poor to moderate range were much less likely to participate in the program than very poor families. Only 10 percent

#### **Nicole Lockwood, Hot Springs**

I am a single mother with one three-year-old son. I am part of a corporation that owns Taco Johns in Hot Springs. We have owned this Taco Johns for a year and a half. In the first year of business, we had a net profit of \$98. I earn about \$5.15 an hour for 40 hours of work a week. There are weeks that I can cut myself a check but I know that I can't cash it because the corporation is broke. My son is sick of eating tacos. He begs me to eat anything but tacos. Sometimes, that's all we have to eat.

I have to rely on resources in the community. The Hot Springs food bank is really out of date with a bad selection of food. It is better for me to get commodities from Rapid City where I can get more and have a better selection.

I am unable to get food stamps because my name is on the corporation. According to the state, the corporation might make a profit some day so they reject us from food stamps. It doesn't matter that my family doesn't have any food to eat. People assume that since I own a business that I must have money but it doesn't work that way. I am able to support the community by providing jobs and sometimes I need a little help to make this business stable.

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*"I live with my husband and five children in Allen. We live off of T.W.E.P. and don't have transportation. I don't like to go to the office and apply for EBT [food stamps] because last time I went in a caseworker and director were talking about another client. This really made me feel bad and scared that they were going to say things about my family if I applied. These people are supposed to keep things confidential and they did not."*

— NEVA HAMEL, ALLEN

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of these poor to moderate income households participated compared to 57 percent of very poor households. Every family surveyed in this study is likely eligible for the program.

***Families participating in the Food Stamp Program reported numerous barriers to applying for or keeping their food stamp benefits***

- More than a third (35.3 percent) reported that they had a hard time gathering all the necessary documents to apply for the program.
- One fifth (19.8 percent) reported difficulty getting off from work or school to apply for the program or participating in the required interview.
- More than a quarter (26.3 percent) said that they had difficulty getting to an office to apply because of lack of transportation.
- More than one fifth (21 percent) said that they had to visit the office more than twice to apply.
- Nearly half (46 percent) were not told about a federally-required process called "expedited services" that enables families in crisis to receive food stamps within seven days.
- Less than 20 percent of families participating in the program said that their food stamp benefit lasted them the entire month.

Families living on reservations and very poor families reported a significantly higher rate of barriers to applying and keeping their food stamps than families in urban or rural areas or poor to moderate income households.

- Families living on reservations were twice as likely to have trouble gathering all of the required documents to apply.
- Very poor families were twice as likely to have difficulty getting off work or school to apply for the program than poor to moderate income families.
- Eight percent of very poor families reported that they had a hard time applying for food stamps because the staff did not speak their language compared to none of the poor to moderate families.



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*“My husband and I both work part-time so our budget is always tight.*

*Sometimes  
the bills  
have to be  
paid first  
before we  
can buy  
food. Other  
times, we*



*forgot one of the bills to get food for  
our seven kids.*

*“I have a difficult time in  
obtaining assistance like food stamps  
on the Pine Ridge Reservation. When  
I apply, I sign my name on so many  
forms that at some point I feel like I  
am signing my life away as well as  
my children's. If you are late turning  
in necessary documents, you are not  
eligible for food stamps  
for that month.*

*“Currently, our food stamp case  
has been closed since February of  
this year. I have been making sure  
all our information is available each  
month, but still we have  
not been approved.”*

— MAXINE BROKEN NOSE, PINE RIDGE

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- Nearly one quarter of poor families were required to come to the office more than twice to get approved for food stamps, compared with none of the poor to moderate families.

The rest of the households surveyed were not currently receiving food stamps, although it is likely that they are all eligible. These households also described barriers of concern.

- Most of the families who had never applied for food stamps said that they didn't think that they had qualified for the program (63 percent). This misperception was much greater on reservations, in which 75 percent of families believed this. This misperception was also greater among very poor households, in which 75 percent believed this.
- Thirteen percent said that it seemed like a hassle to apply. Very poor families were more than twice as likely to cite this as a reason for not applying than poor to moderate income families.
- Seven percent said that the amount they would get would not be worth it. Sixteen percent of families on reservations believed this, while only four percent of urban or rural families did.
- While most families in rural or urban areas knew about the Food Stamp Program, nearly 10 percent of families on reservations did not.

The families surveyed who were not currently receiving food stamps but who had applied in the past raised similar concerns.

- Forty-four percent of families said that they believed that they no longer qualified for the program.
- Twenty-two percent said that they had been denied food stamps.
- Fourteen percent said that the amount they would receive wouldn't be worth it.

- Thirteen percent said that recertification process was too difficult to stay on the program. Twenty percent of those families living on reservations said this, compared to 6 percent of urban families.
- Twelve percent had been sanctioned off the program. Twenty-nine percent of families in rural areas gave this as their reason for not receiving food stamp benefits.

## Section Three:

### How South Dakota can increase food security among low-income families

South Dakota's hunger problem will not go away without action on the part of state officials. South Dakota can help low-income, hungry families by strengthening the Food Stamp Program and repealing the grocery tax. Both of these solutions will provide long-term food assistance to low-income families.

#### *Solution one: strengthen the Food Stamp Program*

The recent dramatic drop from 92 percent participation to 71 percent participation among eligible households between 2001 and 2002<sup>35</sup> and the high percentage of likely eligible households in the Center for Community Change's survey who believed they were not eligible is cause for concern. The eligible families not enrolled in the program represent a *need gap* — they are likely in need of food assistance because their income is near or below the poverty line, but they aren't getting the help they need from the Food Stamp Program.

Reducing and eliminating this *need gap* can only come through strengthening the Food Stamp Program. Strengthening the Food Stamp Program for low-income families in South Dakota needs to be approached at both the local office practice and state policy level.

#### *Local food stamp offices can improve the Food Stamp Program by reducing barriers to access*

The source of the *need gap* at the local level in South Dakota comes from barriers in the enrollment and application process that discourages or prevents families from applying for benefits. In order for the Food Stamp Program to live up to its mission to protect the health and well being of South Dakota's families, these barriers in the enrollment process must be eliminated.

Families that responded to the Center for Community Change's survey described many difficulties navigating the application process. They explained that the current rules make the application process so complicated and time-consuming that it is not a practical option for some families. In many low-income households, every parent is working full-time. Many parents who qualify for food stamps are working two or more jobs. For these households, it is not possible to repeatedly meet with caseworkers during limited office hours so enrollment is impossible. Other families face similar



barriers such as unclear instructions, lack of support, and excessive verification requirements. All of these barriers keep eligible families out of the program and depress participation rates.

***Local food stamp agencies in South Dakota can take the following steps in eradicating the barriers identified in the Center for Community Change survey***

***Assist families with completing applications.*** Thirty-five percent of surveyed food stamp recipients in South Dakota reported difficulty in gathering all the documents for the program. Federal law requires agencies in South Dakota to provide assistance in the completion of application forms. This means that an enrollment worker should assist the household in verification of documents and in obtaining required documents. Agencies in South Dakota must also allow applicants 10 days to gather all the required documents. South Dakota must ensure that these requirements are met for each applicant.

***Provide expedited service to all eligible families.*** Forty-six percent of food stamp recipients in South Dakota reported not being told about the expedited service program. Federal law requires South Dakota agencies to talk with each household during the application process to determine whether the household qualifies for expedited services. This service was created to ensure that families in crisis would receive food stamp benefits right away so they could quickly obtain food. South Dakota should ensure that its local offices meet this requirement.

***Expand office hours at application sites.*** One out of five food stamp recipients surveyed had difficulty finding time for an interview or going to the food stamp office during office hours. To alleviate this problem, application sites in South Dakota should remain open in the evenings and should open on Saturdays. Applicants working full-time or more should not have to choose between meeting job obligations and applying for food stamps. Caseworkers should also promptly reschedule missed appointments and accept walk-in applicants.

***Minimize verification requirements.*** Federal law requires Food Stamp applicants to provide verification for their identity, social security numbers, income, and residency. Office workers should make this clear to applicants and provide a list of suggested documents that will meet this requirement.

***The Department of Social Services can adopt policy changes that will eliminate barriers to participation in the Food Stamp Program***

The USDA has provided states with significant freedom to design their Food Stamp Program by implementing a variety of state options. Many of these options can be implemented at no cost to the state. Adopting these policies will help ensure that all eligible families receive the food stamp benefits they need.

***Increase outreach activities to inform potentially eligible families about the program.*** Before families can benefit from food stamps, people must understand basic information about the program. While most of the low-income families knew of the Food Stamp Program, a major misperception about eligibility requirements exists. Poor families who would very likely be eligible believed that

they were not. A targeted outreach program that explained eligibility guideless would solve this problem. There is a 50 percent match as well as competitive outreach grants available for these activities from the federal government.

***More home visits options for people.*** While currently South Dakota offers families with a member who is elderly or disabled or that is facing a hardship the option of a telephone interview or home visit (as required by federal law), this option is not widely publicized. Many families surveyed said that they had difficulty applying at an office due to transportation reasons. Federal law allows states to waive face-to-face interviews and use a telephone interview when a family would face a hardship if required to visit the office. Federal regulations provide examples of such hardships including transportation challenges, illness, severe weather or a conflict with a job or school, but states can define their own hardships as well.<sup>36</sup> South Dakota food stamp offices should widely promote this option and encourage families to utilize it in lieu of face-to-face interviews.

***Decrease the application size.*** South Dakota's application is 18 pages long, among the longest in the nation. It should be reduced to two pages as Florida has done. Applicants should be clearly informed on the first page that the name, address, date and signature is all that is required to initiate the application process.

***Expand the number and variety of venues for food stamp enrollment.*** South Dakota should provide out-station sites or mobile vans to bring application sites closer to families with limited transportation options. Bringing the application sites closer to applicants can reduce travel time for applicants and reduce the time applicants have to take from family and work.

***Eliminate the onerous and unnecessary monthly reporting requirement.*** South Dakota requires most Food Stamp participants to submit a monthly report regarding their income for the previous month. This is not required by federal law. Most states have moved away from the monthly reporting requirement because of the expense involved for the state (the reports are mailed to participants and then are reviewed by case workers once they are sent back) and because the process discourages continued participation in the program. The 2002 Farm Bill allows states to require most households to provide updated information about their eligibility only every six months (with a more extensive re-certification every 12 months) unless their income rises above 130 percent of the federal poverty level. South Dakota should adopt this semi-annual reporting option.

***Utilize co-enrollment by using information from other means-tested programs.*** Many means-tested programs such as the school lunch program have income eligibility levels that overlap with food stamps eligibility levels. These programs can be an effective vehicle for identifying families eligible for the Food Stamp Program. South Dakota should expand current programs which allow other means-tested programs to share a family's information (with consent) with the Food Stamp Program. This can save families and caseworkers time and effort, and increase outreach to eligible families.

***Make more families eligible by removing the vehicle test.*** While South Dakota has eliminated at least one vehicle per family from Food Stamp eligibility consideration, its rules regarding other vehicles in the household are unnecessarily cumbersome. Federal law permits states to exclude the value

of all vehicles from consideration and 24 states have adopted this option. In a rural state like South Dakota, where families rely on the vehicles to get to work, obtain food, or seek medical care, it does not make sense to penalize an otherwise eligible family for owning a functional vehicle.

***Adopt the transitional food stamp benefit.*** The federal government allows states to provide transitional food stamps benefits to families leaving the welfare program for up to five months, regardless of their income during this period. A family leaving welfare does not need to reapply for food stamps or submit any additional paperwork or other information to be eligible. This policy was adopted to make the transition from welfare to work easier on the family. At least nine states have adopted this option and several others are actively considering it.

### ***Solution two: repeal the grocery sales tax***

South Dakota is one of 16 states that include groceries in their state general sales tax base. Such taxation on food products can reduce a low-income family's purchasing power by five percent.<sup>37</sup> For South Dakota families living on low and limited budgets, losing five percent of their income to grocery taxes represents a significant loss of money. A repeal of the food tax in South Dakota would save families between \$300 to \$400 a year.<sup>38</sup>

The recent adoption of a grocery sales tax credit recognizes the burden this tax places on low-income families. These credits are attractive because they will benefit lower-income families but at much lower revenue cost than a full elimination of the tax. However, the four states with existing credits have had considerable difficulty implementing and maintaining their credit programs.<sup>39</sup>

Idaho's grocery credit program allows tax filers to deduct \$20 from their income tax without filing additional forms. The tax credit is available to all residents except those under 65 with incomes lower than the federal income tax filing requirement (\$7,800 in 2003). No additional forms are required to obtain the credit. Those over 65 are eligible for a \$35 credit and do not have to file a tax return to receive it.<sup>40</sup> A 65-year-old who is not required to file an Idaho tax return (because their income was less than the federal threshold, \$8,950 in 2003) can file a form to receive the \$35. However, approximately 85 percent of likely eligible senior citizens who are not required to file a tax return do not claim the credit.<sup>41</sup>

While Idaho's grocery tax credit is much smaller than South Dakota's, it does illustrate how important a simple process is to maximize participation in a refund program. Kansas' experience with a tax refund also demonstrates this. In 1986, Kansas adopted a food sales tax refund program for very poor households and administered the program separately from state income tax filing. Under this system, which required families to apply once a year, only about one-third of families participated in the program.<sup>42</sup>

In 1998, Kansas improved its program by increasing eligibility limits and tying the application process to the state's income tax form. Participation increased significantly — from 60,000 in 1998 to 270,000 people in 2003.<sup>43</sup> While much of the increased participation can be attributed to the increased eligibility levels and higher credit value, simplifying the application process “helped a lot” according to the Kansas Director of Taxation.<sup>44</sup> Now, income tax filers filing as head of household within the income eligibility range are participating at a rate of 80 percent (eligible filers must still have a child under the age of 18, be over 55, or be disabled to qualify).

A simple process to receive the tax rebate is essential to its success. While well intentioned, South Dakota's new credit is cumbersome and unlikely to be widely used by the very families it is intended to help. While the full process to receive the credit has not yet been designed, South Dakota families will need to apply for the credit every three months.<sup>45</sup> The South Dakota Department of Social Services expects about 63 percent of the eligible households to actually participate in the program (about 41,000 households).<sup>46</sup> This estimate assumes that all households receiving food stamps will participate and about half of the rest of the households will participate, leaving about 24,400 eligible households who will not participate. Due to the administrative red-tape required to obtain the credit and the experience of other states, it is likely that an even higher number of eligible families will NOT participate in the credit program.

Another problem with the proposed credit is for the 51,000 people participating in the federal Food Stamp Program. The food tax rebate law signed by the Governor requires that any food tax refund a family participating in food stamps receives must be deducted from their food stamp benefit. Federal law prohibits sales tax to be charged on items that are purchased with food stamps. However, food stamps are not designed to cover the entire cost of a family's food budget. Most families that participate in the food stamp program would still benefit from the removal of the grocery tax because they must use cash for a significant portion of their grocery purchases.<sup>47</sup>

A better solution is to eliminate the tax on food entirely. While upper-income South Dakotans will also benefit from the removal of the tax, the food tax absorbs a much greater proportion of income from poor families. As a share of income, food taxes are typically four to five times as high for poorer families as for upper-income families.<sup>48</sup>

The key to ensuring that the removal of the food tax benefits the families at risk of hunger is how the state replaces the lost revenue from the food tax. If the revenue lost is replaced from a progressive revenue source (such as an income tax or other tax where wealthy households pay equal to or more of their income in taxes than low-income households), then lower-income families are likely to realize the intended tax relief.<sup>49</sup> If the revenue is replaced by increasing the overall sales tax rate or by cutting vital services, lower-income families could be harmed rather than benefited.

# Conclusion

Poor and very poor households in South Dakota face major challenges in meeting their basic food needs. South Dakota can take immediate steps to strengthen its Food Stamp Program and make food more affordable that will increase the food security of these at-risk households.

The most effective solution to eliminating hunger in South Dakota is to strengthen the Food Stamp Program. South Dakota should aim to regain the status as the state with the highest participation of eligible families in the Food Stamp Program it held in 2001. When eligible families do not participate in the program, families miss out on critical funds to purchase food and the state loses out on federal dollars spent in the local economy. South Dakota should adopt the changes proposed in this report to make applying for and keeping food stamp benefits less complicated and onerous for potentially eligible families. Most of these changes can be made at no cost to the state and they will enable more families to participate in the program.

Although improving the Food Stamp Program in South Dakota is a crucial first step in eliminating hunger in the state, South Dakota should increase the purchasing power of low-income families by eliminating the grocery tax. The recently adopted grocery tax credit requires a cumbersome process that will impede the families most in need from participating. States with similar grocery tax credit programs have found low participation rates. A better solution is to completely eliminate the tax, making up the needed state revenue through other progressive taxes which do not harm low-income families.

South Dakota's hunger problem can be abated. Taking the steps outlined in this report will help ensure that no family in South Dakota is hungry.

# Endnotes

- 1 USDA, Food and Nutrition Service, Food Stamp Program: Number of Persons Participating, data as of April 26, 2004.
- 2 USDA, Food and Nutrition Service, Food Stamp Program Benefits, data as of April 26, 2004.
- 3 Because the families in this study were interviewed due to their participation in Head Start, a means-tested program, it is likely that they are also eligible for Food Stamps which has a similar means test. Section 645 of the Head Start Act (42 U.S.C. 9840) establishes income eligibility for participation in Head Start programs by reference to the official poverty line. Children in families below the poverty line are always eligible as are children in families receiving TANF. Federal regulations allow up to 10% of the Head Start to go to “over income” families. To be eligible for Food Stamps, households must have a gross income below 130 percent of the poverty line and a net income (after deductions) under 100 percent of the poverty line. However, the Food Stamp Program has other eligibility requirements in addition to income. Most legal immigrants who were in the United States as of August 22, 1996 and who are children, elderly, or disabled can get food stamps. All undocumented immigrants and many legal immigrants are ineligible for food stamp benefits. Also, many able-bodied, childless, unemployed adults have time limits on their receipt of food stamp benefits. Most households may have up to \$2,000 in countable resources (e.g., checking/savings account, cash, stocks/bonds). Households with at least one household member who is disabled or age 60 or older may have up to \$3,000 in resources.
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- 21 Margaret Andrews, et al., *Household Food Security in the United States*, 1999, Economic Research Services, U.S. Department of Agriculture, Fall 2000, p. 4, [www.ers.usda.gov](http://www.ers.usda.gov).
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