



# The Federal Response to Calls for Increased Aid from USDA's Food Assistance Programs

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## Summary

Domestic food assistance programs typically make up a large portion of federal spending for needy households during economic downturns. The need for, participation in, and the costs of these programs—like the Supplemental Nutrition Assistance Program (SNAP, formerly the Food Stamp program)—have grown dramatically.

In response to the recent downturn, the Administration and Congress have taken major steps to change food assistance program policies to open up program access and to increase federal funding. Most important, SNAP benefits have been increased across the board and eligibility rules have been substantially loosened. The Administration's FY2011 budget proposes to continue funding for most of these steps.

This report will be updated to reflect action on the FY2011 budget and significant changes in participation and spending figures.

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## Introduction

Domestic food assistance programs overseen by the Food and Nutrition Service of the U.S. Department of Agriculture (USDA) typically make up a large portion of federal spending aimed at helping with low-income households' day-to-day needs during economic downturns. The biggest, the Supplemental Nutrition Assistance Program (SNAP, formerly known as the Food Stamp program), spent \$53.8 billion federal dollars in FY2009.<sup>1</sup> Other key food assistance programs—costing a total of over \$20 billion in FY2009—include The Emergency Food Assistance Program (TEFAP), child nutrition programs (like the school meal programs), and the Special Supplemental Nutrition Program for Women, Infants, and Children (the WIC program). By contrast, FY2009 federal outlays for other big programs helping lower-income households were \$250 billion for Medicaid, \$117 billion for Unemployment Insurance, \$48 billion for the Supplemental Security Income (SSI) program, and \$42 billion for Earned Income Tax Credit (EITC) payments.

In 2009, the Administration and Congress took major steps to change food assistance program policies and increase federal funding available for domestic food aid in response to growing calls for assistance from those in need. These actions will continue to have significant effects over the next several years, and the Administration's FY2011 budget request envisions continued growth in federal spending on food assistance.

## Increased Program Participation<sup>2</sup>

Major increases in the demand for food assistance—most particularly the SNAP—were recorded in 2009, and participation is expected to continue to grow.

The SNAP provides low-income households with monthly benefits that can be used to supplement their food spending and help free up cash for other household needs. SNAP participation jumped from 31.1 million persons in 14.0 million households in November 2008 to 38.2 million persons in 17.5 million households in November 2009 (the most recent available figures). Monthly spending on SNAP benefits (entirely funded with federal dollars) also rose dramatically from \$3.6 billion in November 2008 to \$5.1 billion in November 2009. For FY2010, the Administration and the Congressional Budget Office (CBO) estimate that total SNAP spending (including benefits and the federal share of administrative costs) will be at least \$69 billion, with average monthly participation of almost 41 million persons—up from \$53.8 billion and 33.7 million persons in FY2009.

TEFAP supplies emergency feeding organizations (such as food banks and soup kitchens) with food commodities acquired by the USDA; these USDA donations typically make up 20%-25% of the food distributed by these organizations. It also provides cash payments to help states and

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<sup>1</sup> In addition, spending (in lieu of the regular SNAP) for the Food Distribution Program on Indian Reservations (the FDPIR) and nutrition assistance grants for Puerto Rico, American Samoa, and the Northern Marianas totaled to \$2.1 billion.

<sup>2</sup> Participation and spending figures cited in this part of the report are from: (1) the monthly Program Information Report (Keydata) issued in January 2010 for November 2009 by the USDA's Food and Nutrition Service and (2) USDA's FY2010 and FY2011 budget justification materials presented to Congress as part of the appropriations process.

feeding organizations with their distribution costs. Direct information as to recent increases in the number of persons served by recipient organizations supported by the TEFAP commodity donations is not available. However, Feeding America, an organization serving over 200 food banks, reported a 21% increase in the amount of food distributed between June 2008 and June 2009 and anticipates continued increases. In FY2009, TEFAP provided some \$710 million worth of commodities and \$89 million in distribution cost assistance, up from a total of \$420 million in FY2008. In FY2010, TEFAP support may drop with the expiration of extra funding supplied by the American Recovery and Reinvestment Act of 2009 (discussed later in this report), unless “bonus” commodities donated from USDA stocks acquired for farm support purposes make up the difference.

The two main child nutrition programs—the School Lunch program and the School Breakfast program—give schools cash subsidies and USDA-acquired commodities that help them cover the cost of providing school meals. Participating schools must provide free or reduced-price meals to children from low-income families. Between November 2008 and November 2009, the number of children receiving free lunches went up by 6.4% (to 17.2 million) and the number of children eating free breakfasts climbed by nearly 7% (to 8.7 million)—substantially outpacing the increase in total school enrollment. In FY2009, school meal programs and other child nutrition efforts cost some \$15.4 billion, up from \$14.7 billion in FY2008. For FY2010, the Administration estimates that overall child nutrition spending will rise to \$17 billion, based on an estimate that the number of children receiving free school meals will rise by over 10%; the CBO projects \$16.3 billion.

The Special Supplemental Nutrition Program for Women, Infants, and Children (the WIC program) provides vouchers for nutrition supplemental foods to low-income pregnant women, new mothers, infants, and young children. It also provides nutrition education, medical referrals, and breastfeeding support. Between November 2008 and November 2009, WIC participation increased by 2.3% (to 9.1 million women, infants, and children). FY2009 WIC costs totaled to \$6.5 billion, compared to \$6.2 billion in FY2008, and the Administration’s FY2011 budget estimates that FY2010 spending will be \$7.2 billion—with average monthly participation growing from 9.1 million in FY2009 to 9.5 million in FY2010.

## Measures of Need

In November 2009, the USDA’s Economic Research Service released a report entitled *Household Food Security in the United States, 2008*—available at <http://www.ers.usda.gov>—which estimated that 14.6% of American households were “food insecure” at least some time during 2008, including 5.7% with “very low food security” (meaning that the food intake of one or more household members was reduced and their eating patterns were disrupted at times during the year because they lacked money or other resources for food). Prevalence rates of food insecurity and very low food security were up from 11.1% and 4.1%, respectively, in 2007, and were the highest recorded since 1995.

In January 2010, the Food Research and Action Center (FRAC) released an analysis of survey data collected by Gallup for the Gallup-Healthways Well-Being Index project entitled *Food Hardship: A Closer Look at Hunger—Data for the Nation, States, 100 MSAs, and Every Congressional District* (available at <http://http://www.frac.org>). This report estimated that “food hardship” for the nation as a whole rose from 16.3% of respondent households in the first quarter of 2008 to 19.5% in the fourth quarter of 2008. In 2009, the rate dropped slightly, with food hardship in the four quarters of 2009 hovering between 17.9% and 18.8%. The Gallup survey

measured food hardship by asking whether there had been times in the past 12 months when the surveyed household did not have enough money to buy food that it needed.

## The SNAP

In response to the economic downturn, Congress and the Administration made substantial changes to SNAP funding, benefits, and eligibility policy in 2009.

## The ARRA

The American Recovery and Reinvestment Act (ARRA) of 2009 (P.L. 111-5) included a number of substantial provisions expanding benefits and eligibility for the SNAP.<sup>3</sup> At the time the ARRA was enacted, the CBO estimated that the cost of these changes would be \$10.8 billion in the first two years (FY2009 and FY2010). However, because SNAP participation is rising faster than the CBO projected, FY2009-FY2010 (and possibly future) costs will very likely be greater.

SNAP benefits were increased significantly, time limits on eligibility for able-bodied adults without dependents were suspended, and states received extra federal funding for administrative costs.

- Monthly SNAP allotments are based on the estimated cost of a minimally adequate diet. This means that the benefit for any recipient household equals the inflation-indexed cost of USDA's "Thrifty Food Plan" (the maximum benefit), varied by household size and adjusted for household income. In recognition of the possibility of unanticipated food-price inflation and the other needs of recipient households, the ARRA provided an across-the-board increase in SNAP benefits (effective in April 2009). This add-on was accomplished through raising, by 13.6%, the base Thrifty Food Plan amounts normally used to calculate benefits. It effectively boosted each recipient household's monthly benefit by an amount equal to 13.6% of the maximum benefit for its size. For a one-person household, the added benefit was \$24 a month; for two persons, \$44 a month; for three persons (the typical household), \$63 a month; for four persons \$80 a month; and for larger households, higher amounts. As a result, monthly average household benefits were increased by nearly 20% (about \$20 a person). In FY2009, ARRA-provided SNAP benefits accounted for \$4.3 billion in spending (about 15% of all benefit costs). In November 2009, ARRA-provided benefits totaled over \$800 million (16% of benefit costs). For FY2010 and FY2011, the Administration estimates that ARRA-provided benefits will total \$10.5 billion and \$11.7 billion, respectively—reflecting both the ARRA add-on and increased participation.
- SNAP law limits eligibility for most able-bodied adults without dependents (ABAWDs) who are not working at least half-time to 3 months out of every 36 months (without regard to their financial status). Reacting to high unemployment

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<sup>3</sup> For more detail see CRS Report R40160, *Agriculture, Nutrition, and Rural Provisions in the American Recovery and Reinvestment Act (ARRA) of 2009*, coordinated by (name redacted).

rates, the ARRA effectively suspends this requirement for those who cannot find a job through FY2010.

- While SNAP benefit costs are entirely a federal responsibility, states operating the SNAP share administrative costs with the federal government. Approximately half of administrative costs are picked up by states—some \$3 billion a year. As noted above, participation in the SNAP is rising dramatically, leading to higher administrative costs, which states are having difficulty meeting. The ARRA provided \$145 million (FY2009) and \$150 million (FY2010) in additional federal money for administrative expenses, without requiring state matching funds.

## **FY2010 Appropriations**

Under the terms of the regular FY2009 and FY2010 Agriculture Department appropriations laws ( P.L. 111-8 and P.L. 111-80), *minimum* FY2010 funding available for the SNAP is set at \$53 billion, plus \$6 billion in contingency funds.<sup>4</sup> This is a \$5 billion increase over FY2009 spending and does not include expected funding of over \$10 billion provided under the provisions of the ARRA.<sup>5</sup>

In addition, the FY2010 Defense Department appropriations act (P.L. 111-118) appropriates (1) unlimited funding (“such sums as may be necessary”) above the base amounts noted above for any SNAP emergency requirements that may arise because estimates used for appropriations purposes prove too low and (2) an extra \$400 million (above regular spending and ARRA-provided amounts) for state administrative expenses related to the SNAP, with no state match required.

## **Administrative Policy Changes**

The Administration has taken two major steps that open up access to the SNAP. In both cases, they expand on policies in place prior to 2009.

- The USDA’s Food and Nutrition Service has taken an official stance encouraging states to use so-called “categorical eligibility” authority to expand eligibility to significant numbers of households by (1) increasing or completely lifting limits on assets that eligible households may have and (2) raising dollar limits on households’ gross monthly income.<sup>6</sup> To date, 27 states and two territories have taken advantage of this option, to one degree or another.

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<sup>4</sup> For more information, see CRS Report R40721, *Agriculture and Related Agencies: FY2010 Appropriations*, coordinated by (name redacted).

<sup>5</sup> It also does not include other funding totaling over \$2 billion for other programs covered under the Food and Nutrition Act, such as TEFAP and Puerto Rico’s nutrition assistance grant.

<sup>6</sup> This policy was announced in various letters and communications from the Food and Nutrition Service to states in the fall of 2009. Categorical eligibility refers to provisions in SNAP law that permit states to make households automatically eligible if they receive any type of benefit or service funded through the Temporary Assistance for Needy Families (TANF) program. Qualifying TANF services/benefits can range from cash TANF benefits or child care to informational pamphlets and referrals to 800 numbers. This effectively allows states to make virtually any household eligible for the SNAP. However, benefits must still be calculated using basic SNAP rules and many of those made “eligible” using categorical eligibility authority may not actually receive a benefit or may receive a minimal benefit.

- The Food and Nutrition Service has the authority to grant states waivers of the requirement that households have a face-to-face interview when their initial eligibility is determined and when they are up for recertification of eligibility. A growing number of states have been granted waivers for face-to-face interviews for some or all applicants, and most states now have waivers for interviews at recertification.

## **TEFAP**

In FY2009, TEFAP was originally budgeted at \$250 million in commodities and \$50 million for distribution/storage costs, not including nearly \$400 million in “bonus” commodities donated to TEFAP from USDA stocks acquired in support of the agricultural economy. The ARRA made an added \$150 million available through FY2010: \$100 million for commodity acquisitions and \$50 million for distribution storage costs.<sup>7</sup> In addition, the FY2010 Agriculture Department appropriations law (P.L. 111-80) appropriated \$6 million for increased support for infrastructure improvement expenses incurred by TEFAP recipient organizations.

## **Child Nutrition**

### **The ARRA**

Child nutrition programs generally do not provide direct assistance to schools covering costs related to the equipment used to prepare meals. The ARRA made \$100 million available to states for use in making competitive grants to schools (based on need) for school food service equipment.

### **FY2010 Appropriations Law**

In addition to providing for some \$17 billion in child nutrition spending, the FY2010 Agriculture Department appropriations law (P.L. 111-80) included two significant provisions aimed at expanding participation in child nutrition programs.<sup>8</sup>

- Three states and the District of Columbia were added to the 10 states eligible to receive federal subsidies for suppers served in after-school programs.
- A total of \$25 million was appropriated for (1) grants to low-performing states to improve their rates of “direct certification” for free school meals and (2) federal technical assistance to help them improve their direct certification performance.<sup>9</sup>

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<sup>7</sup> According to the Administration’s FY2011 budget, most (\$125 million) of this support was committed in FY2009.

<sup>8</sup> For more detail, see CRS Report R40721, *Agriculture and Related Agencies: FY2010 Appropriations*, coordinated by (name redacted).

<sup>9</sup> Direct certification is the use of participation information from public assistance programs, like the SNAP, to automatically qualify children for free meals.



## **The WIC Program**

State agencies operating the WIC program have consistently called for added support for implementing new or upgraded “management information systems” to improve their ability to deliver benefits more efficiently. Moreover, changing economic conditions and variable food-price inflation rates have made projections of the need for WIC funding increasingly uncertain. In response, the ARRA provides \$400 million for a contingency reserve to support participation or food costs that exceed budget estimates. It also made \$100 million available for WIC state agencies’ management information system expansions/upgrades.

## **The FY2011 Budget<sup>10</sup>**

On February 1, 2010, the Administration submitted its FY2011 budget request. It envisions substantial increases in participation and spending for virtually every USDA food assistance program. Most prominently, SNAP costs are projected to jump by almost \$4 billion (to \$72.8 billion) because of increased participation (rising from an average of 40.5 million persons in FY2010 to 43.3 million FY2011). Spending for child nutrition and WIC programs also is estimated to increase substantially. The FY2011 budget estimates that child nutrition initiatives like school meal programs will cost \$18.3 billion, as opposed to \$17 billion in FY2010, and spending for the WIC program is expected to increase from \$7.2 billion to \$7.8 billion. On the other hand, mandatory funding for TEFAP is scheduled for a slight decrease (\$2 million) under the terms of its underlying law tying TEFAP funding to food-price inflation/deflation, although USDA donations of bonus commodities will make up any difference.

The Administration’s FY2011 budget also includes several proposals to change the laws governing domestic food assistance programs.

- It effectively asks to extend the unlimited funding authority granted to the SNAP in the FY2010 Defense Department appropriations law.
- It proposes to extend the suspension of SNAP eligibility rules that apply to ABAWDs enacted in the ARRA for an additional year (through FY2011).
- As part of a government-wide initiative, it requests that SNAP law be changed to (1) exclude as countable assets all refundable tax credits in the month of receipt and for the following 12 months and (2) increase the limit on countable assets to \$10,000. At present, tax credit payments generally are counted two to three months after receipt and countable assets are limited to \$2,000, or \$3,000 for elderly/disabled households (unless a state has used the “categorical eligibility” option noted earlier).
- Without laying out specific initiatives, it proposes to add \$1 billion (\$10 billion over 10 years) in new spending authority for child nutrition programs in an effort to end childhood hunger by 2015. According to the budget presentation, the additional money will be “aimed at ending childhood hunger, reducing childhood

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<sup>10</sup> U.S. Department of Agriculture 2011 Budget: Explanatory Notes for Committee on Appropriations.

obesity, improving the diets of children, and raising program performance to better serve children.”

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