

TITLE IV  
NUTRITION

# **SUMMARY OF IMPROVEMENTS TO NUTRITION PROGRAMS**

## ***Recommendations in Brief***

Simplify and modernize the Food Stamp Program to improve access and better reflect the needs of recipients and States, while maintaining continued focus on program integrity. Streamline other food assistance programs to improve administration and efficiency of programs. Increase support for healthy eating, including in schools and other facilities that participate in food assistance programs.

## ***Problem***

The Food Stamp Program, established in 1964 and revised in 1977, is the largest Federal nutrition program for low-income households. Over the course of time, significant changes have been made in the program -- most significantly, moving from stamps to coupons to electronic benefits. Changes are needed in the law to allow simplification and modernization of this program to keep pace with changes.

Additionally, requirements in other food assistance programs prevent them from being run as efficiently as they could. Changes are needed to allow nutrition assistance programs to effectively and efficiently serve those in need.

Finally, obesity rates in this country continue at alarming levels. The 2005 Dietary Guidelines for Americans recommended higher fruit and vegetable consumption levels for most Americans, yet only one in five Americans consumes the recommended amount of fruit each day. Children under 18 years of age generally consume 50 percent or less of the recommended levels of fruits and vegetables. Providing increased fruit and vegetable options in the food assistance programs can help to increase consumption as well as improve the quality of many Americans' diets.

## ***Recommended Solution***

The Administration is recommending a broad package of proposed changes to the Title IV – entitled “Nutrition Programs” – to improve USDA nutrition programs and better serve their beneficiaries. Following is a list of the major components of the package.

### ***Food Stamp Program***

1. Improve access to the working poor and elderly by excluding retirement savings accounts when determining eligibility, conducting a pilot to increase support to employed food stamp recipients, eliminating the cap on the dependent care deduction, excluding the value of Internal Revenue Service approved college savings plans from the resource limit when determining eligibility, and excluding combat-related military pay. These reforms are estimated to generate an additional \$1.38 billion over 10 years for participant benefits. (For further information, see the proposal entitled “Food Stamp Program: Working Poor and Elderly” on pages 87 – 89.)

2. Revise the name of the Food Stamp Program and de-obligate food stamp coupons to reflect that benefits are now provided electronically. Protect recipients from reimbursing States for overissuances that result from widespread systematic errors and hold States accountable for these errors. (For further information, see the proposal entitled “Food Stamp Program: Streamlining and Modernizing Proposals” on pages 90 – 91.)
3. Strengthen provisions to further improve program integrity by limiting categorical eligibility to those that receive only TANF or SSI cash benefits. Allow flexibility in the assessment of retailer fines in certain circumstances. Allow the Secretary, in certain egregious trafficking cases, to seize and transfer funds to the Treasury; prohibit the exchange of food purchased with food stamp benefits for cash. Authorize USDA to charge State agencies five percent of administrative costs if the State is more than fifty percent above the national negative error rate for two consecutive years. Remove the new investment option for States sanctioned for improper payments for three consecutive years. (For further information, see the proposal entitled “Improve Food Stamp Program Integrity” on pages 92 – 94.)
4. Strengthen efforts to integrate nutrition education into the food stamp program by recognizing that nutrition education is a component of the program and investing \$100 million to establish a five-year competitive grants demonstration program targeted at developing and testing solutions to the rising rates of obesity. (For further information, see the proposal entitled “Food Stamp Program: Improving Health through Nutrition Education” on pages 95 – 96.)

#### ***Other Food Assistance Programs***

1. Recognize the permanency of The Emergency Food Assistance Program (TEFAP) State plans and remove barriers for local organizations to more effectively compete to participate in the program. (For further information, see the proposal entitled “The Emergency Food Assistance Program (TEFAP)” on pages 97 – 98.)
2. Increase funding by \$27 million over 10 years to better reflect the actual administrative costs of the Food Distribution Program on Indian Reservations (FDPIR) and provide a structured method for allocating administrative funds among the Indian Tribal Organizations (ITO). Align nutrition assistance program disqualification policies to ensure that those barred from participation in FDPIR for intentional program violations are also disqualified from participation in the food stamp program. (For further information, see the proposal entitled “Food Distribution Program on Indian Reservations (FDPIR)” on pages 99 – 100.)
3. Exclude the value of the Seniors Farmers Market Nutrition Program benefits for tax purposes and when determining eligibility for any Federal or State means-tested programs; prohibit States from participating in the SFMNP if state or local sales tax is collected within the State on food purchased with SFMNP benefits. (For further information, see the proposal entitled “Seniors Farmers’ Market Nutrition Program (SFMNP)” on pages 101 – 102.)

#### ***Promoting Healthy Diets***

1. Support school efforts to provide meals based on the most recent Dietary Guidelines for Americans. Invest \$6 million in mandatory funding to conduct a survey of foods

purchased by school food authorities with Federal cash assistance once every 5 years. (For further information, see the proposal entitled “Promoting Healthful Diets in Schools” on pages 103 – 104.)

2. Provide new mandatory funding for the purchase of additional fresh fruits and vegetables for use in the National School Lunch and Breakfast Programs. This \$500 million of funding over 10 years represents a net increase in the total purchase of fruits and vegetables for school meals over levels available under any other authorities. (For further information, see the proposal entitled “Promoting Healthful Diets in Schools” on pages 103 – 104.)
3. Increase Section 32 spending on fruits and vegetables by \$2.75 billion over 10 years. (For further information, see the proposal entitled “Promoting Healthful Diets in Schools” on pages 103 – 104 and the proposal entitled, “Increase Purchases of Fruits and Vegetables for Nutrition Assistance Programs” on pages 168 - 169).

# **FOOD STAMP PROGRAM: Working Poor and Elderly**

## ***Recommendation In Brief***

Improve access to the working poor and elderly by excluding retirement savings accounts when determining eligibility, allowing states the option of reimbursing work-related expenses, eliminating the cap on the dependent care deduction, excluding the value of Internal Revenue Service (IRS) approved college savings plans from the resource limit when determining eligibility, and excluding military combat pay. These reforms are estimated to generate an additional \$1.38 billion over 10 years for participant benefits.

## ***Problem***

The working poor and elderly participate in the Food Stamp Program (FSP) at a lower percentage rate than the general low-income population. Several factors, including the complexity of the program and the fact that the Food Stamp Act does not specifically address education savings accounts, affect participation. Farm Bill Forums included recommendations supporting improvements to assist these two populations through policy simplification and expansion. For example, in discussing the importance of improving program accessibility to vulnerable populations, Julie from Florida said, “We need the process to be simplified for administrators and for the recipients.” And Jodi from New York City added “We believe strongly in the importance of the food stamp program as a crucial mechanism for providing access to essential nutritional support for lower-income New Yorkers.”

## ***Recommended Solution***

The Administration proposes improving access to the FSP for the elderly and working poor by:

1. *Encouraging savings for retirement* – This recommendation would exclude all retirement accounts from resources when determining eligibility for the program. This not only will encourage individuals to save for their retirement and help families save for their children’s future, even if they experience a temporary need for food stamps.
2. *Strengthening the employment and training component by testing an expansion of the participant reimbursement for work-related expenses* – Current rules provide employment and training (E & T) funding for unemployed households only; the rules do not provide employment and training funds to support employed households. To further strengthen the Program’s role in supporting work and moving individuals and families to self-sufficiency, this proposal would authorize the Secretary to conduct a pilot test to allow a limited number of States the flexibility to reimburse (with matching 50 percent Federal funds) work-related expenses for any household with earned income. The Secretary would be authorized to define the range of allowable job-related expenses such as uniforms, tools, and licensing (but not to include child care), and to place a limit on the time during which a working family may be eligible for reimbursement. The pilot would be conducted in no more than three States for a period not to exceed 3

- years. The Federal share of newly reimbursed work-related expenses in the pilots shall not exceed \$3 million.
3. *Eliminating the cap on the dependent care deduction* – Current policy supports work or participation in work services by providing for limited deductions from the family’s gross income associated with the cost of dependent care when determining food stamp eligibility and benefit amount: a cap of \$200 per month for children under 2 and \$175 for other dependent children is the current policy. These current caps have not been changed or adjusted for inflation since the provision was implemented in 1993. This proposal would simplify State administration and help working families with children.
  4. *Excluding the value of IRS approved college savings plans from the resource limit* – This proposal would expand the plans eligible for exclusion from the resource limit when determining food stamp eligibility and would simplify administration for the States. Most significantly, it supports working poor, encourages focused savings for children’s futures, and recognizes that households should not have to deplete college savings plans in order to get nutrition assistance. Current policy allows States to exclude college savings plans in accordance with their Temporary Assistance for Needy Families and Medicaid policies. Otherwise, the issue of account accessibility must be determined. This proposal simplifies a complex policy as requested by States while supporting low-income working families.
  5. *Excluding combat-related military pay* – Enhanced pay from military deployment can sometimes cause families receiving food stamps to no longer be eligible for this assistance. Military personnel receive supplements to their basic pay when they serve in combat. Such special pay includes combat or hazardous duty pay which could reduce a family’s benefits or make them ineligible. This policy change recognizes this problem and would ensure that military families are not penalized for doing their civic duty. It supports the families of servicemen and servicewomen fighting overseas by ensuring that their families do not lose food stamps as a result of the additional deployment income. This proposal has been a part of the President’s budget for several years and was first enacted in the 2005 Appropriations Act; this farm bill proposal would make this annual policy fix permanent.

### ***Background***

Authorized by the Food Stamp Act of 1977 (the Act), the Food Stamp Program (FSP) is the cornerstone of the Nation’s nutrition assistance programs which serve 1 in 5 Americans. During fiscal year (FY) 2005, the Program served approximately 26 million people in an average month with a total annual benefit cost of approximately \$29 billion. The FSP increases the purchasing power of low-income families and individuals by providing electronic benefits redeemed for food in authorized stores.

The program operates in partnership with the States. The Federal Government sets national program standards for eligibility and benefits, funds all benefit costs and approximately half of State administrative expenses, and has responsibility for monitoring and oversight of program implementation, including authorization and enforcement measures associated with the redemption of benefits at authorized retail

stores. State agencies, which interact directly with program participants, are responsible for eligibility certification.

Outreach to underserved populations and program integrity have been a primary focus for the Administration. At the same time that there has been an increase in participation, program integrity has also improved. In FY 2005, the FSP reached the highest level of payment accuracy in its history of 94.16 percent. The Food Stamp Program has a Quality Control System that uses a statistically valid sample of State cases to determine the accuracy of food stamp benefits and establish a national error rate. The Program has also seen progress in the area of trafficking (exchanging benefits intended for food purchases for cash), with a recent GAO report stating that trafficking has been reduced to 1 cent of every benefit dollar, down from almost 4 cents.

The purpose of the FSP is to increase the nutritional levels of low-income households who qualify based on criteria associated with income, assets, and household composition. To qualify for benefits the applicant's gross income must be less than 130 percent of poverty (e.g., \$2043 per month for a family of four in 2005), and 100 percent after allowable deductions. The maximum monthly food stamp allotment (\$499 for a family of four in 2005) is based on the cost of the Thrifty Food Plan, a low-cost nutritious model food plan. The Program also provides nutrition education designed to help low-income individuals choose healthy foods and active lifestyles.

# **FOOD STAMP PROGRAM: STREAMLINING & MODERNIZING PROPOSALS**

## ***Recommendation in Brief***

Support modernization efforts of States to streamline, simplify, and improve administration of the Food Stamp Program (FSP). Revise the name of the food stamp program and de-obligate food stamp coupons to reflect that benefits are now provided electronically. Protect recipients from reimbursing States for overissuances that result from widespread systematic errors.

## ***Problem***

Many States are implementing or considering efforts to modernize and streamline their eligibility systems and business designs to improve FSP administration. In addition, many States are going to need to update or modernize their computer and data management systems as today's systems are becoming outdated. Current requirements in the FSP limit States' ability to modernize and streamline their programs.

In June of 2004, electronic benefit transfer (EBT) was implemented nationwide with food stamp participants accessing nutrition assistance through debit card technology; yet coupons are still used in rare cases, complicating financial transactions for retailers and banks. Paper food stamp coupons are a remnant of the past, yet a small amount of these coupons linger. Changes are needed to de-obligate the use of paper food stamp coupons and change the name of the program to more accurately reflect its purpose as a national food assistance program.

## ***Recommended Solution***

The Administration proposes improved administration of the food stamp program by:

1. *Recommending a name change—the Food and Nutrition Program.* State agencies administering the Food Stamp Program have been asking the Department for years to consider a name change that is more descriptive of the current Program. Stamps, later replaced by coupons, have not been used for decades and the name does not reflect the Program's mission of reducing hunger and improving nutrition among low-income people. Further, nationwide implementation of EBT as a benefit delivery mechanism has made food stamps and the Program name outdated. Finally, some stakeholders suggest that the name is a barrier to participation because of stigma, especially among the elderly. FNS began gathering public comments on a new name in June 2004. While there is no consensus on a new name, the vast majority of the comments supported a name change with certain words commonly included in the suggestions—food and nutrition.
2. *De-obligating food stamp coupons as legal tender.* Electronic Benefit Transfer (EBT) has been in place nationwide for two years. Fewer and fewer coupons are being redeemed per month; in December 2005 coupon redemptions accounted for less than .001% of total benefit redemptions. De-obligating coupons reflects the current technological realities of the Program.



3. *Prohibiting States from establishing and collecting claims from recipients for State agency caused overissuances resulting from widespread systemic errors. Require states to repay the Federal government for overissued benefits.* As States have moved to replace outdated computer systems, there have been situations where time and budget have driven implementation of systems before they have been thoroughly tested. As a result, computer systems have generated overissuances because of design flaws; in some cases, the courts have become involved (e.g. Colorado) and judges have ordered States not to collect overissuances from recipients when the overissuance was an agency error (computer generated) and not a client error. However, current Federal law requires States to establish and collect claims from recipients. This proposal would recognize the unique situation of systemic errors caused by State agencies in the establishment and collection of over-issuances while still holding States responsible for the error.

### ***Background***

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The program operates in partnership with the States. The Federal Government sets national program standards for eligibility and benefits, funds all benefit costs and approximately half of State administrative expenses, and has responsibility for monitoring and oversight of program implementation, including authorization and enforcement measures associated with the redemption of benefits at authorized retail stores. State agencies interact directly with program participants, are responsible for eligibility certification.

Outreach to underserved populations and program integrity have been a primary focus for the Administration. At the same time that there has been an increase in participation, program integrity has also improved. In FY 2005, the FSP reached the highest level of payment accuracy in its history of 94.16 percent. The Food Stamp Program has a Quality Control System that uses a statistically valid sample of State cases to determine the accuracy of food stamp benefits and establish a national error rate. The Program has also seen progress in the area of trafficking (exchanging benefits intended for food purchases for cash), with a recent GAO report stating that trafficking has been reduced to 1 cent of every benefit dollar, down from almost 4 cents.

The purpose of the FSP is to increase the nutritional levels of low-income households who qualify based on criteria associated with income, assets, and household composition. To qualify for benefits the applicant's gross income must be less than 130 percent of poverty (e.g., \$2043 per month for a family of four in 2005), and 100 percent after allowable deductions. The maximum monthly food stamp allotment (\$499 for a family of

four in 2005) is based on the cost of the Thrifty Food Plan, a low-cost nutritious model food plan. The Program also provides nutrition education designed to help low-income individuals choose healthy foods and active lifestyles.

# IMPROVE FOOD STAMP PROGRAM INTEGRITY

## ***Recommendation in Brief***

Strengthen provisions to further improve program integrity by limiting categorical eligibility to those that receive only Temporary Assistance for Needy Families (TANF) cash benefits. Allow flexibility in the assessment of retailer fines in certain circumstances. Allow the Secretary, in certain egregious trafficking cases, to seize and transfer funds to the Treasury; prohibit the exchange of food purchased with food stamp benefits for cash. Authorize USDA to charge State agencies five percent of administrative costs if the State is more than fifty percent above the national negative error rate for two consecutive years. Remove the new investment option for States sanctioned for improper payments for three consecutive years.

## ***Problem***

In June, 2004, the Food Stamp Program (FSP) transitioned from coupons to nationwide implementation of electronic benefit transfer (EBT) to issue food stamp benefits. EBT works like a debit card; participants have their benefits loaded onto the card each month and access those benefits through the purchase of eligible foods at authorized retail stores. A recent GAO report credits the technology for a reduction in trafficking (exchanging benefits for cash) to around one cent of every benefit dollar. Despite this important, positive trend, new strategies to commit fraudulent activities undermine the advantages of the electronic issuance system. Further policy changes as well as quality control system improvements would help ensure continued progress in the area of payment accuracy and proper use of nutrition assistance benefits.

Additionally, current law allows certain individuals not otherwise eligible for food stamp benefits to receive them through categorical eligibility. For example, certain states allow a person who is eligible to receive TANF in-kind services such as job training to receive food stamp benefits even though under separate food stamp eligibility criteria he/she would not be eligible. Providing benefits to those individuals not otherwise eligible for food stamp benefits limits resources available to those eligible individuals that need it most.

## ***Recommended Solution***

The Administration proposes improved program integrity by:

1. *Limiting categorical eligibility to only cash TANF or SSI assistance.* This proposal ensures that those individuals eligible for the program receive the benefits through an equitable determination of FSP eligibility while eliminating categorical eligibility for those who would otherwise not be eligible to receive benefits.
2. *Allowing assessment of fines for certain retailer violations.* USDA often receives requests from stores and their supporters, including public officials, requesting alternative penalties based on specific conditions and circumstances, but current law does not provide any flexibility related to certain retailer violations. For example, if a store clerk accepts food stamp benefits for the purchase of a non-

food item without the owner's knowledge and in violation of food stamp rules and the store's policy, the store owner must be disqualified from accepting food stamps in accordance with current law. Regardless of the fact that the owner may have been an authorized retailer for 30 years without any previous violation, action has been taken by the owner to correct the problem, and there are few opportunities for participants to shop elsewhere, disqualification is required. At the same time, in an egregious trafficking situation, the maximum disqualification can be imposed, but no additional penalties such as assessment of fines are allowed. In other words, under current law, USDA does not have the necessary flexibility to assess fines in lieu of disqualification or to assign appropriate disqualification timeframes, or to impose additional fines beyond the maximum disqualification. Instead, current law specifies minimum and maximum disqualification timeframes without opportunity to assess appropriate penalties in cases where particular circumstances might be considered.

3. *Allowing the Secretary, in certain egregious trafficking cases, to seize and transfer to the Treasury food stamp funds prior to retailer's settlement in cases where expedited disqualification is warranted.* Current law allows retailers to continue their fraudulent activities while enforcement actions are taking place even if those violations are particularly egregious. By allowing the Secretary to seize and transfer food stamp funds to the Treasury in the most egregious cases, trafficking retailers are hurt more quickly where it matters—in their pocketbooks. This proposal increases effectiveness by immediately stopping the flow of funds that allow retailers to continue to finance their fraudulent activities.
4. *Prohibiting the exchange of food purchased with food stamp benefits for cash by making it an intentional program violation on the part of recipients.* Recently, USDA has received an increasing number of reports of food stamp recipients exchanging food purchased with food stamp benefits for cash. For example, a recipient purchases a large number of soft drinks and then sells them at a discount outside the store. In a recent incident, multiple recipients were purchasing baby formula with food stamp benefits at one store and selling the formula to another store. While contrary to the intent of the Program, such actions are not currently identified in the Food Stamp Act of 1977 as an action that leads to disqualification.
5. *Charging State agencies 5 percent of administrative costs if the State is more than 50% above the national negative error rate for two consecutive years.* A negative error occurs when an applicant for benefits is inappropriately terminated, suspended, or denied food stamps. While the active error rate (overpayment or underpayment to food stamp recipient) has potential liabilities associated with being above the national average, there is currently no sanction associated with the negative error rate. Both the active and negative error rates do have associated high performance bonuses based on excellent administration of the program. The negative error rate has been rising over the last couple of years; this provision indicates the importance of proper administration of the program. This proposal would require States to pay the associated sanction when their negative error rate is 50% above the national average for two consecutive years.

6. *Removing the new investment option for those States sanctioned for improper payments for 3 consecutive years* – This proposal emphasizes the importance of State accountability and expected results associated with improper payments while still maintaining the three consecutive years as the measure for having to pay the liability associated with the improper payments. Specifically, this proposal would require States pay their “at risk” amount for the second year as well the entire third year liability amount. A state’s “at risk” amount is defined as a portion of its improper payments liability. This at risk liability is placed in abeyance and may be forgiven if the State improves program payment accuracy in accordance with a written agreement between the State and USDA by the third year. These funds can also be changed from “at risk” and invested in new state improvements in program administration (the so-called investment option). These new investments are State-only dollars and are not eligible for federal matching funds. This proposal would strengthen the penalties associated with improper payments by requiring the States pay their liabilities without the option of new investment of year two at risk dollars when their improper payments rates are above the formula prescribed in law for errors three years in a row.

### ***Background***

Authorized by the Food Stamp Act of 1977 (the Act), the Food Stamp Program (FSP) is the cornerstone of the Nation’s nutrition assistance programs which serve 1 in 5 Americans. During fiscal year (FY) 2005, the Program served approximately 26 million people in an average month with a total annual benefit cost of approximately \$29 billion. The FSP increases the purchasing power of low-income families and individuals by providing electronic benefits redeemed for food in authorized stores.

The program operates in partnership with the States. The Federal Government sets national program standards for eligibility and benefits, funds all benefit costs and approximately half of State administrative expenses, and has responsibility for monitoring and oversight of program implementation, including authorization and enforcement measures associated with the redemption of benefits at authorized retail stores. State agencies interact directly with program participants, are responsible for eligibility certification.

Outreach to underserved populations and program integrity have been a primary focus for the Administration. At the same time that there has been an increase in participation, program integrity has also improved. In FY 2005, the FSP reached the highest level of payment accuracy in its history of 94.16 percent. The Food Stamp Program has a Quality Control System that uses a statistically valid sample of State cases to determine the accuracy of food stamp benefits and establish a national error rate. The Program has also seen progress in the area of trafficking (exchanging benefits intended for food purchases for cash), with a recent GAO report stating that trafficking has been reduced to 1 cent of every benefit dollar, down from almost 4 cents.

The purpose of the FSP is to increase the nutritional levels of low-income households who qualify based on criteria associated with income, assets, and household composition.

To qualify for benefits the applicant's gross income must be less than 130 percent of poverty (e.g., \$2043 per month for a family of four in 2005), and 100 percent after allowable deductions. The maximum monthly food stamp allotment (\$499 for a family of four in 2005) is based on the cost of the Thrifty Food Plan, a low-cost nutritious model food plan. The Program also provides nutrition education designed to help low-income individuals choose healthy foods and active lifestyles.

# **FOOD STAMP PROGRAM: IMPROVING HEALTH THROUGH NUTRITION EDUCATION**

## ***Recommendation in brief***

Strengthen efforts to integrate nutrition education into the Food Stamp Program (FSP) by recognizing that nutrition education is a component of the program and investing \$100 million to establish a competitive grants program targeted at developing and testing solutions to the rising rates of obesity.

## ***Problem***

Obesity and overweight are conditions that have reached epidemic proportions in this country. According to research, low-income individuals are particularly at risk. The outcomes of obesity and overweight are numerous and include multiple health risks such as diabetes, heart disease, and cancer.

Although nutrition education in the FSP has increased over the years, many Farm Bill Forum participants called for program changes intended to encourage healthier eating habits. For example, Inger, a registered dietician, said, "The public needs an uncompromising commitment from their government to advance nutrition knowledge and to help people apply that knowledge to maintain and improve their health....." While Connie from Massachusetts suggested "a better approach would be the development of some sort of incentives to encourage Food Stamp recipients to purchase healthy foods."

## ***Recommended Solution***

The Administration proposes improving the Food Stamp Program's role in supporting positive nutrition and health outcomes for participants by:

1. Adding language to the Food Stamp Act recognizing nutrition education as a component of the Program, reinforcing the importance of nutrition education.
2. Establishing a "USDA Initiative to Address Obesity among Low Income Americans" -- a five-year \$20 million per year competitive grant demonstration program to develop and test solutions to the rising problem of obesity. These efforts would include rigorous independent evaluations to identify effective approaches, such as incentives at point-of-sale for purchases of fruits and vegetables by food stamp participants, grants to connect food stamp shoppers with farmers markets, and integrated communication and education programs to promote healthy diets and physical activity. This grant program would sunset after five years.

## ***Background***

Authorized by the Food Stamp Act of 1977 (the Act), the Food Stamp Program (FSP) is the cornerstone of the Nation's nutrition assistance programs which serve 1 in 5 Americans. During fiscal year (FY) 2005, the Program served approximately 26 million people in an average month with a total annual benefit cost of approximately \$29 billion.

The FSP increases the purchasing power of low-income families and individuals by providing electronic benefits redeemed for food in authorized stores.

The program operates in partnership with the States. The Federal Government sets national program standards for eligibility and benefits, funds all benefit costs and approximately half of State administrative expenses, and has responsibility for monitoring and oversight of program implementation, including authorization and enforcement measures associated with the redemption of benefits at authorized retail stores. State agencies interact directly with program participants, certify eligibility, and issue benefits.

In FY 2005, the FSP reached the highest level of payment accuracy in its history of 94.16 percent. The FSP has a Quality Control System that uses a statistically valid sample of State cases to determine the accuracy of food stamp benefits and establish a national error rate. The Program has also seen progress in the area of trafficking (exchanging benefits intended for food purchases for cash), with a recent GAO report stating that trafficking has been reduced to 1 cent of every benefit dollar, down from almost 4 cents.

The purpose of the FSP is designed to increase the nutritional levels of low-income households who qualify based on criteria associated with income, assets, and household composition. To qualify for benefits the applicant's gross income must be less than 130 percent of poverty (e.g., \$2043 per month for a family of four in 2005), and 100 percent after allowable deductions. The maximum monthly food stamp allotment (\$499 for a family of four in 2005) is based on the cost of the Thrifty Food Plan, a low-cost nutritious model food plan.

The Program also funds state-provided nutrition education designed to help low-income individuals choose healthy foods and active lifestyles. The goal of Food Stamp Nutrition Education (FSNE) is to improve the likelihood that FSP participants and applicants will make healthy choices within a limited budget and choose active lifestyles consistent with the current Dietary Guidelines for Americans and the Food Guide Pyramid. States provide Food Stamp nutrition education plans to USDA for approval that consider the specific needs of their low-income population. USDA reimburses States 50 percent of the administrative costs associated with nutrition education materials and activities.



# THE EMERGENCY FOOD ASSISTANCE PROGRAM (TEFAP)

## ***Recommendation in Brief***

Make TEFAP State plans permanent and provide national uniform rules for TEFAP contracts allowing greater competition for program participation among local organizations, including faith-based organizations. Increase the availability of fruits and vegetables through the TEFAP Program.

## ***Problem***

The requirement to file TEFAP State plans every four years is burdensome for administering State agencies and is not consistent with the State plan requirements for many other nutrition programs. For example, the National School Lunch Program, Commodity Supplemental Food Program, Summer Feeding Program, and After School Snack Program all require plan updates only as warranted.

Additionally, TEFAP administering agencies are not required to use a competitive solicitation process for selecting local organizations to participate in TEFAP. As a result, many of the same organizations continue to participate year after year unless administrative problems occur. Failure to provide for a competitive solicitation process results in a barrier to certain local organizations, including faith-based organizations, that wish to participate in TEFAP. The lack of competition may result in a less efficient and effective system to distribute commodities within each State.

Until recently, TEFAP received large amounts of bonus donations of fruits and vegetables. Since 2005, bonus donations, including fruit and vegetable donations, have declined. As a result, TEFAP has not provided emergency feeding organizations the quantity of fruits and vegetables that sponsor organizations and its beneficiaries might expect. TEFAP can be a source of foods for the low-income population, and providing a stable and sufficient source of fruits and vegetables through TEFAP is consistent with the direction of the 2005 Dietary Guidelines for Americans.

## ***Recommended Solution***

The Administration proposes the following changes to the TEFAP program:

1. *Make TEFAP State plans permanent, requiring States to submit revisions to the plan only when warranted by changes in the State.* This approach is consistent with State plan requirements for other commodity programs and the child nutrition programs.
2. *Require States to use a competitive selection process for selecting local organizations and re-compete grants at least once every three years.* Requiring States to use the competitive solicitation process for selecting local organizations with which they enter into contracts for TEFAP would help to ensure that the most efficient and effective system is used to distribute commodities within the State and would likely result in potential recipient agencies lowering their charges for services to food pantries and soup kitchens in order to secure the contract with

- the State agency. A competitive process also will remove barriers to the participation of local organizations, including faith based organizations.
3. *Increase the amount of fruits and vegetables made available to TEFAP beneficiaries.* The Department's proposed increase in fruit and vegetable purchases under Section 32 (see paper entitled, "Increasing Purchases of Fruit and Vegetables for Nutrition Assistance Programs" on pages 168-169), would result in a sufficient and on-going stream of fruits and vegetables available to the low-income recipients of TEFAP, thus bringing their diet more in line with the recommendations of the Dietary Guidelines.

### ***Background***

The TEFAP Program helps supplement the diets of low-income Americans, including elderly individuals, by providing participants with emergency food and nutrition assistance at no cost to the recipient. The program provides food aid in all 50 States.

USDA makes commodity foods available to State agencies for distribution to local organizations, which make the food available to eligible individuals for household consumption, or prepare and serve meals in congregate settings. Over 50 types of food were made available in FY 2006, including canned and dried fruits, canned vegetables, meat, poultry, fish, and pasta.

To be considered eligible for TEFAP, recipients of food for home use must meet income eligibility criteria set by the State agency. Recipients of prepared meals at congregate sites are not subject to an income test.

Authorized by the Food Stamp Act of 1977 and the Emergency Food Assistance Act of 1983, TEFAP operates as a Federal-State partnership. The Federal government provides commodities and administrative funds to State agencies. In addition to the commodities purchased with TEFAP appropriations, commodities purchased under agricultural support programs are made available to States for distribution through TEFAP. State agencies are responsible for establishing a distribution system and for allocating the resources within the State. In order to participate, State agencies must submit a State plan every four years. The State agencies provide food to local agencies that they select, usually food banks, which in turn distribute the food to soup kitchens and food pantries that serve the public.

In FY 2006, Congress appropriated \$189.5 million for TEFAP. Of the total appropriation, \$140 million was made available to purchase food and \$49.5 million was provided for administrative support to State and local agencies.

# **FOOD DISTRIBUTION PROGRAM ON INDIAN RESERVATIONS (FDPIR)**

## ***Recommendation in Brief***

Increase funding by \$27 million over 10 years to better reflect the actual administrative costs of the Food Distribution Program on Indian Reservations (FDPIR) and provide a structured method for allocating administrative funds among the Indian Tribal Organizations (ITO). Align nutrition assistance program disqualification policies to ensure that those barred from participation in FDPIR for intentional program violations are also disqualified from participation in the food stamp program.

## ***Problem***

The current allocation of FDPIR administrative funding does not correlate with participation levels. As a result, ITOs with higher FDPIR participation levels may not receive administrative funds proportionate to the number of persons served.

Individuals who are disqualified from FDPIR for intentional violations may be eligible for the FSP, which provides comparable benefits to participants.

## ***Recommended Solution***

The Administration proposes revising the current FDPIR formula to provide a structured and equitable method for allocating administrative funds among ITOs and States participating in FDPIR. Additionally, an increase in funding is proposed for FDPIR administrative costs to better reflect the actual participation rates in FDPIR. This proposal is consistent with the recommendations from a FDPIR work group charged with identifying plans to reduce regional disparities in the administrative funding provided per participant. Re-allocating funds based primarily on program participation has wide support. An estimated \$26 million increase over 10 years in the level of FDPIR funding for administrative costs would ensure that any change to the current funding formula would allow all states or ITOs to continue their current allotments or receive a modest increase depending on their level of participation.

This proposal would ensure a more consistent level of service across FDPIR programs and would improve program access, promote healthy eating, and enhance program integrity. Currently, some tribes are better capable of serving their participants because they benefit from the historical inequity in the distribution of existing administrative resources. Many ITOs cannot provide a wide variety of foods or readily serve eligible participants because they lack funds needed to buy and maintain expensive equipment and other items. For example, some programs do not offer fruits, vegetables and meats because they lack the ability to properly store them, and their participants are not receiving as nutritious a food package as they could be. Some programs cannot serve homebound or individuals living in remote areas because they do not have reliable delivery equipment. FDPIR was designed to serve participants who may be located in areas where access to stores is difficult so it is important to be able to effectively transport foods. Food safety also is a concern; programs that cannot maintain adequate

storage facilities risk providing spoiled or damaged foods to participants.

Additionally, the Administration proposes expanding the list of Food Stamp Program (FSP) disqualifications to include persons disqualified from FDPIR for intentional program violations. This proposal will support program integrity by ensuring disqualified individuals cannot participate in either program.

### ***Background***

FDPIR provides commodity foods to low-income American Indian and non-Indian households that reside on a reservation, and in other approved areas. There are 257 tribes receiving benefits through 98 Indian Tribal Organizations (ITO) and 5 State agencies.

Each month, participating households receive a food package (generally by pick-up at a designated site or home delivery) to help them maintain a nutritionally balanced diet. Commodities are distributed to eligible households from warehouse facilities located on reservations. In some cases, trucks are dispatched from the warehouse to serve households in remote locations on or near reservations. Eligible households may choose from over 50 types of food, including meats and fish, fruit, vegetables, grain and oil products, and a range of prepared foods. Participants also receive information about nutrition, food storage, sanitary food preparation methods, and suggestions for recipes using donated food.

Eligible individuals are part of a household residing on a participating reservation and meet income and resource eligibility criteria. FDPIR eligibility criteria are similar to those used for the FSP, but differ in that the monthly benefit level is not based on a sliding income scale—the amount of food an eligible household receives each month under FDPIR is based exclusively on the size of the household.

Authorized by the Food Stamp Act of 1977 and the Agriculture and Consumer Protection Act of 1973, FDPIR is operated as a partnership between USDA and participating ITOs and State agencies. Congress originally established FDPIR as an alternative to the FSP for households residing in remote areas of reservations where FSP-authorized food stores were not readily accessible. In areas where both FDPIR and the FSP are available, households may not participate simultaneously in both programs, although households may switch from one program to the other.

The Federal government pays 100 percent of the cost of commodities distributed through the Program, along with cash payments to distributing agencies to assist them in meeting the program's administrative expenses, such as local warehousing and transportation of commodities, utilities, salaries, and equipment. The current methodology for allocating administrative funds is based on historical precedent and results in some regions and ITOs receiving administrative funding well above or below the national per participant average. For FY 2006, Congress appropriated \$79,500,000 for FDPIR, which was sufficient to provide nutrition assistance to an average of 101,000 persons per month.

# SENIOR FARMERS' MARKET NUTRITION PROGRAM (SFMNP)

## ***Recommendation in Brief***

Exclude the value of the Senior Farmers' Market Nutrition Program (SFMNP) benefits when determining eligibility for any Federal or State means-tested programs. Prohibit States from participating in the SFMNP if state or local sales tax is collected within the State on food purchased with SFMNP benefits.

## ***Problem***

The value of the SFMNP benefit must currently be counted as income for eligibility determination in other means tested programs. This requirement is inconsistent with all other USDA nutrition assistance programs, which have specific statutory authority to exclude the value of nutrition assistance benefits when determining eligibility for federal or state means tested programs. The 2002 farm bill authorized the SFMNP for fiscal year (FY) 2003 through FY 2007 and provided funding at \$15 million for each of those years. This legislation gave USDA the authority to develop regulations for the operation and administration of the SFMNP. However, it provided no statutory authority to exclude SFMNP benefits from other programs' eligibility requirements. Also, SFMNP benefits are not consistent with the benefits in other Federal nutrition programs because the food purchased with SFMNP benefits is not exempt from state and local sales tax.

## ***Recommended Solution***

The Administration proposes establishing the statutory authority to:

1. *exclude the value of the SFMNP benefits when determining eligibility for any federal or state means-tested program.* This recommendation would ensure that the value of the benefits provided to eligible recipients could not be considered as income in the process of determining eligibility for any other Federal or State program, such as Food Stamps, TANF, Energy Assistance, and Housing Assistance. In FY 2005, the average annual SFMNP benefit per recipient was \$33; and
2. *prohibit States from participating in the Senior Farmers' Market Nutrition Program if state or local sales tax is collected within that state on food purchased with SFMNP benefits.* This recommendation would align the state and local tax status of Senior Farmers' Market benefits with other federal nutrition assistance programs.

## ***Background***

The SFMNP provides low-income seniors with coupons that can be exchanged for eligible fresh, nutritious, unprepared, locally-grown fruits, vegetables, and herbs at farmers' markets, roadside stands, and community supported agriculture (CSA). The Program is designed to (a) improve the diets of low-income seniors and (b) increase the consumption of agricultural commodities by expanding, developing, or aiding in the development and expansion of domestic farmers' markets, roadside stands, and CSA.

Benefits to seniors generally do not exceed \$50 per growing season. Seniors who are at least 60 years old and who have household incomes of not more than 185 percent of the federal poverty income guidelines are the targeted recipients of the SFMNP.

Authorized by the 2002 farm bill, the SFMNP is operated as a Federal-State partnership. The program operates in limited areas of participating States. The Federal government provides funds to participating States, which support the SFMNP benefit provided to seniors and, starting January 2007, State administrative costs.

In FY 2006, 46 states and federally recognized tribal governments operated the program. In 2005, the program provided coupons to 752,699 low-income seniors for products available from 14,668 farmers at 2,663 farmers markets as well as 2,000 roadside stands and 237 CSA markets.

# PROMOTING HEALTHFUL DIETS IN SCHOOLS

## ***Recommendations in Brief***

Support school efforts to provide meals based on the most recent Dietary Guidelines for Americans. Invest \$6 million in mandatory funding to conduct a survey of foods purchased by school food authorities with Federal cash assistance once every 5 years. Provide \$500 million of new mandatory funding over ten years for the purchase of additional fresh fruits and vegetables for use in the National School Lunch and Breakfast Programs. Increase Section 32 spending on fruits and vegetables by \$2.75 billion over 10 years.

## ***Problem***

Obesity rates among school-age children continue to rise and schools can play a greater role in promoting healthful diets and regular physical activity. The 2005 Dietary Guidelines for Americans recommend even higher whole grain, low-fat dairy, and fruit and vegetable consumption levels for most Americans. Yet only one in five Americans consumes the recommended amount of fruit each day, and children under age 18 generally consume 50 percent or less of the recommended level for fruits and vegetables. Increased intakes of fruits, vegetables, whole grains, and fat-free or low-fat milk and milk products are likely to have important health benefits for most Americans, including school children.

Schools use their cash assistance to purchase the large majority (approximately 80 percent) of the food for school meals, but no current data are available to know what foods are being purchased. Without good information about the foods schools are purchasing, it is difficult for USDA to provide technical assistance to help schools select healthful items that contribute to the goals of the most recent Dietary Guidelines.

## ***Recommended Solution***

The Administration proposes the following program modifications to support school efforts to offer meals based on the most recent Dietary Guidelines for Americans:

1. *Conduct a survey of foods purchased by school food authorities with Federal cash assistance once every 5 years.* The most recent data on school food purchases are a decade old. These data would help USDA efforts to 1) provide guidance and technical assistance to school food professionals in the implementation of new rules intended to conform school meal patterns to the most recent Dietary Guidelines for Americans; 2) better manage the types and varieties of commodities procured by the Department on behalf of schools; and 3) assess the economic impact of school food purchases on various commodity sectors.
2. *Provide an additional \$50 million annually for the purchase of fruits and vegetables for school meals.* These funds would represent a net increase in the total purchase of fruits and vegetables for the National School Lunch Program over levels available under any other authority. At the Secretary's discretion, a

portion of the new funds should be allowed to be transferred to Department of Defense (DOD) for the purchase of additional fresh fruits and vegetables.

3. *Increase the overall Section 32 fruit and vegetable purchase minimum to \$2.75 billion over 10 years.*

Programs and policies that improve children's access to fruits and vegetables support USDA's goal to promote dietary patterns that reflect the Dietary Guidelines for Americans and the MyPyramid for Kids. The consumption of fruits and vegetables contribute to a good diet and will serve to ameliorate the obesity rates among Americans.

### ***Background***

The National School Lunch Program (NSLP) provides USDA commodities and cash assistance to States for lunches served to students during lunch periods at school and for snacks served to children participating in after school care programs. States are reimbursed for the number of lunches and snacks served to children in participating schools that meet program requirements. In FY 2005, an average of 30 million children received program meals each school day of which about 59 percent are served free or at a reduced price.

Schools use USDA's cash assistance to purchase the foods served in school meals and to pay for direct and indirect allowable costs, such as labor. In addition to cash reimbursements, schools are entitled by law to receive commodity foods, called "entitlement" foods, at a value of 16.75 cents for each meal served in FY 2006-2007. Schools can receive "bonus" commodities when they are available from surplus agricultural stocks. USDA provides schools with USDA commodities to complement the purchased foods. Approximately 80 percent of the foods served are purchased directly by school districts and the remaining 20 percent are provided in the form of entitlement foods to schools by USDA. All foods, whether purchased commercially or provided by USDA, contribute to school meals that must meet specific nutritional standards.

The Richard B. Russell National School Lunch Act (Act) requires participating schools to serve meals that are consistent with the goals of the most recent Dietary Guidelines for Americans and that provide, on the average over a week, 1/3 of the daily recommended dietary allowance. Administering State agencies and school districts provide on-going oversight of the school meals to ensure that every meal meets the nutrition standards set forth in regulations and statute. USDA is in the process of developing a proposed regulation to better align school meal requirements with the 2005 Dietary Guidelines for Americans. While school meals must meet the Federal nutrition requirements, decisions about what specific foods to serve and how they are prepared are made by local school food authorities.

In an ongoing effort to increase the consumption of fruits and vegetables, the 2002 farm bill directed USDA to use at least \$200 million of the total funds available to USDA to purchase commodities for the NSLP toward the purchase of fruits and vegetables. USDA must spend at least \$50 million of the \$200 million to make fresh fruits and vegetables



available to schools. Since 1995, USDA has contracted with the DOD, which purchases and delivers perishable fruits and vegetables for the NSLP.