

The Food Assistance Landscape

FY 2006 Midyear Report



USDA administers 15 domestic food assistance programs that serve about 1 in 5 Americans at some point during the year. This array of programs forms a safety net helping the most vulnerable populations meet their food needs. The Economic Research Service (ERS) is responsible for conducting studies and evaluations of USDA's food assistance programs. This report uses preliminary data from USDA's Food and Nutrition Service (FNS), the agency responsible for managing the programs, to examine trends in the programs at the midpoint of fiscal 2006. It also summarizes a number of ERS research reports on the Food Stamp Program released in recent years that may help inform discussions of the 2007 reauthorization of the farm bill.





Food Assistance Spending Continues To Rise

Expenditures for USDA's 15 food assistance programs totaled \$27.7 billion during the first half of fiscal 2006 (October 2005-March 2006), a 7-percent increase over the first half of fiscal 2005. If this trend continues during the second half of the year, it would mark the fourth consecutive year in which expenditures for food assistance exceeded the previous historical record.

Each USDA food assistance program targets different populations, each with varying needs. The five largest programs—the Food Stamp Program; the National School Lunch Program; the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); the Child and Adult Care Food Program; and the School Breakfast Program—accounted for 96 percent of USDA's total expenditures for food assistance during the first half of fiscal 2006. Although spending on each of these five programs grew during the first half of the fiscal year relative to the first half of fiscal 2005, most of the increase in total food assistance expenditures is attributed to the Food Stamp Program.

Gulf Coast Hurricanes Impact the Food Stamp Program

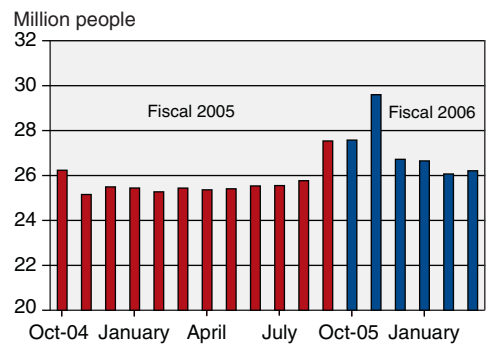
The cornerstone of USDA's food assistance programs is the Food Stamp Program. By providing benefits that are redeemable at authorized retail foodstores, the program enables participants, over half of whom are children, to improve their diets by increasing their food purchasing power. The program is available to most needy households (subject to income, asset, work, and immigration status requirements). During the first half of fiscal 2006:

- The Food Stamp Program accounted for 61 percent of total USDA expenditures for food assistance.
- Spending for the Food Stamp Program totaled \$16.8 billion, or 9 percent more than during the first half of fiscal 2005. This growth in expenditures stemmed from both an increase in participation and an increase in the average per person benefit.
- Monthly participation in the program averaged 27.1 million people, or 6 percent more than the same period in the previous year. Participation in the program spiked

in fall 2005 due mainly to benefits provided through the Disaster Food Stamp Program for victims of Hurricanes Katrina, Wilma, and Rita in Alabama, Florida, Louisiana, Mississippi, and Texas. In November 2005, 29.6 million people participated in the program, the largest number of participants in a single month ever.

- Benefits per person averaged \$95.81 per month, an increase of \$3.05 (3 percent) over the first half of fiscal 2005.

Number of food stamp participants in November 2005 sets record high



Participation in WIC Levels Off

The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) addresses the special needs of at-risk, low-income pregnant, breastfeeding, and postpartum women, and infants and children up to age 5. The program provides a package of supplemental foods targeted to participants' dietary needs, nutrition education (including breastfeeding promotion and support), and health care referrals. During the first half of fiscal 2006:

- Spending for WIC totaled \$2.5 billion, almost 3 percent more than in the first half of fiscal 2005. This increase was due primarily to an increase in costs associated with administering the program.
- Monthly per person food costs averaged \$37.35, only 2 cents more than during the same period in fiscal 2005.
- Monthly participation in WIC averaged 8 million people, about the same as during the same period in fiscal 2005.

National School Lunch Program Grows Modestly

The National School Lunch Program provides low-cost or free lunches to schoolchildren.



Federal nutrition assistance at a glance

Program		FY 2005		FY 2006
		Full year	1st half	1st half
Food Stamp Program	Average monthly participation (millions)	25.7	25.5	27.1
	Average benefit per person (dollars/month)	92.69	92.76	95.81
	Total annual expenditures (\$ billions)	31.1	15.4	16.8
WIC	Average monthly participation (millions)	8.0	8.0	8.0
	Total expenditures (\$ billions)	5.0	2.4	2.5
National School Lunch Program	Average daily participation (millions)	29.6	29.7	30.1
	Total expenditures (\$ billions)	8.0	4.8	4.9
School Breakfast Program	Average daily participation (millions)	9.4	9.3	9.7
	Total expenditures (\$ billions)	1.9	1.1	1.2
Child and Adult Care Food Program	Meals served in:			
	• child care centers (millions)	1,106	564	576
	• family child care homes (millions)	672	332	317
	• adult day care centers (millions)	58	28	29
	Total expenditures (\$ billions)	2.1	1.1	1.1
All programs	Total expenditures (\$ billions)	50.9	26.0	27.7

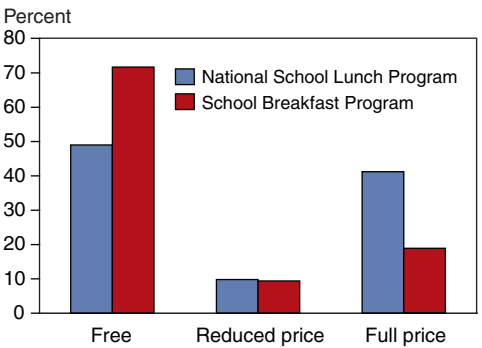
Note: The figures are based on preliminary data provided by the Food and Nutrition Service as of May 2006 and are subject to revision. Total program expenditures include other food assistance programs not shown in table.

Schools that participate in the program receive cash and some commodities from USDA to offset the cost of food service. In return, the schools must serve lunches that meet Federal nutritional requirements and offer free or reduced-price lunches to needy children. Any child at a participating school may enroll in the program. Children from families with incomes at or below 130 percent of the Federal poverty level are eligible for free meals, and those from families with incomes between 130 and 185 percent of the poverty level are eligible for reduced-price meals. Children from families with incomes over 185 percent of the poverty level pay full price, though their meals are subsidized to a small extent. During the first half of fiscal 2005:

- An average 30.1 million children participated in the program each schoolday, 1 percent more than during the first half of fiscal 2005.
- Spending for the program totaled \$4.9 billion, a 4-percent increase over the same period in fiscal 2005.

- A total of 3.1 billion school lunches were served, 3 percent more than during the first half of fiscal 2005.
- Almost half (49 percent) of the school lunches served were provided free to students, and another 10 percent were provided at a reduced price.

Percentage of school meals served during first half of fiscal 2006, by type of reimbursement



Expansion of the School Breakfast Program Continues

The School Breakfast Program provides low-cost breakfasts to schoolchildren, with students from low-income families receiving free or



reduced-price meals (eligibility is the same as that for the National School Lunch Program). During the first half of fiscal 2006:

- An average 9.7 million children participated in the program each schoolday, 4 percent more than in the first half of fiscal 2005.
- Spending for the program totaled \$1.2 billion, 7 percent more than in the same period the previous fiscal year.
- A total of 991 million breakfasts were served, 5 percent more than in the first half of fiscal 2005.
- Seventy-two percent of these breakfasts were provided free to students, and another 9 percent were provided at a reduced price.

Child and Adult Care Food Program Declines in Family Child Care Homes

The Child and Adult Care Food Program helps ensure that children and adults who attend day care facilities receive nutritious meals and snacks. The providers of care are reimbursed for each type of qualifying meal (breakfast, lunch/supper, or snack) they serve. During the first half of fiscal 2006:

- Spending for the program totaled \$1.1 billion, or 2 percent more than in the first half of the previous fiscal year.
- Almost 923 million meals were served, a decrease of less than 1 percent from the first half of fiscal 2005. The number of meals served in family child care homes decreased 5 percent relative to the first half of fiscal 2005 while the number of

meals served in child care centers increased 2 percent and the number of meals served in adult day care centers increased 5 percent over the same period.

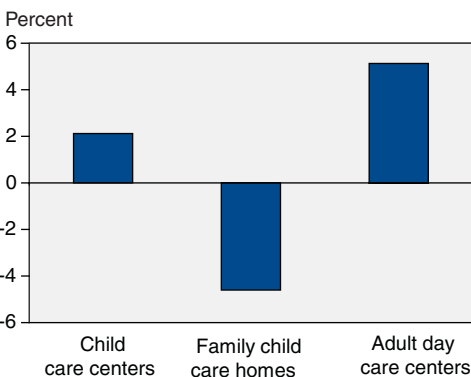
- Sixty-two percent of all meals served were in child care centers, 34 percent served were in family child care homes, and 3 percent served were in adult care centers.

Economic and Social Indicators

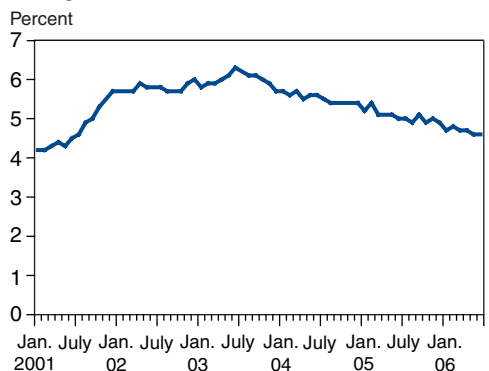
Economic and social conditions affect participation in and expenditures on food assistance programs through their influence on: (1) the size of the eligible population; (2) the rate of participation among eligible people; and (3) benefit levels. Historically, changes in the country's economic conditions have significantly affected participation in the Food Stamp Program. For example, the number of food stamp recipients typically rises during recessionary periods when unemployment and poverty increase and falls during periods of economic growth when unemployment and poverty decline.

On average, the seasonally adjusted unemployment rate decreased during the first 6 months of 2005, continuing a trend that began in the later half of 2003. The national unemployment rate in May 2006 reached 4.6 percent, the lowest rate since July 2001. Despite falling unemployment rates for the past few years, food stamp participation during the first half of fiscal 2006 was greater than during the first half of fiscal 2005. However, temporary disaster assistance provided as a result of the hurricanes in the Gulf Coast States in fall 2005 obscured the long-term trends in food stamp participation.

Percentage change in meals served by type of facility, first half of fiscal 2006 compared with first half of fiscal 2005



Monthly unemployment rate trended downward during first 6 months of 2006



Note: Seasonally adjusted.
Source: Bureau of Labor Statistics, U.S. Department of Labor.



Research Update—Recent Food Stamp-Related ERS Studies

The Nutrition Title of the 2002 farm bill authorizes the operation of several food assistance programs, including the Food Stamp Program (FSP), through fiscal 2007. Lawmakers are currently planning for the 2007 reauthorization of the bill. ERS has funded several recent food stamp-related studies that provide information that may prove useful in informing the debate and framing the discussion surrounding the reauthorization effort. Study topics include implementation of 2002 farm bill provisions, trends in FSP participation and costs, program access, FSP interactions with other programs, and FSP impacts on obesity, nutrition, and health. Electronic copies of the reports are available on the ERS website at www.ers.usda.gov/publications/.

Simplified Reporting and Transitional Benefits in the Food Stamp Program—Case Studies of State Implementation: Final Report, E-FAN 04003, May 2004.

This study examines the experiences of four States (Arizona, Louisiana, Missouri, and Ohio) in implementing two FSP provisions of the 2002 farm bill—the simplified reporting and transitional benefit options. Simplified reporting reduced staff workload, improved client access, and reduced quality control errors, but operational challenges prevented the States from realizing the option's full potential. Transitional benefits provided valuable support for families leaving cash welfare, but State implementation required substantial planning and staff resources.

Food Stamp Program Entry and Exit: An Analysis of Participation Trends in the 1990s, CCR8, July 2005.

This study examines patterns of FSP participation and the degree to which changes in program entry and exit patterns contributed to caseload change. In the early 1990s, a rising FSP entry rate contributed to caseload growth, as did the tendency for individuals to stay longer in the FSP. Caseload decline in the late 1990s was driven predominantly by shorter program participation length, although lower entry rates also contributed. Among all new entrants in the FSP in the 1990s, more than half exited the program within 8 months and two-thirds exited within 1 year. After welfare reform, in the late 1990s, long-term participation was less common than in earlier periods, with more than 75 percent of entrants leaving the program within 13 months.

Food Stamp Program Costs and Error Rates, 1989-2001, CCR15, January

2006. Trends in FSP administrative costs and errors from 1989 to 2001 are examined in this study. The findings provide strong evidence that, beginning in 1995, an increase in reported certification-related costs per FSP household contributed to reduced error rates. However, in the period after welfare reform, additional effort on certification-related activities was needed to achieve a given level of accuracy. Models predict that, if a State's FSP certification budget is fixed and the number of FSP households increases, the administrative effort per FSP household will fall and error rates will rise, all other things equal.

Food Stamp Program Access Study: Final Report, E-FAN 03013-3, November

2004. This report details findings from several nationally representative surveys of FSP applicants, eligible nonparticipants, and workers in local FSP offices. Survey data are analyzed to examine how local office policies and practices influence the participation decisions of potentially eligible households. The findings indicate that many households with no recent contact with the FSP would apply for benefits if they believed themselves to be eligible. The intensity of local area outreach activities is shown to be effective in communicating eligibility to nonparticipating households. And finally, some local office policies and practices, such as extended office hours and finger imaging, are shown to influence participation decisions. The study also documents other policies and practices known to pose hurdles to participation.

Evaluation of the USDA Elderly Nutrition Demonstrations: Volume I, Evaluation Findings, CCR9-1, July 2005.

Historically, low-income seniors ages 60 and older who qualify for FSP benefits participate at relatively low rates. USDA designed three pilot demonstration models, each using different approaches to reduce the barriers that seniors face: (1) the simplified eligibility model; 2) the application assistance model; and 3) the commodity alternative benefit model. The study found that demonstration models can increase the number of participating seniors by 20-35 percent but that costs can be significant, ranging from \$402 to \$3,800 per participant. The simplified eligibility model was the most cost-effective approach to increasing FSP participation.



South Carolina Food Stamp and Well-Being Study: Transitions in Food Stamp and TANF Participation and Employment Among Families with Children, CCR17, April 2006. Families in the State's FSP are required to recertify their eligibility at regular intervals. The study shows that South Carolina's policy of quarterly recertifications hastens exits from the FSP. Employment speeds exits from the food stamp and cash assistance programs and delays returns to the programs. Cash assistance participation may lead to longer spells of receiving food stamps.

"Food Stamps and Obesity: Ironic Twist or Complex Puzzle?" *Amber Waves*, Vol. 4, Issue 1, February 2006. As the major nutrition problems facing the U.S. population have shifted from too little intake to overconsumption, some have questioned whether food stamps encourage participants to eat too much and make them more prone to obesity. This study compares weight status and obesity rates in FSP subgroups with those of low and higher income nonparticipants. The association of food stamp participation and weight status is inconsistent and found to vary across population subgroups and time.

Nutrition and Health Characteristics of Low-Income Populations: Volume I, Food Stamp Program Participants and Nonparticipants, E-FAN 04014-1, December 2004. This report compares the nutrition and health characteristics of participants in the FSP with those of income-eligible nonparticipants and persons with higher incomes (above 130 percent of poverty). The

broad array of nutrition and health measures examined includes dietary intake, body weight, nutritional biochemistries, measures of health status, health-related behaviors, and access to health care.

Effects of Food Assistance and Nutrition Programs on Nutrition and Health: Volume 3, Literature Review, FANRR19-3, December 2004. This report provides a comprehensive review and synthesis of published research on the impact of USDA's domestic food and nutrition assistance programs on participants' nutrition and health outcomes. The outcome measures reviewed include food expenditures, household nutrient availability, dietary intake, other measures of nutrition status, food security, birth outcomes, breastfeeding behaviors, immunization rates, use and cost of health care services, and selected nonhealth outcomes, such as academic achievement and school performance (children) and social isolation (elderly). The review examines the research on 15 USDA food assistance programs but tends to focus on the largest ones for which more research is available, especially the Food Stamp Program.

In addition to ERS, FNS also conducts and publishes research on the FSP. Of particular interest is a recent summary of past research on program operations and outcomes—*Making America Stronger: A Profile of the Food Stamp Program*, Food and Nutrition Service, September 2005. Electronic copies of the reports are available on the FNS website at www.fns.usda.gov/oane/Farm_Bill/FSPProfile.pdf.

Information on food assistance research can be found on the ERS website at www.ers.usda.gov/briefing/foodnutritionassistance and on the FNS Office of Analysis, Nutrition, and Evaluation website at www.fns.usda.gov/oane. Information on USDA's food assistance programs can be found on the FNS website at www.fns.usda.gov/fns. For more information on this report, contact Victor Oliveira at victoro@ers.usda.gov.

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