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EXAMINATION OF CASH NUTRITION ASSISTANCE PROGRAM BENEFITS IN PUERTO RICO (SUMMARY)

Background

The Nutrition Assistance Program (NAP) in the Commonwealth of Puerto Rico provides a monthly benefit for food to low-income households that includes both cash and noncash portions. Three-fourths (75 percent) of the benefit must be redeemed for eligible food items through electronic benefit transfer (EBT) at certified retailers. The remaining 25 percent may be redeemed in cash. The entire benefit (both the noncash and cash portions) is to be used only for the purchase of eligible food items. The purpose of the cash portion is to give participants with limited access to NAP-certified retailers a way to purchase food from other stores.

Section 4025 of the Agricultural Act of 2014 (Public Law 113–79) reauthorized NAP and included a provision to phase out the cash portion of the NAP benefit coupled with an equivalent increase in the noncash portion. Beginning in Fiscal Year (FY) 2017, the cash portion of the benefit declines by 5 percent each year (20 percent of benefit in FY 2017, 15 percent in FY 2018, etc.) until the benefit is entirely noncash in FY 2021. The law also mandated a study to examine the history and purpose of the cash portion, barriers to redeeming the noncash portion, and use of the cash portion for the purchase of nonfood and other prohibited items. The study must also assess the potential adverse effects for both participants and food retailers of replacing the 25- percent cash portion with noncash benefits. This study fulfills those requirements.

The law allows USDA to exempt participants or categories of participants if the study finds that discontinuation of cash benefits is likely to have significant adverse effects.

History of Cash Food Assistance

From 1974 through June 1982, Puerto Rico operated the Food Stamp Program (FSP), which is now known as the Supplemental Nutrition Assistance Program (SNAP). By 1981, 56 percent of Puerto Rico's residents participated in the FSP. Puerto Rico accounted for 8 percent of all FSP participants and 8 percent of total FSP costs. In July 1982, the FSP in Puerto Rico was replaced by the NAP block grant which was funded at 75 percent of the expected 1982 cost of the FSP in Puerto Rico. To stay within the block grant cap, Puerto Rico tightened eligibility requirements and reduced maximum benefits. Puerto Rico also eliminated the FSP coupon-based benefit system with 100-percent cash checks to reduce administrative costs and simplify program operations.

In 2000, Puerto Rico shifted from cash checks to EBT with 100-percent cash benefits after a successful pilot in 1999. In September 2001, Puerto Rico adopted the current system, which requires that at least 75 percent of benefits are used for food at certified retailers and allows up to 25 percent to be withdrawn as cash.

Findings

NAP participants and retailers do not face significant barriers to the redemption of noncash NAP benefits. Most NAP participants live near certified retailers: half live within 0.2 miles and three-quarters live within a half mile. Participants tend to travel beyond the nearest certified retailer to take advantage of lower prices and sales. Over 90 percent of participants (both urban and rural) report it is easy to get to certified retailers. Participants redeem all but $1.38, or 1 percent, on average each month of their noncash benefit. Retailers report that they do not face barriers to becoming certified and certification costs are low. Uncertified retailers did not cite technology issues or the cost of point-of-sale devices as barriers.

The majority of the cash portion of NAP benefits is withdrawn as cash from a certified retailer or an automatic teller machine (ATM). While 29.2 percent of the cash portion of benefits is spent on eligible food items at certified retailers, most (70.8 percent) is withdrawn as cash. Households with children withdrew a higher share of their cash

portion of benefits as cash (77.1 percent) than the average household.

More than half (52.4 percent) of NAP participants reported purchasing some nonfood items with the cash portion of their benefit. Three-quarters of NAP participants (75.8 percent) were aware that only eligible food items can be purchased with the noncash portion of the benefit. However, less than half (47.8 percent) were aware the same limits apply to using the withdrawn cash portion of the benefit.

The most common nonfood purchases made with the cash portion of the benefits were cleaning supplies and personal hygiene products:

- About 46 percent of NAP participants reported using their withdrawn cash benefits to purchase cleaning supplies (such as laundry detergent and dish soap).
- About 41 percent reported purchasing personal hygiene products (such as bath soap and toilet paper).
- Ten percent reported purchasing medicine, 8 percent reported using the funds to cover housing costs, and 8 percent reported purchasing prepared food.
- Fewer than 1 out of 20 participants reported using the funds for gasoline, diapers, or other items or services, like childcare or medical care.

Though food access was not an issue, most NAP participants reported that discontinuing the cash portion of NAP benefits would have a negative effect on them and their families. NAP participants in the survey reported on a scale of 1 (no impact) to 10 (high impact) an average rating of 7 across all subgroups as the impact of the discontinuation of the cash portion of benefits. Most (55.6 percent) rated the impact as an 8 or higher.

In focus groups, most participants indicated that the impact would be devastating because they had no other source of cash other than their NAP benefits. In 2014, 65 percent of NAP households had no gross income.

Retailers had mixed opinions on how discontinuing the cash portion of NAP benefits would impact their businesses. Certified retailers were divided on whether the impact would be positive or negligible. Uncertified retailers were evenly divided among those who thought the impact would be negative, negligible, or were uncertain.

Data Sources and Methodology

The study included the following complementary data collection methods:

- Meetings with USDA's Food and Nutrition Service and Puerto Rico's NAP agency administrators;
- Review of existing studies, data sources, and other documents;
- Telephone survey of 750 NAP participants;
- 18 focus groups with NAP participants;
- 33 in-depth interviews with NAP-certified and noncertified food retailers;
- In-depth interviews with five community-based organizations and five residential facility managers that serve NAP participants; and
- Extant data analysis to examine geographic access to NAP-certified retailers and participants' NAP benefit redemption patterns.

The survey of NAP participants focused on the use of the cash portion of the benefit. Linked 2014 administrative data, EBT redemption data, and certified retailer addresses were analyzed to determine how far NAP participants live from certified retailers, examine participant shopping patterns, and determine how the cash portion of the benefit was accessed.

For More Information

Trippe, Carole et.al. (2015). *Examination of Cash Nutrition Assistance Program Benefits in Puerto Rico: Final Report.* Prepared by Insight Policy Research for the U.S. Department of Agriculture, Food and Nutrition Service, August 2015. Available online at www.fns.usda.gov/research-and-analysis.

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