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FARM BILL CONFERENCE AGREEMENT CONTAINS SIGNIFICANT DOMESTIC NUTRITION IMPROVEMENTS

By Dorothy Rosenbaum¹

The conference agreement on the 2008 Farm Bill makes numerous improvements in domestic food assistance programs to help low-income Americans put food on the table in the face of rising food and fuel prices. While final details on the title are not yet available, information on the major provisions included in the title were shared at the May 1st meeting where the conferees adopted the title. Conferees' subsequent statements about the title have provided additional details. This analysis is based on those documents and statements.²

The nutrition title of the conference agreement includes more than \$10 billion over ten years in increases in these programs — including \$7.8 billion for the Food Stamp Program, \$1.26 billion for the Emergency Food Assistance Program (TEFAP), and \$1 billion for the free fresh fruits and vegetable snack program, which is targeted to schools with high shares of low-income families. The nutrition title of the farm bill would:

- **End years of erosion in the purchasing power of food stamps** by raising and indexing for inflation the program's *standard deduction* and *minimum benefit*. These changes would help about 11 million low income people, including families with children, seniors, and people with disabilities. With these changes, Food Stamp Program rules would fully account for annual inflation for the first time since the program's creation over 40 years ago, and food stamp households would stop losing food purchasing power each year.
- **Support working-poor families** by eliminating the cap on the *dependent care deduction*, reducing the chances that families will have to forego food to pay for decent and safe child care.
- **Promote savings** by improving the program's resource limits and no longer counting *tax-preferred retirement accounts and education accounts* toward the asset limit.
- **Simplify administration of the Food Stamp Program** for participants and states by building on successful initiatives from the last farm bill.
- **Rename and update the Food Stamp Program.** The program name would be changed to

¹ The author received significant assistance in the data analysis for the paper from Danilo Trisi and Katie Van Loo.

² CBPP will update this analysis as soon as the final bill is public.

the “Supplemental Nutrition Assistance Program,” or SNAP. The bill also includes numerous provisions to strengthen program operations, integrity, and oversight.

- **Help emergency feeding organizations** such as food banks, food pantries, and soup kitchens meet increasing demand and rising food prices by increasing annual funding for commodity purchases for **TEFAP** from \$140 million to \$250 million and subsequently adjusting this amount for food inflation.
- **Dramatically increase the availability of fruits and vegetables in low- income schools** by expanding the Fresh Fruit and Vegetable Program under the Richard B. Russell National School Lunch Act, which provides free fresh fruits and vegetables, typically as snacks, to children in schools.

MAJOR NUTRITION PROVISIONS

Below are short descriptions of the major nutrition provisions in the conference agreement. The Center on Budget and Policy Priorities has conducted a preliminary analysis of the state-by-state impacts of some of the key provisions: those affecting the standard deduction, the child care deduction, and the minimum benefit, and the TEFAP changes. Tables at the end of this report present information on the number of people affected in each state and the size of the benefit increases under the bill, based on information that the Congress has made available, Congressional Budget Office cost estimates, and CBPP analysis.

Ends the erosion in the Standard Deduction. As a result of benefit cuts enacted in 1996, the purchasing power of most households’ food stamp benefits has eroded each year. Similar to income tax rules, food stamp rules allow households to subtract a standard deduction from their income to reflect the cost of non-food essentials such as housing, transportation, and medical care. For more than a decade this amount has been frozen at \$134 a month for households with three or fewer members, a group that makes up 75 percent of food stamp households.³ As a result of the 1996 cuts, a typical working parent with two children receives about \$37 less in food stamps each month in 2008 than she would have without the 1996 cuts. Under current law, because of the frozen level of the standard deduction, the cut grows larger each year because of inflation.

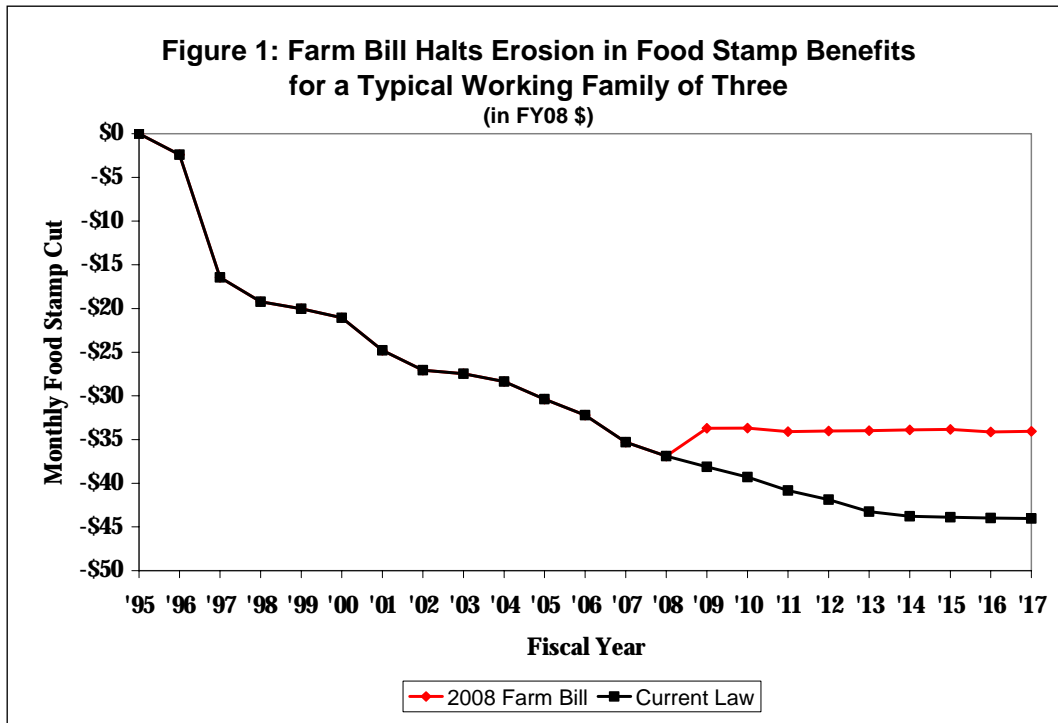
Under the current agreement, the minimum standard deduction would increase from \$134 to \$144 in 2009 and would be indexed in subsequent years for inflation. In 2009, the change would provide a typical working family of three with an additional \$4 to \$5 a month in food stamp benefits. In nominal terms, this amount would rise to \$17 a month by 2017. As a result, the food stamp benefit’s purchasing power would no longer shrink each year, and some of the lost ground would be made up. (See Figure 1.)

The provision would help about 10 million recipients in an average month and would increase food stamp benefits by \$5.4 billion over the 2008 to 2017 period.

Increases the \$10 minimum benefit and ends erosion in its value. Under current food stamp rules, one- and two-person households that qualify for a monthly benefit amount of less than \$10 receive a \$10 “minimum benefit.” The minimum benefit goes overwhelmingly to people who

³ In the 2002 Farm Bill, Congress addressed benefit erosion for larger households.

are elderly or have a disability, *and has not been adjusted for inflation in more than 30 years*. As a result, households that receive the minimum benefit can purchase only about one-third as much food with their food stamp benefits as they could have purchased in 1979, when the minimum benefit went into effect. Under the bill, the minimum benefit would be set at 8 percent of the maximum benefit



(or Thrifty Food Plan) for a household of 1, rounded to the nearest whole dollar — or about \$14 a month in fiscal year 2009⁴ — and would be adjusted for inflation in subsequent years.

Approximately 650,000 households with 780,000 individuals would receive higher benefits under this provision, nearly all of them containing seniors or people with disabilities. Food stamp benefits would increase by about \$290 million over ten years.

Eliminates the cap on the dependent care deduction. For low-income working families who have preschool or young school-age children, high quality, affordable child care is often essential for finding and keeping employment. The food stamp benefit formula allows families to deduct some of their child care expenses from their income to reflect the fact that they have less money available to purchase food. Yet under current law, this deduction is capped at \$175 per month per child (\$200 for infants), well below the amounts that some low-income families must pay for child care.

This provision of the bill would allow households to deduct the full amount of dependent care costs that they incur in order to work (or to participate in approved education and training

⁴ This estimate is based on the Congressional Budget Office’s March 2008 projection for the TFP for a household of 1 in FY09.

programs), and thereby targets more food assistance to working families that are less able to afford food because of this expense.

This change would increase food stamp benefits by \$500 million over ten years. It would provide an average of almost \$500 more per year (more than \$40 per month) to approximately 100,000 households that pay high child care costs. A mother of three who works 35 hours a week at \$9 an hour and pays \$350 a month for child care for a pre-school-aged child (the average out-of-pocket costs for employed mothers with income below the poverty level, according to the Census Bureau) would receive an additional \$79 in food stamps each month (\$334 rather than \$255), or almost \$1,000 more over the course of a year.

Encourages savings. The food stamp asset limits have been frozen since 1986, at \$2,000 for most households and \$3,000 for households with members who are elderly or disabled. The steady shrinkage in the inflation-adjusted value of the asset limits discourages saving and undermines a key path to self-sufficiency. The bill would address this problem by indexing the asset limits to inflation.

In addition, consistent with an Administration proposal, tax-preferred retirement accounts and education accounts would no longer be counted toward the asset limit. This would remove the current disincentive for working households to save for retirement and education.

The Food Stamp Program's current rules exclude amounts in 401(k) retirement plans from the asset test but *count* amounts in Individual Retirement Accounts (IRAs). As a result, working families who manage to save more than \$2,000 for retirement in an IRA must partially liquidate that account to qualify for food stamps during periods of unemployment. This forces families to choose between hardship when they lose their job and a higher risk of poverty in old age.

CBO estimates that these changes would make about 100,000 people newly eligible for food stamps and that individuals in these households would receive an average of about \$120 a month in food stamps. CBO estimates the provision would increase food stamp benefits by about \$1.2 billion over ten years.

Builds on the successes of the 2002 Farm Bill. The conference agreement would build upon several state options to simplify benefit delivery that were enacted in the 2002 Farm Bill. It would streamline paperwork burdens on seniors and people with disabilities and would expand the "transitional benefit" option to cover more families leaving welfare for work. It is also expected to include provisions to support state efforts to modernize service delivery, such as a new state option to allow states to take food stamp applications over the telephone. The conference agreement will likely also enhance program integrity by increasing penalties for retailers who abuse the program.

Increases support for emergency feeding organizations. Currently, mandatory funding under the Food Stamp Act for The Emergency Food Assistance Program (TEFAP), which supports food purchases by food banks and other emergency feeding organizations, is set at \$140 million per year. This amount has been flat since 2002, even as food prices have climbed more than 15 percent. Had the amount kept pace with inflation, it would be \$163 million in fiscal year 2008.

In addition, the TEFAP program receives "bonus commodities" that USDA purchases and provides under other authority. "Bonus commodities" from USDA have declined by more than 70 percent in the past three years.

Under the conference agreement, annual funding for commodity purchases for TEFAP would increase from \$140 million to \$250 million in 2009 and be increased in accordance with changes in the cost of the Thrifty Food Plan in years after that, so the funding level keeps pace with food prices. TEFAP also would receive \$50 million in additional funding for the remainder of fiscal year 2008.

Expands free fresh fruits and vegetables in low-income schools. The bill would expand and improve the Fresh Fruit and Vegetable Program under the Richard B. Russell National School Lunch Act. This program has been receiving \$9 million a year in mandatory funds and currently operates in 14 states. (Three Indian tribes also operate the program.) In fiscal year 2008, an additional \$9.9 million in discretionary funds was provided to expand the program into all states and the District of Columbia.

Under the conference agreement, mandatory funding would be phased-in each year to a level so that free fresh fruits and vegetables could be provided to all elementary schools in the country where more than half of the children are eligible for free or reduced price school meals (detailed year by year numbers are not yet available). CBO estimates the ten-year cost of the expansion at a little over \$1 billion.

IMPACT OF SELECTED NUTRITION PROVISIONS OF THE FARM BILL

Additional Benefits, FY 2009 (in millions of dollars)

State	Standard Deduction	Dependent Care Deduction	Minimum Benefit	TEFAP	Total these provisions*
Alabama	\$5	\$1.6	\$0.3	\$2.0	\$9
Alaska	1	—	0.1	0.3	1
Arizona	4	1.0	0.3	2.2	8
Arkansas	3	0.8	0.3	1.4	6
California	19	0.7	0.5	14.9	35
Colorado	2	0.2	0.2	1.5	4
Connecticut	3	0.5	0.3	1.0	4
Delaware	1	0.2	0.1	0.2	1
District of Columbia	1	—	0.1	0.3	1
Florida	15	2.5	1.1	6.1	25
Georgia	8	2.3	0.5	2.9	14
Hawaii	2	—	—	0.4	3
Idaho	1	0.6	0.1	0.4	2
Illinois	11	2.3	0.7	4.7	19
Indiana	5	0.8	0.4	2.0	8
Iowa	2	0.1	0.2	0.9	3
Kansas	2	0.1	0.2	0.9	3
Kentucky	6	0.6	0.4	1.7	9
Louisiana	7	3.1	0.2	2.1	12
Maine	2	0.3	0.2	0.4	3
Maryland	3	1.4	0.3	1.5	7
Massachusetts	5	0.3	0.5	2.2	8
Michigan	9	2.2	1.4	3.9	17
Minnesota	4	0.1	1.1	1.4	7
Mississippi	3	0.3	0.2	1.4	5
Missouri	7	3.1	0.7	2.3	13
Montana	1	—	0.1	0.4	1
Nebraska	1	—	0.2	0.5	2
Nevada	1	0.2	0.1	0.7	2
New Hampshire	1	0.1	0.1	0.3	1
New Jersey	5	0.9	0.4	2.5	9
New Mexico	2	0.2	0.1	0.9	3
New York	19	3.4	1.3	8.2	32
North Carolina	8	2.1	0.9	3.5	14
North Dakota	1	0.3	—	0.2	1
Ohio	10	0.7	0.7	4.1	15
Oklahoma	3	—	0.8	1.4	6
Oregon	5	1.1	0.7	1.5	8
Pennsylvania	11	1.6	1.3	4.2	18
Rhode Island	1	0.1	0.2	0.4	2
South Carolina	4	0.9	0.4	1.8	7
South Dakota	0.4	—	0.1	0.2	1
Tennessee	8	2.2	1.1	2.4	14
Texas	19	7.8	0.8	10.0	38
Utah	1	0.3	0.1	0.8	2
Vermont	1	0.1	0.1	0.2	1
Virginia	5	0.8	0.7	2.0	9
Washington	5	0.2	0.3	2.4	8
West Virginia	3	0.1	0.3	0.8	4
Wisconsin	3	0.5	0.8	1.8	6
Wyoming	0.3	—	—	0.1	0.4
Guam	0.2	—	—	—	0.2
Virgin Islands	0.1	—	—	—	0.1
Total	\$250	\$49	\$22	\$110	\$431

— Estimated effect is less than \$100,000.

This table presents information for four of the major provisions in the nutrition title: the standard deduction, dependent care deduction, minimum benefit, and commodity purchases for The Emergency Food Assistance Program (TEFAP). National estimates are from CBO. For state estimates the national number is allocated based on CBPP analysis of food stamp and TEFAP administrative data.

* Total does not reflect the interaction of the three food stamp provisions. The actual impact may be slightly lower.

IMPACT OF SELECTED NUTRITION PROVISIONS OF THE FARM BILL

**Additional Benefits, FY 2008-2017
(in millions of dollars)**

State	Standard Deduction	Dependent Care Deduction	Minimum Benefit	TEFAP	Total these provisions*
Alabama	\$107	\$17	\$3	\$23	\$150
Alaska	17	—	1	3	21
Arizona	93	10	3	25	130
Arkansas	72	8	4	16	99
California	406	8	6	170	589
Colorado	46	2	3	17	68
Connecticut	56	5	4	11	75
Delaware	12	2	1	2	17
District of Columbia	19	—	1	4	24
Florida	333	26	14	70	442
Georgia	178	23	6	33	240
Hawaii	50	0.5	0.2	4	55
Idaho	18	6	1	5	31
Illinois	249	23	8	53	333
Indiana	112	8	5	23	147
Iowa	44	1	3	10	57
Kansas	43	1	3	10	57
Kentucky	138	6	5	19	168
Louisiana	147	32	3	24	205
Maine	45	3	3	5	56
Maryland	71	15	4	17	107
Massachusetts	103	3	6	25	138
Michigan	205	23	18	45	290
Minnesota	97	2	14	16	128
Mississippi	61	4	3	16	84
Missouri	140	32	9	27	208
Montana	18	—	1	4	23
Nebraska	24	—	3	6	32
Nevada	29	2	2	7	41
New Hampshire	14	1	1	4	20
New Jersey	111	9	6	29	155
New Mexico	47	2	2	10	61
New York	412	34	17	93	557
North Carolina	169	21	12	40	242
North Dakota	10	3	1	2	16
Ohio	218	7	8	47	281
Oklahoma	72	—	10	16	98
Oregon	102	12	9	17	139
Pennsylvania	244	17	17	48	325
Rhode Island	17	1	2	5	25
South Carolina	93	9	5	21	128
South Dakota	9	—	1	3	13
Tennessee	172	22	14	27	235
Texas	411	80	10	114	615
Utah	22	3	1	9	35
Vermont	13	1	1	2	17
Virginia	114	9	9	23	154
Washington	111	2	4	27	144
West Virginia	61	1	3	9	74
Wisconsin	56	5	10	20	92
Wyoming	5	0.2	1	2	8
Guam	4	—	—	0.4	4
Virgin Islands	1	—	—	1	2
Total	\$5,420	\$500	\$278	\$1,256	\$7,454

— Estimated effect is less than \$100,000.

This table presents information for four of the major provisions in the nutrition title: the standard deduction, dependent care deduction, minimum benefit, and commodity purchases for The Emergency Food Assistance Program (TEFAP). National estimates are from CBO. For state estimates the national number is allocated based on CBPP analysis of food stamp and TEFAP administrative data.

* Total does not reflect the interaction of the three food stamp provisions. The actual impact may be slightly lower.

NUMBER OF PEOPLE BENEFITING FROM SELECTED NUTRITION PROVISIONS OF THE FARM BILL

People Receiving Additional Benefits in 2012

State	Standard Deduction*	Dependent Care Deduction**	Minimum Benefit**	Total these provisions* ***
Alabama	201,000	10,000	10,000	209,000
Alaska	31,000	—	3,000	34,000
Arizona	174,000	4,000	9,000	184,000
Arkansas	129,000	6,000	11,000	140,000
California	850,000	4,000	18,000	866,000
Colorado	80,000	2,000	8,000	88,000
Connecticut	89,000	3,000	11,000	98,000
Delaware	25,000	1,000	3,000	28,000
District of Columbia	38,000	—	3,000	41,000
Florida	536,000	20,000	44,000	575,000
Georgia	324,000	16,000	19,000	340,000
Hawaii	71,000	—	1,000	72,000
Idaho	33,000	4,000	3,000	36,000
Illinois	415,000	14,000	27,000	438,000
Indiana	194,000	4,000	14,000	204,000
Iowa	76,000	—	7,000	82,000
Kansas	71,000	1,000	8,000	77,000
Kentucky	234,000	4,000	15,000	247,000
Louisiana	266,000	21,000	9,000	272,000
Maine	69,000	2,000	7,000	75,000
Maryland	120,000	9,000	13,000	131,000
Massachusetts	178,000	2,000	20,000	197,000
Michigan	395,000	14,000	53,000	446,000
Minnesota	176,000	2,000	18,000	192,000
Mississippi	136,000	2,000	9,000	142,000
Missouri	243,000	20,000	26,000	266,000
Montana	31,000	—	2,000	33,000
Nebraska	43,000	—	7,000	49,000
Nevada	46,000	1,000	5,000	51,000
New Hampshire	24,000	1,000	4,000	28,000
New Jersey	196,000	7,000	15,000	211,000
New Mexico	96,000	2,000	5,000	100,000
New York	877,000	19,000	40,000	912,000
North Carolina	311,000	15,000	35,000	340,000
North Dakota	17,000	2,000	2,000	18,000
Ohio	369,000	4,000	31,000	389,000
Oklahoma	135,000	—	25,000	157,000
Oregon	160,000	9,000	25,000	185,000
Pennsylvania	408,000	12,000	41,000	449,000
Rhode Island	34,000	1,000	4,000	38,000
South Carolina	201,000	5,000	14,000	213,000
South Dakota	16,000	—	2,000	17,000
Tennessee	309,000	15,000	38,000	345,000
Texas	857,000	46,000	32,000	890,000
Utah	41,000	2,000	5,000	44,000
Vermont	20,000	1,000	3,000	23,000
Virginia	198,000	7,000	23,000	220,000
Washington	229,000	2,000	12,000	239,000
West Virginia	104,000	1,000	11,000	112,000
Wisconsin	110,000	3,000	30,000	140,000
Wyoming	10,000	—	1,000	11,000
Guam	4,000	—	—	4,000
Virgin Islands	4,000	—	—	4,000
Total	10,003,000	320,000	780,000	10,703,000

— Estimated effect is less than 1,000 people.

This table presents information for three of the major provisions in the nutrition title: the standard deduction, dependent care deduction, and minimum benefit.

* CBPP estimate based on food stamp administrative data.

** National estimates are from CBO estimate of the Senate-passed bill, which was substantially the same in terms of number of people receiving higher benefits. For state estimates the national number is allocated based on CBPP analysis of food stamp administrative data.

***Total is less than the sum of the three preceding columns because of overlap in the participants who would benefit from the three provisions.

