

# CRS Report for Congress

## Domestic Food Assistance: Legislative Issues in the 110<sup>th</sup> Congress

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Joe Richardson  
Domestic Social Policy Division



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## Summary

The nutrition title of the omnibus 2007 “farm bill” will be the focus of legislative proposals affecting domestic food assistance programs in the 1<sup>st</sup> Session of the 110<sup>th</sup> Congress. The program areas that are expected to be addressed (because various authorities, like authorizations for appropriations expire at the end of FY2007) include: the regular Food Stamp program, programs operating in lieu of food stamps in Puerto Rico and American Samoa and on Indian reservations, The Emergency Food Assistance Program (TEFAP), the Commodity Supplemental Food Program (CSFP), Community Food Projects, the Seniors Farmers’ Market Nutrition Program (SFMNP), and projects and initiatives to make fresh fruit and vegetables available in schools. Other nutrition assistance — child nutrition programs (like the School Lunch program), the Special Supplemental Nutrition Program for Women, Infants, and Children (the WIC program), the WIC Farmers’ Market Nutrition program — are on a different reauthorization/review schedule and probably will not be a significant part of the nutrition assistance debate in the 1<sup>st</sup> Session.

The most significant issues raised are likely to be those surrounding the Food Stamp program and fresh fruit and vegetable projects. Proposals to changes rules governing food stamp eligibility and benefit levels, what items may be purchased with food stamp benefits, and how the Food Stamp program is administered by states are probable, as are calls for program revisions and grant initiatives aimed at easing access to food stamp benefits. Given the popularity of and support shown for the existing, limited projects to increase the presence of fresh fruit and vegetables in schools (and efforts to increase federal support for “specialty crops” as part of the overall farm bill), recommendations for expansion and possible restructuring of these initiatives are very likely.

However, action on most of the food assistance proposals/issues taken up as part of the farm bill will depend heavily on budgetary considerations — specifically, whether any new funding is available and whether spending cuts will be needed.

# Contents

Introduction .....	1
The 2007 Farm Bill .....	2
Background .....	2
Food Stamps .....	3
Program Operation .....	4
Prospective Issues .....	5
Programs in Lieu of Food Stamps .....	8
Prospective Issues .....	9
The Emergency Food Assistance Program (TEFAP) .....	10
Prospective Issues .....	11
Commodity Supplemental Food Program (CSFP) .....	11
Prospective Issues .....	12
Fresh Fruit and Vegetables, Commodity Support, and Farmers' Markets .....	12
Prospective Issues .....	12
Community Food Projects .....	13
Prospective Issues .....	13
Legislation .....	14

# Domestic Food Assistance: Legislative Issues in the 110<sup>th</sup> Congress

## Introduction

It is likely that virtually all of domestic food assistance issues calling for legislative action will arise in the context of the omnibus 2007 “farm bill” — periodic legislation (the last farm bill was enacted in 2002) that covers most programs and activities carried out by the U.S. Department of Agriculture (USDA). Farm bills serve as a vehicle for reauthorizing a wide range of expiring authorities, making changes in (or ending) existing programs, and launching new initiatives.<sup>1</sup>

On the other hand, some food assistance efforts — child nutrition programs (like the School Lunch program), the Special Supplemental Nutrition Program for Women, Infants, and Children (the WIC program), and the WIC Farmers’ Market Nutrition program — are reauthorized and reviewed on a different schedule; they are up for review in 2009.<sup>2</sup> With exceptions, annual appropriations laws typically are not the arena for significant policy decisions relating to nutrition assistance programs. And some important nutrition program changes now under way at the USDA are unlikely to become the subject of legislation per se — e.g., revision of the content of food packages distributed through the WIC program, revamping the nutrition guidelines for school meals, modification of food offerings under the Food Distribution Program on Indian Reservations.

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<sup>1</sup> For a look at the farm bill as a whole, see CRS Report RL33037, *Previewing a 2007 Farm Bill*, coordinated by Jasper Womach.

<sup>2</sup> Normally, the only child-nutrition/WIC-related provisions that might appear in a farm bill are those relating to commodity assistance to schools or initiatives like the fresh fruit and vegetable projects, discussed later in this report. However, past farm bills, in some cases, have included minor revisions affecting child nutrition and WIC program operations. Child nutrition and WIC programs were last subject to a comprehensive review and reauthorization in the 2004 Child Nutrition and WIC Reauthorization Act (P.L. 108-265). Unlike the Senate, where they (along with other food assistance programs) are under the jurisdiction of the Senate Committee on Agriculture, Nutrition, and Forestry, child nutrition and WIC programs are in the jurisdiction of the Education and Labor Committee in the House.

## The 2007 Farm Bill

### Background

In FY2006, the \$35 billion spent for federal programs and activities covered by the nutrition title of the 2002 farm bill (and likely to be addressed in the 2007 measure) accounted for over half of the spending projected for all farm-bill-covered programs/activities and 36% of USDA outlays.<sup>3</sup> The lion's share of this support is for the Food Stamp program, which (along with child nutrition and WIC programs) is widely viewed as the federal government's primary response to the food needs of low-income Americans. Nutrition assistance programs also play a role in federal support for the agricultural sector through direct commodity purchases and increased demand.

The USDA oversees almost 20 domestic nutrition assistance programs, spending some \$54 billion in FY2006, 55% of USDA outlays.<sup>4</sup> Virtually all are administered by states, schools, or local grantees under federally prescribed rules. Federal oversight of these programs (e.g., regulations governing program operations) is the responsibility of the USDA's Food and Nutrition Service (FNS). In addition, the USDA's Agricultural Marketing Service (AMS), the Farm Service Agency (FSA), and the Commodity Credit Corporation (CCC) play roles in the procurement and distribution of food commodities for some programs.

The upcoming farm bill is expected to cover 7 of these program areas accounting for about 65% of federal spending on domestic nutrition aid. Farm bills traditionally reauthorize expiring authorities and appropriations for these domestic nutrition assistance initiatives and are the principal vehicle for revising rules that govern how they operate and how much they will cost. They include:

- the regular Food Stamp program in the 50 states, the District of Columbia, Guam, and the Virgin Islands;
- programs operating in lieu of the regular Food Stamp program — nutrition assistance block grants for Puerto Rico, American Samoa, and the Northern Mariana Islands, along with the Food Distribution Program on Indian Reservations (FDPIR);
- The Emergency Food Assistance Program (TEFAP);
- the Commodity Supplemental Food Program (CSFP); and
- Community Food Projects.

Moreover, the 2002 farm bill added to this list. It provided statutory authority and mandatory funding for a new Seniors Farmers' Market Nutrition Program (SFMNP) and established a pilot program to distribute free fruit and vegetables in

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<sup>3</sup> For domestic food assistance in the USDA budget, see CRS Report RL33412, *Agriculture and Related Agencies: FY2007 Appropriations*, coordinated by Jim Monke.

<sup>4</sup> In FY2006, another \$700 million was appropriated for the Department of Health and Human Services' nutrition programs for the elderly (authorized under the Older Americans Act).

schools (later expanded and made permanent). It also included a provision affecting commodities distributed to schools — earmarking some federal spending on these commodities for fresh produce acquired and distributed through Department of Defense procurement facilities.

All farm bill domestic nutrition assistance programs, except for the CSFP and the administrative/distribution-cost component of TEFAP, generally are treated as *mandatory entitlements* for budget purposes. For the regular Food Stamp program, this means that, in order to affect costs, eligibility and benefit rules must be changed. Specific annual mandatory funding levels are set by law for the Puerto Rico and American Samoa grants, the food component of TEFAP, Community Food Projects, the SFMNP, and fruit and vegetable projects. The amount of the Northern Marianas' grant is negotiated between the USDA and the Commonwealth. And decisions made with each year's appropriation govern the CSFP, the administrative/distribution cost component of TEFAP, and the amount set aside for the FDPIR.

The 2002 farm bill made extensive changes to Food Stamp program rules and relatively minor revisions to those for the other programs.<sup>5</sup> Using its March 2002 “baseline,” the Congressional Budget Office (CBO) estimated that the total additional cost of the provisions in the nutrition assistance title of the 2002 farm bill would be about \$3 billion over the six-year life of the bill, representing 5%-6% of total new spending prompted by the bill. However, while there is no direct measure of the real cost of the 2002 bill's nutrition title (as opposed to costs incurred because of other variables like unforeseen participation changes related to economic conditions or increased participation rates), *total* actual costs through FY2005 for the programs covered by the nutrition title — including both “baseline” spending and new spending caused by the farm bill — were 12% higher than projected in 2002. If current CBO estimates for FY2006 and FY2007 are added in and compared to the 2002 estimates for those years, the gap widens to 20%.

A number of nutrition assistance issues for the 2007 farm bill are emerging and are outlined below. However, action on most of them will depend heavily on budgetary considerations — specifically, whether any new funding is available and whether spending cuts will be required.

## **Food Stamps**<sup>6</sup>

The largest of the nutrition assistance programs is the Food Stamp program. At \$33 billion in FY2006, it represents some 95% of the federal spending for farm bill nutrition assistance programs, is the foundation of federal initiatives to give low-income households the chance to obtain at least a minimally adequate diet, and is a major factor in overall federal policy for the poor.

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<sup>5</sup> For a detailed discussion of nutrition assistance program changes made and considered in the 2002 farm bill, see CRS Report RL33690, *Food Stamps and Nutrition Programs in the 2002 Farm Bill*, by Joe Richardson.

<sup>6</sup> Authorized under the Food Stamp Act; 7 U.S.C. 2011 et seq.

The purpose (and structure) of the program has evolved over time. It is meant to play a role in three areas of federal public policy. Food stamps originated as a way of providing an outlet for surplus agricultural production, with the notable side benefit of supporting poor families. However, its goals and role in the country's support system for the low-income population have shifted and expanded greatly. To the extent it expands food purchasing power, it continues to support demand for agricultural products.<sup>7</sup> But it now also is seen as the government's primary response to important concerns about the overall "food security" status of the low-income population, although only an estimated 60+% of eligible individuals choose to participate by the most recent count (2004). A 2006 Economic Research Service (ERS) study reports that, in 2005, 11% of U.S. households were "food insecure," and that the prevalence of "very low food security" was 3.9%.<sup>8</sup> Finally, the Food Stamp program has become an integral part of the overall "safety net" for the needy. It ranks as the fourth largest needs-tested program, behind Medicaid, the Earned Income Tax Credit, and the Supplemental Security Income program. It is perhaps the largest on-going program providing immediate aid to those affected by natural and other disasters. According to the USDA's Economic Research Service, when its benefits are added to other income, food stamps are estimated to move almost 10% of recipients out of poverty, and, for a typical low-income recipient family with children, food stamps can provide some 25% of their purchasing power.

**Program Operation.** The regular Food Stamp program provides inflation-indexed monthly benefits to low-income households that supplement their own spending on food; benefits vary by income, household expenses (like shelter costs), and household size — but generally not by state or region.<sup>9</sup> They are delivered through electronic benefit transfer (EBT) cards that are used like debit cards. Eligibility for food stamps is primarily based on a household's financial status. Monthly gross income typically must be below 130% of the inflation-indexed federal poverty income guideline for the household's size (e.g., about \$1,800 for a 3-person household in FY2007), and liquid assets must be under \$2,000 (\$3,000 for those households with elderly/disabled members). However, some households can be "categorically eligible" if they participate in another income-tested program like Temporary Assistance for Needy Families (TANF) or the Supplemental Security Income (SSI) program. And certain categories are barred irrespective of their

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<sup>7</sup> A dollar in food stamp benefits is estimated to result in new food spending of 17-47 cents, depending on household income and type, versus 5-10 cents in the case of a dollar of cash. Although food stamp aid itself must be spent on food, a dollar in food stamps does not lead to a full dollar of additional food stamp spending because cash previously spent on food is freed up and can be used for nonfood expenses that, for the recipient, may be more pressing.

<sup>8</sup> This second category was denominated as "food insecure with hunger" in reports for earlier years. Households classified as "food insecure" were grouped into two categories. Those classified as having "low food security" (7.1%) reported multiple indications of food access problems, but typically reported few, if any, indications of reduced food intake. Those classified as having "very low food security" (3.9%) reported multiple indications of reduced food intake and disrupted eating patterns due to inadequate resources for food.

<sup>9</sup> Alaska and Hawaii are special exceptions to this general rule.

financial need — e.g., many noncitizens, able-bodied adults without dependents not meeting a work test.

Program costs are shared with the states, which administer the program under generally uniform federal rules. The federal government pays the full cost of benefits and about half the cost of administration, operating work/training programs for recipients, and state-directed nutrition education and outreach activities. States, and in some cases localities, pay the remainder (some \$2.7 billion in FY2006).

The level of food stamp spending varies with participation, which is closely linked to economic conditions and eligibility rules, and benefit levels. Benefits are indexed to food-cost inflation and adjusted for recipients' income, household size, and certain nonfood expenses (like high shelter costs). The basic theory underpinning food stamp benefits is that they should provide the difference between what a recipient household can afford for food out of its own monthly cash income (assumed to be about 30% of counted income) and the estimated minimal cost of an adequate diet (the monthly cost of the USDA's "Thrifty Food Plan" for its size). Since the 2002 farm bill, participation has increased substantially, from some 19 million persons per month in FY2002 to 26.2 million (September 2006), and the average monthly benefit level has jumped from \$80 a person in FY2002 to \$93 in September 2006.<sup>10</sup> Federal costs have grown from \$20.6 billion in FY2002 to in excess of an estimated \$33 billion for FY2006.

Finally, the Food Stamp program has a "quality control" system that measures the degree to which eligibility and benefit decisions are erroneously made. The most recent national quality control statistics (for 2005) show historically low error rates — 4.5% of benefits over-issued and 1.3% under-issued.<sup>11</sup> States with persistently high error rates can be assessed financial sanctions; those with very low error rates can receive bonus payments.

**Prospective Issues.** The 2002 farm bill reauthorized expiring Food Stamp program authorities and appropriations through FY2007. It greatly expanded eligibility for noncitizens (most notably allowing eligibility for noncitizen children and those who meet a five-year legal residence requirement), raised benefits modestly for larger households (by counting less of their income), and allowed states to provide "transitional" food stamps for families leaving the Temporary Assistance for Needy

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<sup>10</sup> To put these participation figures into perspective, it should be noted that the all-time high in food stamp participation was reached shortly before enactment of the 1996 welfare reform law — 27.5 million persons a month in FY1994. The all-time low for the modern program was in FY2000 — 17.2 million persons a month. Because of participation by those affected by Hurricanes Katrina and Rita, overall average FY2006 participation and benefit figures were somewhat higher than those noted for September 2006 — i.e., *on average*, 26.7 million persons a month with monthly benefits of \$94 a person.

<sup>11</sup> Information on error rates and fraud ("trafficking" in food stamp benefits) can be found in two recent Government Accountability Office (GAO) reports — *Food Stamp Program: States Have Made Progress Reducing Payment Errors, and Further Challenges Remain* (GAO-05-245; May 2005) and *Food Stamp Trafficking: FNS Could Enhance Program Integrity by Better Targeting Stores Likely to Traffic and Increasing Penalties* (GAO-07-53; October 2006).



Families (TANF) program. In addition, the 2002 bill set up a number of state options to ease access to the program and administrative burdens on applicants/recipients and program operators (e.g., allowing states to reduce recipient reporting requirements, simplify benefit calculations, conform some food stamp rules to those used in the TANF and Medicaid programs) and revamped the quality control system to reduce the number of states subject to financial sanctions and grant bonus payments to states demonstrating exemplary administrative performance.<sup>12</sup> Virtually no program cuts were made.

Even small changes to eligibility or benefit rules in a program as large as food stamps can bring on relatively large budget costs or savings. And, as with the 2002 farm bill, the ability to revise the Food Stamp program in 2007 will depend heavily on budget constraints at the time the farm bill is considered. A preliminary list of major potential issue areas that have emerged at this time includes the following.

- **Eligibility.** Proposals to both loosen and tighten current rules governing the eligibility of *noncitizens* are likely. In the 109<sup>th</sup> Congress, the House version of the bill implementing spending reductions to comply with the FY2006 budget reconciliation measure would have further limited eligibility for noncitizens. Moreover, any changes made in immigration law may call for revision of food stamp eligibility rules. Under current law, states may make households participating in their TANF programs *categorically eligible* (automatically eligible) for food stamps. The Administration contends that states have taken advantage of this rule to make those with financial resources well above normal food stamp standards eligible, simply by providing some minimal TANF-linked services. And the Administration and others have proposed various limits on categorical eligibility. Opponents of the current restrictions on participation by *able-bodied adults without children (ABAWDs)*, which bar eligibility after 3 months unless the individual meets a work-related test, contend that they should either be abolished as too punitive (and administratively complex) or greatly eased. These restrictions were put in place as part of the 1996 welfare reform law.
- **Assets.** Current policy excludes most, but not all, *retirement savings* from consideration as assets when testing for food stamp eligibility. While the 2002 farm bill allowed states to expand the list of excluded retirement savings (e.g., to include Individual Retirement Accounts) if they did so in their TANF program, very

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<sup>12</sup> Information on state options can be found in a 2004 GAO report — *Food Stamp Program: Farm Bill Options Ease Administrative Burdens, but Opportunities Exist to Streamline Participant Reporting Rules among Programs (GAO-04-916; September 2004)*. Coverage of the current status of state options is on the USDA website at [[http://www.fns.usda.gov/fsp/rules/Memo/Support/State\\_Options/sixth/default.htm](http://www.fns.usda.gov/fsp/rules/Memo/Support/State_Options/sixth/default.htm)]. And information about states' use of their options as to how to count the value of vehicles when determining food stamp eligibility can be found in a report by the Center on Budget and Policy Priorities — *State Vehicle Asset Policies in the Food Stamp Program* (revised November 6, 2006) — available through the Center's website: [<http://www.cbpp.org>].

few states have. The Administration and others have supported disregarding *all* retirement savings to avoid penalizing those who have saved for retirement but are temporarily in need. The Food Stamp program's *dollar asset limits* have not been significantly changed in over 25 years. A number of critics argues that they should be raised, or abolished, to encourage saving and simplify administration.

- **Use of Benefits.** Under current law, food stamp benefits can be used for virtually any food purchase; they cannot be used for alcohol, tobacco, hot prepared food, or dietary supplements. *Food choice* has been a recurring theme in food stamp policy debates. Critics argue that nutrition-related limits should be placed on the types of food that can be bought with food stamps or that incentives be provided to purchase nutritional food items. One state has asked permission to impose this type of restriction (but been denied because the law does not allow it). Another state has proposed adding a benefit incentive for the purchase of fresh produce. Separately, some interested parties have proposed an expansion to allow food stamps to be used for dietary supplements, as in the Senate version of the 2002 farm bill.
- **Benefit Levels.** Within significant limits, food stamp benefits are increased for those with *high shelter costs* in relation to their income. As in earlier farm bill debates, program advocates would like to see those limits removed. Again, as in earlier farm bills, there are calls to increase or index the *minimum benefit level* (\$10 a month for 1- and 2-person households); it has not been changed since originally set in the 1970s and is seen as so low that it discourages participation. Arguing that, especially because of increases in non-food household living expenses, the value of food stamp benefits has been eroded, some advocates would ask that either the maximum benefit be raised or that the standard amount of income disregarded for all households be increased — effectively providing an *across-the-board benefit increase*.
- **Administration.** States (most notably Florida, Indiana, and Texas) have taken, or are taking, major steps to revamp the way they administer food stamps, Medicaid, and the TANF program. While current food stamp law requires that final eligibility/benefit decisions be made by government employees, these initiatives can involve “*privatizing*” (contracting out or outsourcing) many “back-office” and other administrative tasks and “*modernizing/ streamlining*” administration through efforts like performing program intake by computer application — resulting in cost savings from fewer staff/offices and, it is hoped, better client service. There are no federal minimum standards for these types of initiatives (e.g., with respect to client service, pilot testing), and many of those watching the current initiatives argue that some standards should be set legislatively to give the USDA/FNS the ability to more effectively

oversee the progress in this area. As the result of experiences related to Hurricane Katrina, there have been proposals to allow or require the federal government to increase its share of food stamp *administrative costs* (above the normal 50%) in the case of major disasters.

- **Program Access.** The participation rate among food stamp eligibles has increased noticeably since 2002 (when a number of changes were put in place to encourage this). However, with the most recently reported rate at 60%, some program advocates argue that further steps need to be taken. In their view, procedural rules governing how applicants and recipients are treated, as well as those relating to eligibility for applicants participating in other public assistance programs (like TANF), could be further loosened to *ease access to food stamp benefits* to eligible households. Added federal administrative cost-sharing for access-oriented state administrative changes (e.g., longer office hours) and grants for access-improving efforts could be legislated. In addition, advocates are concerned about any access restrictions that might result from the initiatives to privatize/ modernize/streamline administration noted above.

## Programs in Lieu of Food Stamps

Four programs, three authorized under the Food Stamp Act, operate in lieu of food stamp assistance.

- **Puerto Rico** receives an inflation-indexed annual block grant (\$1.5 billion in FY2006, serving about 1 million persons per month) to operate a nutrition assistance program that works much like the regular Food Stamp program — including delivery of benefits through EBT cards.<sup>13</sup> The major feature distinguishing Puerto Rico's program from the regular Food Stamp program (other than more restrictive financial eligibility tests and lower maximum benefit levels) is that just 75% of a household's benefit must be used for food purchases, as opposed to 100% in the regular Food Stamp program. Puerto Rico was converted to its nutrition assistance block grant in 1982; as a quid pro quo, it was given total flexibility in how its program is designed.
- Since 1994, **American Samoa** has received an annual nutrition assistance grant (\$6.1 million in FY2006); it has designed a program that serves low-income elderly and disabled persons (some 3,000 persons in FY2005). This grant was established under the USDA's discretionary authority to extend USDA programs to American Samoa and other territories, but is now funded under the same section of the Food Stamp Act as Puerto Rico's block grant and indexed like Puerto Rico's.

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<sup>13</sup> Authorized under Section 19 of the Food Stamp Act; 7 U.S.C. 2028.

- Since 1982, the Commonwealth of the *Northern Mariana Islands* has been provided an annual grant (negotiated with the USDA, with an estimated \$8.4 million available for FY2006) to operate a food-stamp-like program with 30% of benefits earmarked for locally produced products. This grant is authorized under P.L. 96-597 (a law governing relations with the Commonwealth) and, as such, has not, in the past, been part of a farm bill.
- *Indian tribal organizations* may choose to operate the Food Distribution Program on Indian Reservations (FDPIR), instead of having the state offer regular food stamp benefits; the full cost of benefits and most administrative expenses are covered by the federal government.<sup>14</sup> This option operates on over 250 Indian reservations in 22 states. The program offers nutritionally balanced monthly food packages of USDA-provided commodities to those meeting eligibility rules close to those used for food stamps; households may not get both food stamp and FDPIR benefits. In FY2005, it served about 100,000 persons per month at a cost of about \$80 million (30% for administrative/ distribution costs). The FDPIR distributes both commodities bought specifically for it (“entitlement” commodities) and “bonus” commodities acquired by the USDA for farm support reasons; in FY2005, \$55 million worth of entitlement commodities were distributed, supplemented by \$2 million in bonus food items. The monthly value of the food packages averaged \$41 a person.

**Prospective Issues.** The 2002 farm bill extended the three programs now authorized under the Food Stamp Act — grants to Puerto Rico and American Samoa and the FDPIR — through FY2007.<sup>15</sup> It also slightly increased and indexed the nutrition assistance grants for Puerto Rico and American Samoa, and specifically authorized American Samoa’s grant as part of the Food Stamp Act. Legislative issues related to programs operating in lieu of food stamps are unlikely in the context of the farm bill, and, as yet, none has emerged. However, questions regarding the quality and content of FDPIR food packages may arise because the USDA is in the process of revising the packages’ contents. Moreover, there may be a call for some action related to set-aside money to purchase bison meat (from Indian cooperatives) for the FDPIR; this has recently been done through appropriations law language but was not included in FY2007 appropriations actions.

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<sup>14</sup> Authorized under Section 4(b) of the Food Stamp Act; 7 U.S.C. 2013(b).

<sup>15</sup> No extension was necessary for the Northern Marianas grant because it operates under a separate permanent authorization.

## The Emergency Food Assistance Program (TEFAP)<sup>16</sup>

TEFAP was begun in 1981-1982 as a temporary expedient designed, at least initially, to dispose of huge stocks of government-held food commodities. It also occurred in the aftermath of noticeable reductions in the coverage of and benefits provided by food assistance programs like food stamps and school meal programs legislated in 1981-1982, and in the midst of an economic recession and concern over “hunger” and homelessness among the needy. In 1983, the Emergency Food Assistance Act gave the program official status and authorized funding for administrative and distribution costs.

In the early years (through FY1988), the only significant federal expenditures involved were appropriations for administrative/distribution costs. The commodities were so-called “bonus” commodities, those acquired for farm-support reasons and held in excess of what was needed to fulfill other federal commitments (e.g., to school meal programs). The establishment of TEFAP helped reduce federal commodity stocks (and storage costs associated with them), provided an alternative source of food assistance for the needy, and was instrumental in supporting and expanding a network of emergency food aid providers that also drew food and other resources from many non-governmental sources.

In 1988, after the Administration indicated plans to phase out the program because of the lack of bonus commodity inventories, Congress began the practice of *mandating* funding for TEFAP commodities, thereby creating a minimum “entitlement” to a certain level of commodity assistance. This entitlement component was ensconced in permanent law by the 1996 welfare reform act (P.L. 104-193), which guaranteed the program \$100 million a year. Additional bonus commodities continued to be made available — differing each year according to USDA acquisitions. This guarantee was increased to \$140 million a year in the 2002 farm bill.

Under TEFAP, the federal government provides food commodities to states along with grants for administrative and distribution costs. This assistance supplements other sources of food aid for needy persons and often is provided in concert with food bank and homeless shelter projects. Eligibility decisions for TEFAP assistance are made by states. They may direct their TEFAP commodities directly to (state-defined) needy households and meals served to (state-defined) needy persons at congregate meal sites. Local TEFAP administering agencies also are chosen by states. National emergency provider and food bank networks (like Second Harvest) are also heavily involved.

In addition to state allocations of the \$140 million in entitlement commodities, each state receives a share of the \$50 million a year appropriated as discretionary money to fund expenses associated with administration and distribution (storage, transportation) of the commodities, and states may divert some of the \$140 million

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<sup>16</sup> Authorized under (1) Section 27 of the Food Stamp Act (7 U.S.C. 2036) and (2) the Emergency Food Assistance Act (7 U.S.C. 7501-7516).

to administration/distribution costs.<sup>17</sup> Moreover, state entitlements to TEFAP commodities are supplemented with bonus commodities (about \$150 million in FY2005) that the USDA has acquired in its agriculture support programs.

**Prospective Issues.** The 2002 farm bill extended TEFAP authorities through FY2007 and increased the level of entitlement commodities from \$100 million to \$140 million a year. Since the 2002 farm bill, bonus commodity donations from USDA stocks to TEFAP have dropped dramatically — from over \$240 million in FY2003 to about \$150 million in FY2005, with estimates of less than \$100 million for FY2006 and perhaps FY2007. Because USDA commodities provide an important underpinning to emergency food assistance providers' activities and they have come to rely on them, there are calls from providers and others for the 2007 farm bill to substantially increase the level of entitlement commodity assistance above the current \$140 million a year, or establish some minimum threshold that must be met with a combination of entitlement and bonus commodities.

### **Commodity Supplemental Food Program (CSFP)<sup>18</sup>**

The CSFP was originally established in the late 1960s, under the authority of a series of appropriations laws, to provide aid to low-income women (pregnant and postpartum), infants, and children, who at that time had no other food assistance program to turn to for aid specific to their needs. Since then, the WIC program has largely taken over this role. However, the CSFP continues to operate and now serves mostly elderly low-income individuals who either need extra help beyond food stamp benefits or are reluctant to apply for food stamps. Projects supported by the CSFP typically provide a range of other services to their communities.

The CSFP provides supplemental foods to low-income elderly persons and low-income pregnant, postpartum, and breastfeeding women, infants, and children through over 140 projects in 32 states, the District of Columbia, and on two Indian reservations. Eligibility is limited to those with income below 130% of the federal poverty income guidelines (e.g., about \$13,000 a year for 1 person). The foods are purchased by the USDA and distributed to grantees, and food packages received and distributed by CSFP projects are designed with the specific nutritional needs of the elderly and women, infants, and children in mind. CSFP grantees also receive significant funding for administrative costs. The program is a discretionary program depending on annual appropriations decisions, and commodities and administrative funding generally are apportioned by the number of persons served in the prior year; if new money is appropriated or allocated “slots” are not used, new projects can be added. The commodities provided by the USDA are of two types: (1) “entitlement” commodities bought with annually appropriated funds and included in the food packages and (2) “bonus” commodities donated from USDA stocks and provided in addition to, or as part of, food packages.

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<sup>17</sup> In FY2005, \$20 million was diverted.

<sup>18</sup> Authorized under Sections 4 and 5 of the Agriculture and Consumer Protection Act of 1973; 7 U.S.C. 612c note.

In FY2005, the CSFP served over 500,000 persons a month, 90% of whom were elderly. Some \$82 million in entitlement commodities and \$38 million worth of bonus commodities were distributed; food packages were valued at between \$18 and \$21 per person per month. Administrative cost support was \$29 million.

**Prospective Issues.** The 2002 farm bill extended the authorization for the CSFP through FY2007 and increased the proportion of appropriations earmarked for administrative costs. In its FY2007 appropriations request, the Administration proposed terminating the CSFP, as duplicative of other programs (the WIC program and food stamps). However, neither the House nor Senate FY2007 Agriculture appropriations measures adopted this position. CSFP advocates have, for a number of years, called for a change in rules that would boost the income eligibility limit from 130% of the federal poverty guidelines to 185% and are likely to raise the issue again in the 2007 farm bill.

## **Fresh Fruit and Vegetables, Commodity Support, and Farmers' Markets**

The nutrition title of the 2002 farm bill addressed, for the first time, the availability of fresh fruit and vegetables in schools — because of growing concerns over childhood obesity and the quality and types of foods offered through school meal programs. It established a pilot project under which a small number of schools in a limited number of states and Indian reservations receive funding to offer free fresh fruit and vegetables to students.<sup>19</sup> The project was expanded, given mandatory annual funding, and made permanent through the 2004 child nutrition reauthorization law (P.L. 108-265), and further expanded and given added money in P.L. 109-97. In FY2006, about 400 schools in 14 states and 3 Indian reservations received support for this project, supported by funding totaling to \$15 million.

Separate from the nutrition title, the 2002 farm bill (in Section 10603) required that a minimum of \$50 million a year of the amount spent on commodities for schools be used for fresh fruit and vegetables acquired for school meal programs through the Department of Defense “Fresh Program” (“DOD Fresh”).

The 2002 nutrition title also provided statutory authority and mandatory funding (at \$15 million a year through FY2007) for a new Seniors Farmers' Market Nutrition program (SFMNP), under which low-income seniors receive vouchers that they may redeem at farmers' markets and roadside stands for fresh fruit and vegetables. The SFMNP was set up to give low-income elderly the same help that WIC recipients receive through WIC farmers' market vouchers (a separate program not subject to farm bill renewal).

**Prospective Issues.** The fresh fruit and vegetable program set up by the 2002 farm bill has proved popular — for example, both the House and Senate appropriations bills for FY2007 included a significant expansion in funding and the number of states covered — and it is very probable that various proposals for further growth in the program will be advanced for the 2007 farm bill. Recommendations

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<sup>19</sup> In Section 4402 of the 2002 farm bill.

for continuation of and possible added funding for the DOD Fresh set-aside also can be expected; however DOD Fresh is being restructured in a way that will probably de-emphasize procurement of locally produced food items, and Congress may revisit the set-aside to see if alternatives are more desirable.

The only proposed change in the SFMNP is likely to be a provision barring the use of SFMNP funds to pay sales taxes, coupled with a rule disregarding the value of SFMNP benefits as financial resources for tax and public assistance purposes. This has been proposed by the Administration, was included in the House and Senate FY2007 appropriations measures, and mirrors what is now done for the WIC farmers' market program.

## **Community Food Projects**

In the 1996 farm bill, Congress established, as Section 25 of the Food Stamp Act (7 U.S.C. 2034), a program of assistance for community food projects, intended to promote innovative local self-help initiatives to meet nutrition and farm needs.

Community food projects are funded at a total of \$5 million a year — a mandatory sum set aside from each year's Food Stamp Act appropriation. The program consists of competitive grants administered through the USDA's Cooperative State Research, Education, and Extension Service (CSREES), and requiring a 50% match.

Project grants provide one-time infusions of federal dollars for local projects designed to increase the food self-reliance of communities; promote comprehensive responses to local food, farm, and nutrition issues; develop innovative linkages among the public, for-profit, and nonprofit food sectors; encourage long-term planning and multi-agency approaches; or improve the availability of locally or regionally produced foods to low-income people. In addition, one grant is mandated — to a non-governmental entity that coordinates and disseminates recommendations garnered from the various local projects.

**Prospective Issues.** With little debate, the 2002 farm bill extended the requirement for funding of community food projects through FY2007. Decisions on whether to extend this requirement again or alter the program will likely depend at least in part on perceptions of its value and effectiveness so far. However, some in the Administration have informally raised the issue of extending the permissible length of project grants to a maximum of 5 years (rather than the current 3 years) in order to more closely match the terms of other CSREES grants.



## Legislation

While the Administration's FY2008 budget is expected to contain legislative proposals with respect to food stamps (most probably relating to categorical eligibility and retirement savings, as proposed in earlier budgets), it has not yet been submitted to Congress. At present, three federal nutrition-assistance-related bills have been introduced —

- **H.R. 45.** *Healthy Foods for Healthy Living Act.* Authorizes grants to community-based organizations and other local agencies to promote greater consumption of fresh fruit, vegetables, and other health foods in low-income communities. Includes services related to obesity prevention and treatment under Medicare and Medicaid.
- **H.R. 206.** *Anti-Hunger Empowerment Act of 2007.* Proposes added federal cost sharing for state administrative expenses related to new activities to increase access to food stamps, annual progress reports on implementing steps to improve Food Stamp program access, and a pilot project providing “Beyond the Soup Kitchen” grants to community-based groups for activities bolstering food security and technical assistance grants to community-based nonprofit feeding and anti-hunger groups.<sup>20</sup>
- **H.R. 208.** Expands the existing project providing fresh fruit and vegetables in selected schools in a limited number of states to include New York state and selected Head Start programs in participating states.

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<sup>20</sup> H.R. 206 also would terminate a provision of food stamp law that reduces federal spending on food stamp administrative expenses by shifting certain costs to states.