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Nutrition Provisions of Final 2002 Farm Bill

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This document summarizes the nutrition provisions of the Conference Agreement on the 2002 Farm Bill. The estimated costs are based on a preliminary Congressional Budget Office (CBO) cost estimate of the final bill. All estimates are for changes from the program's baseline, or current level.

These descriptions are not meant to be comprehensive, but to provide a quick summary of the bill. We will prepare a more detailed analyses in the near future.

	Title IV of the Farm Bill, The Food Stamp Reauthorization Act of 2002	Effective date
Food Stamp Eligibility		
Restoration of benefits for legal immigrants	Section 4401: Restores eligibility to all legal immigrant children, regardless of date of entry to U.S. (In addition, sponsor deeming would not apply to children.)	10/1/03
	Provides for a clean restoration of benefits for legal immigrants who have been in the U.S. for five years. Sponsor deeming would apply after the five-year period.	4/1/03
	Restores eligibility to disabled legal immigrants who entered the U.S. after August 22, 1996 and receive a disability benefit such as SSI. Note: full eligibility for refugees and asylees is provided under the provision that restores eligibility after five years of residence. <i>CBO 10-year cost estimate: \$2.530 billion.</i>	10/1/02
Food Stamp Benefit Improvement		
Restructured Standard Deduction	Section 4103: Increases the standard deduction to recognize that larger families have greater expenses than smaller ones. Specifically, sets the standard deduction at 8.31 percent of each year's (inflation adjusted) poverty level for each household size, but not less than the current standard deduction of \$134. Households with more than six members would receive the standard deduction for a six person household. <i>CBO 10-year cost estimate: \$1.5 billion.</i>	10/1/02

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Food Stamp Income and Resource Simplifications		
Definition of Income	Section 4102: Allows a state option to exclude certain uncommon types of income if the state also does not count them in its TANF cash assistance or Medicaid program. Also allows states to exclude two obscure types of income: certain unusual educational benefits and “complementary assistance” from states. <i>CBO 10-year cost estimate: \$57 million.</i>	10/1/02
Resources	Section 4107: Raises the resource limit for households with a disabled member to \$3,000, which conforms it to the limit for households with an elderly member. <i>CBO 10-year cost estimate: \$64 million.</i>	10/1/02
	Allows a state option to exclude certain uncommon types of resources if the state also does not count them in its TANF cash assistance or Medicaid program. <i>CBO 10-year cost estimate: \$180 million.</i>	10/1/02
Food Stamp Deduction Simplifications		
Treatment of individuals paying child support	Section 4101: Simplifies treatment of individuals paying child support: 1) Allows a state option to replace the current deduction for amounts paid in child support with an income exclusion in the same amount; 2) Permits states to use information from their child support enforcement (IV-D) agencies to determine the amount of child support paid, even if that information is several months old. <i>CBO 10-year cost estimate: less than \$500,000.</i>	10/1/02
Determination of shelter costs for shelter deduction	Section 4104: Allows states two simplifications in the application of the Standard Utility Allowance (SUA) if the state elects to require all households to have their utility costs determined with the SUA instead of their actual bills. The simplifications would eliminate the current rules requiring that: 1) the SUA must be prorated (or disallowed) if an eligible household is doubled up with another individual or family; and 2) the SUA may not be used by certain households in public housing whose utility costs are partially covered by the housing authority. <i>CBO 10-year cost estimate: \$520 million.</i>	10/1/02
	Section 4105: Further simplifies the determination of shelter costs by allowing states to give homeless households a flat \$143 deduction in lieu of the shelter deduction, rather than requiring states wishing to use this option to document that homeless households typically have incidental shelter costs in that amount. <i>CBO 10-year cost estimate: less than \$500,000.</i>	10/1/02

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Determination of amount of deductions	Section 4106: Gives states the option to freeze most deductions between scheduled reviews of a household's eligibility. Exceptions include adjusting the earned income deduction for reported changes in earnings and recalculating the shelter deduction when a household reports that it moved. <i>CBO 10-year cost estimate: Unable to estimate, but expect costs to be small.</i>	10/1/02
Simplifications to Food Stamp Eligibility Determination Procedures		
Transitional Food Stamps	Section 4115: Extends from up to three to up to five the number of months that families that leave TANF can continue to receive food stamps without additional paperwork requirements. During this period the household's food stamp benefit is frozen at the amount it received prior to its TANF case closure adjusted for the loss of TANF income. The state may opt to adjust benefits for information it receives from another program that the household participates in. Households may reapply during the transitional period to have their benefits adjusted. Also makes it easier for states to administer by allowing recertification to be postponed until the end of the transitional period. <i>CBO 10-year cost estimate: \$1.115 billion.</i>	10/1/02
Semi-annual reporting	Section 4109: Gives states the option to adopt semi-annual reporting systems for almost their entire caseload, rather than for only households with earnings, as is currently allowed by regulation. Under semi-annual reporting food stamp benefits can be frozen for six months at a time, with households required to report only if their income exceeds the program's gross income limit (130 percent of the poverty line). <i>CBO 10-year cost estimate: \$310 million.</i>	10/1/02
Procedures for residents of certain group facilities	Section 4112: Authorizes a pilot program to give states the option of providing a standardized monthly benefit to residents of group homes and substance abuse centers, rather than going through the individualized benefit calculation for each resident. The standard benefit would be based on the typical issuance for residents of such facilities. May be implemented nationwide based on the findings of the pilot project. Section 4113: Provides authority for group living arrangements to access residents' benefits directly using a point-of-sale (POS) device installed at the facility. <i>CBO 10-year cost estimate: less than \$500,000.</i>	10/1/02 On enactment

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Food Stamp Quality Control		
Fiscal Sanctions	<p>Section 4118: Reforms quality control so that only states with serious, persistent problems would be subject to liability by:</p> <ol style="list-style-type: none"> 1) increasing the threshold for potential liability to 105 percent of the national average error rate, 2) imposing a liability only if there is a 95 percent statistical probability that the state is above the threshold, and 3) imposing liabilities only on states whose error rates have been above the threshold for two consecutive years. <p>Changes the formula for liability amounts to be total annual issuance in the state multiplied by 10 percent of the amount by which the state's error rate exceeds 6 percent for that year.</p> <p>Adds new limitations to USDA's authority to dispose of liabilities. When a state is subject to a liability, USDA may do any one or a combination of:</p> <ol style="list-style-type: none"> 1) requiring the state to reinvest up to 50 percent of the liability; 2) designating up to 50 percent of the liability "at risk", to be paid the following year if the state continues to exceed the threshold and waived otherwise; or 3) waiving any or all of the liability. <p>Alternatively, USDA may enter into a settlement with the state.</p> <p>Note: the bill takes away USDA's authority to require payment of liabilities in the year in which they are imposed, only allowing collection of liabilities if they are held at risk and the state continues to exceed the threshold.</p> <p><i>CBO 10-year cost estimate: \$0 million.</i></p>	<p>The current system of liabilities will apply to fiscal year 2002 error rates. The new system will first apply to fiscal year 2003 error rates; fiscal year 2003 can be considered the first, but not the second, year in which a state exceeds the threshold.</p>
Incentive payments and enhanced funding	<p>Sections 4118 and 4120: Replaces the current system of enhanced funding with \$48 million each year for new performance bonuses to states. Bonuses would be provided to states with the best or most improved performance on measures relating to actions taken to correct errors, reduce rates of error, and improve eligibility determinations and other indicators of effective administration determined by USDA in consultation with organizations representing state interests.</p> <p><i>CBO 10-year cost estimate: -\$128 million.</i></p>	<p>The current rules for enhancing funding will apply to fiscal year 2002 error rates. USDA is to issue guidance for new performance measures for fiscal year 2003 and 2004 performance. USDA is to issue regulations for new performance measures to be effective for performance in fiscal year 2005 and subsequent years.</p>

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Date for announcement of QC error rates	Section 4119: Extends from late-April to June 30 USDA's deadline for resolving disputes over states' QC error rates and announcing state and national error rates. <i>CBO 10-year cost estimate: \$0.</i>	On enactment
Food Stamp Employment and Training		
Employment and Training	Section 4121: Expands state flexibility in spending on the FSE&T program by repealing: 1) the 80 percent set-aside to serve individuals subject to the three-month time limit, 2) the maintenance of effort required to access new unmatched funds made available in 1997, and 3) the reimbursement rate limits on the amount states can be reimbursed for each work slot offered. Reduces the amount of unmatched federal funding available to \$90 million a year for 2002 through 2007 and rescinds unobligated balances from prior years. Includes an additional \$20 million a year of unmatched E&T funds for states that pledge to offer a work slot to every person who would otherwise be terminated under the three-month time limit. Eliminates the current federal cap of \$25 per month on the amount states may reimburse participants for work expenses other than dependent care. Note that the bill does not include any easing of the three-month time-limit on participation of unemployed childless adults. <i>CBO 10-year cost estimate: -\$116 million.</i>	On enactment
Other Food Stamp Provisions		
Issuance of food stamps to disaster victims	Section 4108: Gives USDA discretion to select the most practicable method of issuing emergency food stamps to disaster victims. <i>CBO 10-year cost estimate: \$0.</i>	On enactment
EBT cost neutrality	Section 4110: Eliminates the current requirement that EBT systems not cost the federal government more than the prior paper issuance systems did. <i>CBO 10-year cost estimate: \$9 million.</i>	10/01/02
Report on EBT systems	Section 4111: Requires USDA to report to Congress on the status and issues of state implementation of EBT systems for food stamp issuance. <i>CBO 10-year cost estimate: less than \$500,000.</i>	Effective 10/1/02. Report to Congress by 10/1/03
Applications on the internet	Section 4114: Requires states that have a website for the state agency that administers food stamps to make the application available on the website in each language in which the state makes a printed application available. <i>CBO 10-year cost estimate: less than \$500,000.</i>	18 months after enactment of the Act.

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Grants to improve access	Section 4116: Provides \$5 million a year for USDA to make grants to states and others to promote simple application and eligibility determination systems and improved access to benefits. <i>CBO 10-year cost estimate: \$43 million.</i>	10/01/02
Delivery of adverse action notice to retailers	Section 4117: Allows USDA flexibility on the method used to advise retailers of adverse action. <i>CBO 10-year cost estimate: less than \$500,000.</i>	On enactment
Expanded grant authority	Section 4123: Clarifies that USDA may provide grants to private entities to conduct research relating to the food stamp program. <i>CBO 10-year cost estimate: \$0.</i>	On enactment
Nutrition assistance in Puerto Rico and American Samoa	Section 4124: 1) Consolidates the funding structure for nutrition assistance in Puerto Rico and American Samoa beginning in fiscal year 2003. Funding for Puerto Rico would be increased above the baseline level by about \$10 million a year. Funding for both programs would be adjusted for food price inflation in future years. 2) Also allows Puerto Rico to use up to \$6 million of its 2002 block grant in 2002 or 2003 to help it pay for upgrading, modernizing, and simplifying the systems it uses for providing benefits. 3) Allows up to 2 percent of each year's funding for Puerto Rico or American Samoa to be carried over to the following year. <i>CBO 10-year cost estimate: \$155 million.</i>	The section is effective on enactment. The \$6 million for Puerto Rico for systems upgrades and the ability to carry over funds begins on enactment. Otherwise, the amendments apply beginning on 10/1/02.
Community Food Projects	Section 4125: Provides \$5 million each year for Community Food Projects beginning in fiscal year 2002. Modifies the types of projects that may be funded. Makes available \$200,000 of the above funds for each of fiscal years 2002 through 2007 for a contract with a nongovernmental organization to develop and recommend innovative programs for addressing common community problems. <i>CBO 10-year cost estimate: \$28 million.</i>	On enactment.
Emergency Food Assistance Program (TEFAP)	Sections 4126: Increases the mandatory funding available for TEFAP commodity purchases under the Food Stamp Act from \$100 million to \$140 million each year beginning in 2002. Section 4204: Increases the authorization of appropriations from \$50 million to \$60 million a year for direct and indirect costs related to processing, storing, transporting, and distributing commodities, including gleaned commodities. <i>CBO 10-year cost estimate: \$400 million.</i>	10/1/01 10/1/02
Reauthorization	Section 4122: Extends the authorization of the Food Stamp and related programs under the Food Stamp Act through 2007. <i>CBO 10-year cost estimate: \$0.</i>	10/1/02

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Other non-Food Stamp Act Provisions		
Reauthorization of Commodity Programs	<p>Section 4201 and 4203: Extends the authorizations of appropriations for various discretionary commodity programs, including the Commodity Supplemental Food Program and Emergency Food Assistance, through 2007.</p> <p>Restructures authorization for administrative funding for the Commodity Supplemental Food Program to provide a specific reimbursement per program slot that is subject to annual adjustment. Requires USDA to spend the amount necessary to permit all states that began to participate in CSFP in the fiscal year 2000 caseload cycle to participate through fiscal year 2002 at a level not less than their originally assigned caseload.</p> <p>Prohibits USDA from forbidding the use of any food safety technology that USDA or HHS has approved or allows when acquiring commodities under several USDA programs.</p> <p><i>CBO 10-year cost estimate: \$1 million.</i></p>	<p>10/1/02</p> <p>On enactment.</p>
Use of Commodities for Domestic Feeding Programs	<p>Section 4202: Provides that excess commodities acquired under the Commodity Credit Corporation (CCC) or Section 32 that are not required to be used to carry out CCC or other USDA purposes may be used in domestic feeding programs.</p> <p><i>CBO 10-year cost estimate: \$0 million.</i></p>	On enactment.
Commodities for the School Lunch Program	<p>Section 4301: Extends for two years a provision of law that does not require that bonus commodities acquired for agricultural program purposes and donated to schools be counted toward the requirement that at least 12 percent of all school lunch assistance be in the form of commodities.</p> <p><i>CBO 10-year cost estimate: \$100 million.</i></p>	On enactment.
Exclusion of certain military housing allowances	<p>Sections 4302 and 4306: Excludes certain housing allowances paid for private military housing from income in determining eligibility for free and reduced-price meals under the School Lunch Program and WIC. The exclusion for the School Lunch Program is for fiscal years 2002 and 2003.</p> <p><i>CBO 10-year cost estimate: less than \$500,000.</i></p>	On enactment.
Purchases of Locally Produced Foods	<p>Section 4303: Requires the Secretary of Agriculture to undertake several measures to encourage institutions participating in the school breakfast and lunch programs to purchase locally produced foods. Authorizes appropriations of \$400,000 a year for fiscal years 2002 through 2007.</p> <p><i>CBO 10-year cost estimate: \$0 million.</i></p>	10/1/02
Applicability of Buy-American Requirement to Puerto Rico	<p>Section 4304: Extends to Puerto Rico the same treatment as Hawaii under the Buy-American provision of the School Lunch Act, which provides an advantage to locally grown or produced products over foreign products.</p> <p><i>CBO 10-year cost estimate: \$0 million.</i></p>	10/1/02

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Fruit and Vegetable Pilot Program	Section 4305: Authorizes a pilot program to make free fruits and vegetables available in 25 schools in each of 4 states and on one Indian reservation. Includes an evaluation. \$6 million of Section 32 funds are made available for the program. <i>CBO 10-year cost estimate: \$5 million.</i>	On enactment.
WIC Farmers' Market	Section 4307: Provides \$15 million from CCC funds in 2002 for the WIC Farmers' Market Nutrition Program. <i>CBO 10-year cost estimate: \$15 million.</i>	On enactment.
Senior Farmers' Market Nutrition Program	Section 4402: Makes available, from CCC funds, \$5 million in 2002 and \$15 million a year through fiscal year 2007 for the senior farmers' market nutrition program. <i>CBO 10-year cost estimate: \$135 million.</i>	10/1/01
Nutrition Information and Awareness Pilot Program	Section 4403: Authorizes \$10 million a year for fiscal years 2002 through 2007 in appropriations for a pilot program in 5 states for a period not to exceed four years per state to increase fruit and vegetable consumption and convey related health promotion messages. <i>CBO 10-year cost estimate: \$0.</i>	On enactment.
Congressional Hunger Fellows Program	Section 4404: Creates and authorizes \$18 million for the Congressional Hunger Fellowship Program. <i>CBO 10-year cost estimate: \$0.</i>	10/1/02
Ten-year Outlay Cost*	\$6.974 billion	

* The ten-year total cost in budget authority is \$6.4 billion. The total costs include interactions among provisions, which CBO estimates to be \$51 million over the ten year period.

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