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USDA Economic Research Service
U.S. Department of Agriculture

Food Assistance and Nutrition
Research Report Number 28-1

The Food Assistance Landscape

September 2002

Nearly 1 in 6 Americans is served by 1 or more of the 15 domestic food assistance programs administered by the U.S. Department of Agriculture (USDA) at some point during the year. These programs give needy persons access to a more nutritious diet, provide opportunities to improve the eating habits of the Nation's children, and help America's farmers by creating an outlet for the distribution of food purchased under farmer assistance authorities. Each food assistance program targets specific populations with different nutritional needs. These programs work individually and in concert to ensure a nutrition safety net for children and low-income adults. The Economic Research Service (ERS) is responsible for conducting studies and evaluations of USDA's food assistance programs, with a focus on nutrition outcomes, how benefits are targeted and delivered, and program dynamics and administration. This report looks at food assistance trends at the midpoint of fiscal 2002, and discusses a recent congressionally mandated ERS study on one food assistance program—the Child and Adult Care Food Program.

Food Assistance and
Nutrition Research Program

Food Assistance Spending Rises Sharply

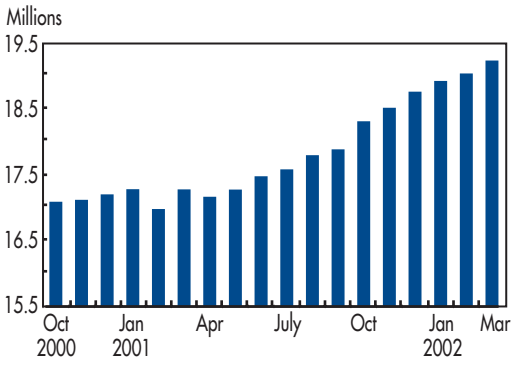
USDA expenditures for food assistance totaled $19.4 billion during the first half of fiscal 2002 (October 2001–March 2002), an increase of almost 12 percent over the first half of fiscal 2001. If this trend continues during the second half of fiscal 2002, it will mark the second straight year in which total food assistance spending rose, after 4 years of decline. Five programs—the Food Stamp Program, the National School Lunch Program, the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), the School Breakfast Program, and the Child and Adult Care Food Program—accounted for almost 94 percent of USDA's total spending for food assistance. While each of these five major programs expanded during the first half of fiscal 2002, the Food Stamp Program accounted for most of the increase in food assistance spending.

Food Stamp Program Expands

The Food Stamp Program is the cornerstone of USDA's food assistance programs, providing monthly benefits for eligible participants to purchase approved food items at approved food stores. The program is available to most households (subject to certain work and immigration status requirements) that meet income and asset criteria. During the first half of fiscal 2002:

- The Food Stamp Program accounted for over half (52 percent) of total spending for food assistance.
- Spending for the Food Stamp Program totaled $10.1 billion, or 17 percent more than during the first half of the previous fiscal year. This dramatic increase in expenditures was due to greater participation and an increase in the average per person benefit.

Monthly Food Stamp Program participation continues to rise in first half of fiscal 2002



- Monthly participation in the program averaged 18.8 million people, or about 10 percent more than during the same period in the previous year. Participation rose in each of the first 6 months of fiscal 2002, a continuation of the trend that began in the second half of fiscal 2001.
- Benefits per person averaged $79.84 per month, a rise of $5.56 (or 7 percent) from the first half of fiscal 2001.

Participation in WIC Increases

The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) helps safeguard the health of low-income pregnant, breastfeeding, and postpartum women, and infants and children up to age 5 who are at nutritional risk by providing a package of supplemental foods, nutrition education, and health care referrals. Although WIC is a discretionary grant program, Congress has appropriated enough funds to support nearly all who have applied for the program. During the first half of fiscal 2002:

- Spending for WIC totaled $2.1 billion, or 6 percent more than in the first half of the previous year.
- Monthly participation in WIC averaged 7.45 million people, an increase of 3 percent over the same period in fiscal 2001. If this result holds for the entire year, the average monthly number of participants in fiscal 2002 will surpass the program's peak of 7.41 million participants in fiscal 1997.
- Fifty percent of all WIC participants were children, while women accounted for 24 percent and infants 26 percent. Relative to the first half of fiscal 2001, the number of children participating in the program rose 5 percent compared with 2 percent for women and less than 1 percent for infants.
- Per person food costs averaged $34.97, an increase of $1.26 over the same period the previous year.

Number of Meals Served by National School Lunch Program Stabilizes

Schools that participate in the National School Lunch Program receive cash and some commodities from USDA to offset the cost of food service. In return, the schools must serve lunches that meet the Dietary Guidelines for

Federal Nutrition Assistance At-A-Glance

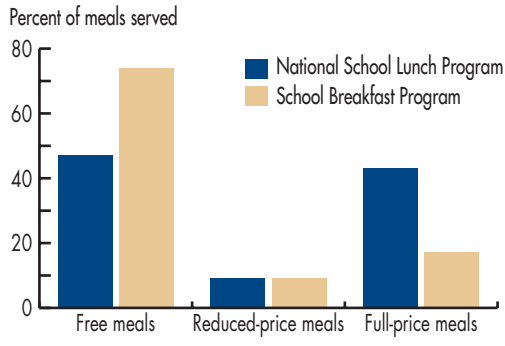
Program		FY 2001 Full year	FY 2001 1st half	FY 2002 1st half
Food Stamp Program	Average monthly participation (millions)	17.3	17.1	18.8
	Average benefit per person (dollars/month)	74.76	74.28	79.84
	Total expenditures (billions)	17.8	8.6	10.1
WIC	Average monthly participation (thousands)	7,306	7,234	7,455
	Total expenditures (billions)	4.2	2.0	2.1
National School Lunch Program	Average daily participation (millions)	27.5	27.6	28.1
	Total expenditures (billions)	6.5	3.9	4.1
School Breakfast Program	Average daily participation (millions)	7.8	7.8	8.1
	Total expenditures (billions)	1.4	0.9	0.9
Child and Adult Care Food Program	Meals served in:			
	• child care centers (millions)	923	472	497
	• family child care homes (millions)	717	354	346
	• adult day care centers (millions)	40	19	21
	Total expenditures (billions)	1.7	0.8	0.9
All programs	Total expenditures (billions)	34.2	17.4	19.4

Note: The figures are based in part on preliminary data provided by the Food and Nutrition Service as of May 2002 and are subject to change. Total program expenditures include other food assistance programs not shown in table.

Americans 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 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 still subsidized to a small extent. Over 90 percent of all elementary and secondary students attend a school that participates in the program. In the first half of fiscal 2002:

- An average 28.1 million children participated in the program each schoolday, or about 58 percent of all children attending a participating school or institution.
- Spending for the program totaled $4.1 billion, a 5-percent increase over the same period the previous year.
- 2.8 million school lunches were served, about 1 percent more than during the first 6 months of fiscal 2001.
- Almost half (47 percent) of school lunches served were provided free to students, and another 9 percent were provided at a reduced price.

In first half of 2002, a large share of school meals are provided free to children



School Breakfast Program Grows

The School Breakfast Program provides low-cost breakfasts to students, with those from low-income families receiving free or reduced-price meals (eligibility is the same as that for the National School Lunch Program). About 72 percent of all elementary and secondary students in the United States attend a school

that participates in the program. During the first half of fiscal 2002:

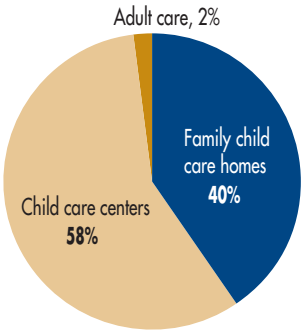
- An average 8.1 million children participated in the program each schoolday, or about 21 percent of all children attending a participating school or institution.
- Spending for the program totaled $0.9 billion, almost 7 percent more than in the same period the previous year.
- More than 836 million breakfasts were served, or 5 percent more than in the first half of fiscal 2001.
- Almost three-quarters (74 percent) of these breakfasts were provided free to students, and another 9 percent were provided at a reduced price.
- About 68 percent of the breakfasts served in the program received "severe need" reimbursements (schools may qualify for these higher "severe need" reimbursements if a specified share of their lunches are served free or at reduced price.)

Child and Adult Care Food Program Spending Is Up

The Child and Adult Care Food Program subsidizes healthy meals and snacks in participating child care centers and homes and adult day care facilities. 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 2002:

- The Child and Adult Care Food Program continued to expand as expenditures for the program increased by almost 6 percent from the first half of the previous year.
- Almost 865 million meals were served, an increase of 2 percent from the first half of fiscal 2001.
- About 58 percent of all meals served were in child care centers, 40 percent were in family child care homes, and 2 percent were in adult care centers.

Family child care homes in the CACFP served 40 percent of all meals in first half of fiscal 2002

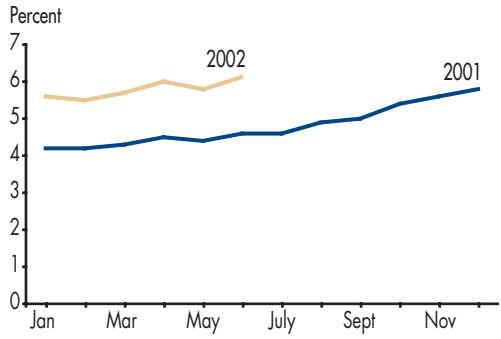


Economic and Social Indicators

Economic and social conditions affect participation in and spending on food assistance programs through their influence on the size of the eligible population, the rate of participation among eligible people, and benefit levels. Historically, changes in the country's economic conditions significantly affect participation in the Food Stamp Program. The number of food stamp recipients typically rises during recessionary periods when the number of unemployed and poor persons increases, and falls during periods of growth as the number of unemployed and poor persons decreases.

March 2001 marked the beginning of a recession, defined by the National Bureau of Economic Research as a significant decline in activity spread across the economy and lasting more than a few months. Several economywide measures of economic activity are used in determining recessionary periods, including the national employment situation. Although the economy has shown signs of recovery, the labor market has remained weak during the first half of 2002. So far in 2002, the unemployment rate remains over a full percentage point higher than in the same months in 2001. In April 2002, the unemployment rate reached 6.0 percent, the highest rate in more than 7 years. The weak job market partly explains the increase in the number of food stamp participants during the first half of fiscal 2002.

2002 monthly unemployment rate remains high



Source: Bureau of Labor Statistics.

Recent Legislative Actions

The 2002 Farm Bill, which governs Federal farm and food assistance programs, was signed into law by President Bush on May 13. The law contains a number of key provisions affecting the Food Stamp Program, including the following:

- The Food Stamp Program is reauthorized from fiscal 2002 through fiscal 2007.

- Food stamp eligibility for legal immigrants residing in the United States for at least 5 years is restored (effective April 2003).
- All legal immigrant children, regardless of date of entry to the United States, are eligible to apply for the program (effective October 2003).
- The standard deduction is modified to allow a greater deduction (resulting in higher benefits) for many larger households.
- Provisions to simplify and streamline the program are established.

Research Update: The Child and Adult Care Food Program

The Child and Adult Care Food Program (CACFP) is the Nation's fourth largest food assistance program in terms of expenditures. CACFP is also one of the fastest growing programs, with expenditures more than doubling since fiscal 1990. While not as well known as USDA's other major food assistance programs, CACFP has an important role in improving the quality of day care and making it more affordable for many low-income families. The Food and Nutrition Service (FNS), which administers USDA's food assistance programs, currently is developing its 2004 reauthorization proposal for CACFP.

CACFP provides healthy meals and snacks to eligible children and adults who are enrolled in participating child care centers, family child care homes, and adult day care centers. To participate in the CACFP, family child care homes must be sponsored by a public or private nonprofit organization that has an agreement with a State CACFP agency to administer the program at the local level. CACFP helps pay for meals and snacks served in family child care homes that sign up to be part of the program. The program reimburses care providers at fixed rates for each type of meal they serve that meets CACFP standards.

When CACFP was first established in 1968, participation was limited to center-based child care in areas with poor economic conditions. When family child care homes first became eligible in 1976, reimbursement levels were based on the family income of each child participating in the program. In 1978, the means test for family child care homes was replaced with a single set of meal reimbursement rates for all participants. As the family child care homes component of the program expanded, the share of children served in participating homes who were from higher income families rose. By 1995, more than 75 percent of the children served in these homes were from families with incomes above 185 percent of the poverty guidelines.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996, however, refocused the family child care component of the CACFP on low-income children by establishing a two-tier system of reimbursement rates for family child care homes. Effective July 1997, homes in low-income areas or in which the care providers are low income are reimbursed at Tier 1 rates which are about the same as the rates that existed for all CACFP homes before the law. Homes that do not qualify as low income are reimbursed at the much lower Tier 2 rates. Tier 2 homes can be reimbursed at Tier 1 rates for meals served to low-income children, given appropriate documentation.

Tier 1 CACFP meal reimbursement rates are much higher than Tier 2 rates

	Family child care home reimbursement classes	
Meal type	Tier 1	Tier 2
Breakfast	$0.96	$0.36
Lunch/supper	$1.78	$1.07
Snack	$0.53	$0.14

Note: Rates for July 1, 2001, to June 30, 2002, for contiguous States.

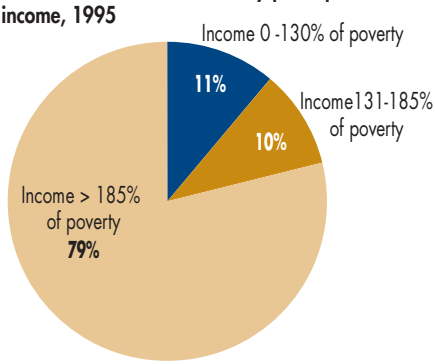
The 1996 welfare reform law required USDA to study the effects of the new tiering system and related requirements on participating family child care homes, sponsors, and the children and families served by CACFP homes. In response to the congressional mandate, data were collected in spring and summer 1999 from nationally representative samples of family child care homes, their sponsors, parents of children they served, and former CACFP providers who left the program sometime between 6 months before and 6 months after the law's enactment. Some of the major findings from the recently completed study are as follows:

- The family child care homes component focused more on low-income children after tiering started. The share of reimbursements for meals served to low-income children (those with household incomes at or below 185 percent of the Federal poverty guideline) more than doubled from 21 percent in 1995 to 45 percent by 1999.

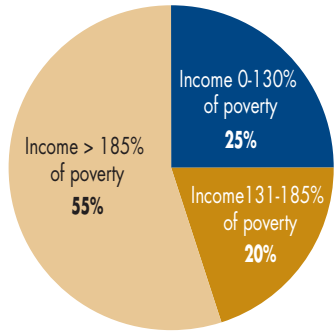
- Tiering reduced the number of homes participating in the program. The effect of tiering was to greatly reduce the financial reasons for Tier 2 providers (who are now reimbursed at lower rates) to participate in the program.
- Despite the decrease in homes participating in the program, the total number of children in CACFP homes changed relatively little.
- Tiering did not cause a drop in the number or nutritional quality of meals and snacks offered to children in Tier 2 homes.
- Despite increasing the duties of CACFP sponsors, tiering did not lead to a major decline in the number of sponsors.
- States seek to ensure the health and safety of children by requiring all or certain classes of family child care homes to be licensed (or certified or registered). Tiering had little effect on the total number of licensed or otherwise approved family child care homes.

The results of the study are summarized in *Reimbursement Tiering in the CACFP: Summary Report to Congress on the Family Child Care Homes Legislative Changes Study*, USDA, Economic Research Service, Food Assistance and Nutrition Research Report No. 22, March 2002 (www.ers.usda.gov/publications/fanrr22/). Related reports also are available from the ERS website.

CACFP meal reimbursements by participant income, 1995



CACFP meal reimbursements by participant income, 1999



Additional Information

Information on food assistance-related research can be found on the ERS website's food and nutrition assistance briefing room at **www.ers.usda.gov/briefing/foodnutritionassistance**. Information on USDA's food assistance programs can be found on the Food and Nutrition Service 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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