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FARM BILL CONTAINS SIGNIFICANT DOMESTIC NUTRITION IMPROVEMENTS

By Dorothy Rosenbaum¹

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. The nutrition title 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 fruit and vegetable snack program, which is targeted to schools with high shares of low-income families.² The major provisions will be effective October 1, 2008.

The nutrition title of the Farm Bill will:

- **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 will help about 11 million low income people, including families with children, seniors, and people with disabilities. With these changes, Food Stamp Program rules now fully account for annual inflation for the first time since the program's creation over 40 years ago, and food stamp households will 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 resource 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 is changed to the "Supplemental Nutrition Assistance Program," or SNAP, effective October 1, 2008. The new

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

² P.L. 110-246 was enacted on June 18, 2008 after the House and Senate voted to override the President's veto of the legislation. The same bill (except with the Trade title missing) cleared the Congress on May 22nd. The new law can be found at http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_bills&docid=f:h6124enr.txt.pdf.

law 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

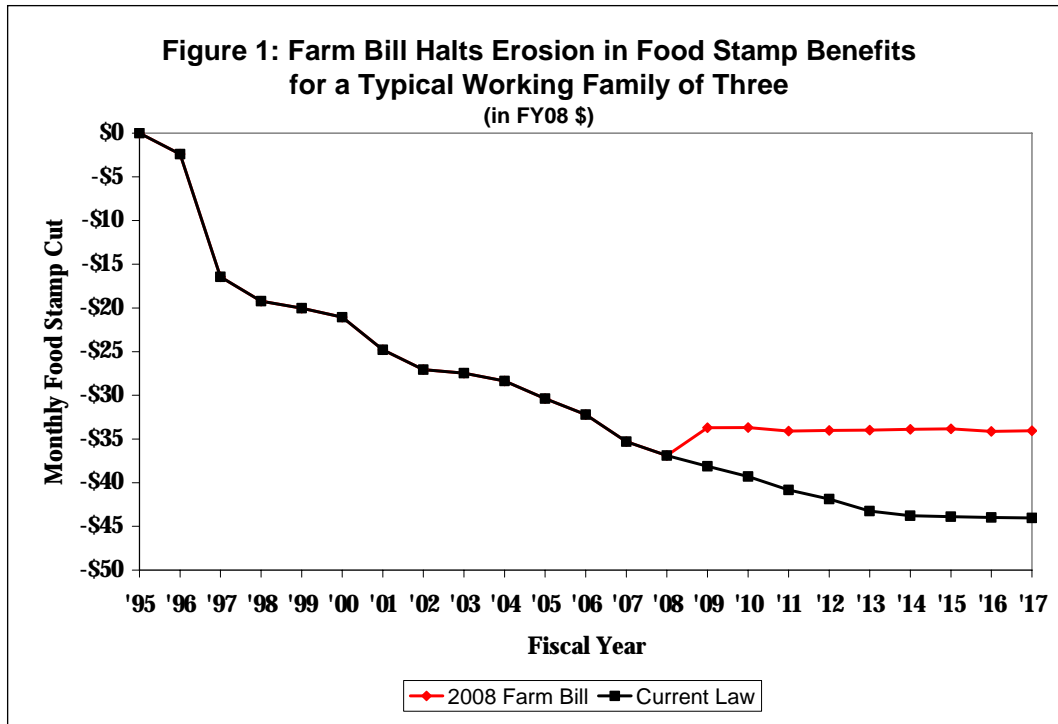
Below are short descriptions of the major nutrition provisions in the nutrition title. The Center on Budget and Policy Priorities has conducted a preliminary analysis of the state-by-state impacts of some of the key provisions: those affecting the food stamp standard deduction, child care deduction, and minimum benefit, as well as the increased funding for the Fresh Fruit and Vegetable Program and TEFAP. Tables at the end of this report present estimates of the number of people affected in each state and the size of the benefit increases under the law, 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 prior law, because of the frozen level of the standard deduction, the cut grew larger each year because of inflation.

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

The provision will help about 10 million recipients in an average month and will increase food stamp benefits by \$5.4 billion over the 2009 to 2017 period.

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



Increases the \$10 minimum benefit and ends erosion in its value. Under 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 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 farm bill, the minimum benefit will 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 will be adjusted for inflation in subsequent years.

Approximately 650,000 households with 780,000 individuals will receive higher benefits under this provision, nearly all of them containing seniors or people with disabilities. Food stamp benefits will increase by about \$280 million over the 2009 to 2017 period.

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 prior law, this deduction was 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 allows 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 programs), and thereby

⁴ This estimate is based on the Congressional Budget Office’s March 2008 projection for the TFP for a household of 1 in FY09. The minimum benefit will be higher in Alaska, Hawaii, Guam, and the Virgin Islands because these areas have higher Thrifty Food Plans.

targets more food assistance to working families that are less able to afford food because of this expense.

This change will increase food stamp benefits by \$500 million over the 2009 to 2017 period. It will provide an average of almost \$500 more per year (about \$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) will 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 new law will address this problem by indexing the asset limits to inflation.

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

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

CBO estimates that these changes will, by 2017, make about 125,000 people newly eligible for food stamps. Individuals in these households will receive an average of about \$90 to \$125 a month in food stamps. CBO estimates the provision will increase food stamp benefits by about \$1.2 billion over the 2009 to 2017 period.

Builds on the successes of the 2002 Farm Bill. The farm bill builds upon several state options to simplify benefit delivery that were enacted in the 2002 Farm Bill. It streamlines paperwork burdens on seniors and people with disabilities and expands the "transitional benefit" option to cover more families leaving welfare for work. It also supports state efforts to modernize service delivery, based on recent state innovations. For example, the Farm Bill establishes a new state option to allow states to take food stamp applications over the telephone. The new law also enhances program integrity by increasing penalties for retailers who abuse the program and requiring adequate testing of large new automated systems before they can be implemented.

Increases support for emergency feeding organizations. 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, was set at \$140 million per year. This amount had been flat since 2002, even as food prices 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 farm bill, annual funding for commodity purchases for TEFAP will 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 will receive \$50 million in additional funding for the remainder of fiscal year 2008.

Expands free fresh fruits and vegetables in low-income schools. The law expands and improves 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 farm bill, mandatory funding will increase to \$40 million for the 2008-2009 school year and grow in each subsequent year through 2012. By 2012, the program will be funded at nearly eight times its current size: \$150 million each year, with annual adjustments for inflation in years after that. A significant portion of the new program was financed by restricting the Secretary’s “Section 32” spending authority, which provides the Secretary with broad authority to use a share of annual customs receipts to support the agricultural sector.

In addition to providing increased funding, the farm bill targets program funds to elementary schools with a significant share of low-income children. Free fresh fruits and vegetables should 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. Each such school will receive \$50 to \$75 per child per year for fruit and vegetable purchases. 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
(Budget Authority in millions of dollars)

State	Standard Deduction	Dependent Care Deduction	Minimum Benefit	TEFAP	Fresh Fruit & Veg. Program*	Total these provisions**
Alabama	\$5	\$1.6	\$0.3	\$1.7	\$1.8	\$10
Alaska	1	—	0.1	0.2	1.1	2
Arizona	4	1.0	0.3	2.1	1.9	10
Arkansas	3	0.8	0.3	1.2	1.5	7
California	19	0.7	0.5	13.2	7.1	40
Colorado	2	0.2	0.2	1.5	1.8	6
Connecticut	3	0.5	0.3	1.0	1.6	6
Delaware	1	0.2	0.1	0.2	1.2	2
District of Columbia	1	—	0.1	0.3	1.1	2
Florida	15	2.5	1.1	5.6	4.1	28
Georgia	8	2.3	0.5	3.5	2.6	17
Hawaii	2	—	—	0.3	1.2	4
Idaho	1	0.6	0.1	0.4	1.3	3
Illinois	11	2.3	0.7	4.4	3.1	22
Indiana	5	0.8	0.4	2.2	1.3	10
Iowa	2	0.1	0.2	0.9	1.2	4
Kansas	2	0.1	0.2	0.9	1.5	5
Kentucky	6	0.6	0.4	1.8	1.7	11
Louisiana	7	3.1	0.2	1.8	1.8	14
Maine	2	0.3	0.2	0.5	1.2	4
Maryland	3	1.4	0.3	1.4	2.0	8
Massachusetts	5	0.3	0.5	2.1	2.1	10
Michigan	9	2.2	1.4	4.4	1.7	19
Minnesota	4	0.1	1.1	1.6	1.9	9
Mississippi	3	0.3	0.2	1.5	1.3	6
Missouri	7	3.1	0.7	2.2	2.0	15
Montana	1	—	0.1	0.3	1.2	2
Nebraska	1	—	0.2	0.5	1.3	3
Nevada	1	0.2	0.1	0.8	1.4	4
New Hampshire	1	0.1	0.1	0.3	1.2	2
New Jersey	5	0.9	0.4	2.4	2.5	11
New Mexico	2	0.2	0.1	0.8	1.4	5
New York	19	3.4	1.3	6.9	4.2	35
North Carolina	8	2.1	0.9	3.4	1.6	16
North Dakota	1	0.3	—	0.2	1.1	2
Ohio	10	0.7	0.7	4.5	1.9	18
Oklahoma	3	—	0.8	1.4	1.6	7
Oregon	5	1.1	0.7	1.4	1.6	10
Pennsylvania	11	1.6	1.3	4.1	2.1	20
Rhode Island	1	0.1	0.2	0.4	1.2	3
South Carolina	4	0.9	0.4	1.9	1.7	9
South Dakota	0.4	—	0.1	0.3	1.0	2
Tennessee	8	2.2	1.1	2.4	2.0	16
Texas	19	7.8	0.8	9.5	4.9	42
Utah	1	0.3	0.1	0.6	1.5	4
Vermont	1	0.1	0.1	0.2	1.1	2
Virginia	5	0.8	0.7	1.9	2.3	11
Washington	5	0.2	0.3	2.2	1.3	9
West Virginia	3	0.1	0.3	0.7	1.3	5
Wisconsin	3	0.5	0.8	1.9	2.0	8
Wyoming	0.3	—	—	0.1	1.1	1
Guam	0.2	—	—	—	***	0.2
Puerto Rico	0	0	0	3.8	***	4
Virgin Islands	0.1	—	—	—	***	0.1
Total	\$250	\$49	\$22	\$110	\$96	\$527

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

This table presents information for five of the major provisions in the nutrition title: the standard deduction, dependent care deduction, and minimum benefit in food stamps, commodity purchases for The Emergency Food Assistance Program (TEFAP), and new spending for the Fresh Fruit and Vegetable Program under the School Lunch Act. National estimates are from CBO. For state estimates the national number is allocated based on CBPP analysis of food stamp and other USDA administrative data.

* This represents additional mandatory funds made available under this bill, above the baseline amounts.

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

*** Guam, Puerto Rico, and Virgin Islands will receive amounts under this program, but we are unable to estimate the amounts.

IMPACT OF SELECTED NUTRITION PROVISIONS OF THE FARM BILL

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

State	Standard Deduction	Dependent Care Deduction	Minimum Benefit	TEFAP	Fresh Fruit & Veg. Program*	Total these provisions**
Alabama	\$107	\$17	\$3	\$19	\$23	\$169
Alaska	17	—	1	3	15	35
Arizona	93	10	3	24	26	156
Arkansas	72	8	4	14	19	117
California	406	8	6	151	93	664
Colorado	46	2	3	18	23	92
Connecticut	56	5	4	11	21	95
Delaware	12	2	1	3	15	33
District of Columbia	19	—	1	3	14	38
Florida	333	26	14	64	55	491
Georgia	178	23	6	40	33	281
Hawaii	50	0.5	0.2	3	16	70
Idaho	18	6	1	5	16	47
Illinois	249	23	8	50	40	370
Indiana	112	8	5	26	17	166
Iowa	44	1	3	10	10	67
Kansas	43	1	3	11	19	77
Kentucky	138	6	5	21	22	192
Louisiana	147	32	3	21	23	225
Maine	45	3	3	5	16	72
Maryland	71	15	4	16	26	132
Massachusetts	103	3	6	24	27	164
Michigan	205	23	18	50	26	321
Minnesota	97	2	14	18	25	155
Mississippi	61	4	3	17	10	95
Missouri	140	32	9	25	25	231
Montana	18	—	1	3	15	37
Nebraska	24	—	3	6	17	49
Nevada	29	2	2	9	19	61
New Hampshire	14	1	1	4	16	37
New Jersey	111	9	6	28	32	185
New Mexico	47	2	2	9	16	76
New York	412	34	17	79	53	595
North Carolina	169	21	12	39	23	264
North Dakota	10	3	1	2	14	30
Ohio	218	7	8	51	28	312
Oklahoma	72	—	10	16	21	119
Oregon	102	12	9	16	21	160
Pennsylvania	244	17	17	46	30	354
Rhode Island	17	1	2	4	16	40
South Carolina	93	9	5	22	22	151
South Dakota	9	—	1	3	12	25
Tennessee	172	22	14	28	26	262
Texas	411	80	10	108	66	674
Utah	22	3	1	7	19	53
Vermont	13	1	1	2	15	32
Virginia	114	9	9	22	30	183
Washington	111	2	4	25	20	162
West Virginia	61	1	3	8	17	91
Wisconsin	56	5	10	22	25	119
Wyoming	5	0.2	1	2	14	22
Guam	4	—	—	0.4	***	4
Puerto Rico	0	0	0	43	***	43
Virgin Islands	1	—	—	0.2	***	1
Total	\$5,420	\$500	\$278	\$1,256	\$1,240	\$8,694

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

This table presents information for five of the major provisions in the nutrition title: the standard deduction, dependent care deduction, and minimum benefit in food stamps, commodity purchases for The Emergency Food Assistance Program (TEFAP), and new spending for the Fresh Fruit and Vegetable Program under the School Lunch Act. National estimates are from CBO. For state estimates the national number is allocated based on CBPP analysis of food stamp and other USDA administrative data.

* This represents additional mandatory funds made available under this bill, above the baseline amounts.

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

*** Guam, Puerto Rico, and Virgin Islands will receive amounts under this program, but we are unable to estimate the amounts.

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 food stamp 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. 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 will benefit from the three provisions.