



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

New Legislation Brings Changes in Food Assistance

Masao Matsumoto
(202) 786-1787

The Food Security Act of 1985, popularly known as the 1985 farm bill, contains a number of provisions that affect Federal food assistance programs. The Act continues the Food Stamp Program (FSP) through September 30, 1990, increases the funding for Puerto Rico's Nutritional Assistance Program, and reauthorizes the Temporary Emergency Food Assistance Program for 2 years.

Changes prescribed by the Act are expected to boost costs for these and several other food programs by around 2 percent, or \$1 billion above projected costs, had the expiring legislation been extended without change for another 5 years. Economic Research Service (ERS) estimates indicate that roughly \$850 million of the increased costs between 1985 and 1990 will result from changes in two programs—the Food Stamp Program and the Nutritional Assistance Program in Puerto Rico.

Changes Affecting Food Stamp Eligibility and Benefits

Many of the provisions of Title XV of the Food Security Act are designed to increase benefits and encourage expanded participation in the FSP. Under the new law, for example, residents of publicly operated mental health centers are eligible for food stamps. Households in which all members receive payments under the Aid to Families with Dependent Children Program or the Supplemental Security Income Program (SSI) are automatically eligible to receive food stamps. In determining eligibility for the FSP, the definition of disabled persons is also expanded to include disabled veterans, selected retirees receiving public assistance, and recipients of State SSI aid to the blind and disabled. Households with disabled members are permitted a medical care deduction and an unlimited excess shelter-cost deduction in meeting income qualification requirements.

Up to 200,000 more households are able to participate in the FSP because of the in-



The Food Security Act of 1985 has a number of provisions that affect the Food Stamp Program.

creased limit on allowable financial resources. The asset limit for nonelderly households was increased on May 1 from \$1,500 to \$2,000. Assets include cash and resources that can easily be converted to cash, such as checking and savings accounts, stocks, and bonds. The asset limit for single elderly households was raised from \$1,500 to \$3,000. Under previous legislation, the \$3,000 limit only applied to households of two or more persons, when at least one was 60 or older.

Eligibility for the FSP is also expanded through changes in the deductions allowed from gross monthly income. To participate in the program, households must meet gross (except households with elderly and disabled members) and net income standards. The net income figure is determined by subtracting allowable deductions.

The earned income deduction is designed to compensate households for mandatory work-related expenses, such as taxes and union dues. Effective May 1, 1986, the deduction rose from 18 to 20 percent of earned income.

Separate deductions are allowed for actual dependent care and shelter costs in excess of 50 percent of the household's gross income. The maximum deduction for dependent care is \$160 a month, with no adjustments for inflation or geographic location. The maximum excess shelter deduction is \$147 a month in the 48 contiguous States

and the District of Columbia. Previously, the maximum monthly combined dependent care and excess shelter cost deduction was \$139.

The new definition of countable household income excludes the portion of an education grant, loan, or other educational assistance that is used to pay tuition and mandatory fees at a post-secondary educational institution. Educational loan origination fees and insurance premiums are also excluded when determining whether FSP income eligibility standards are met.

Farmers are entitled to subtract the losses incurred from self-employment from their countable income from outside jobs. Earnings from on-the-job training programs under the Job Training Partnership Act are counted as earned income, except for dependents under age 19.

The Food Security Act has new disqualification procedures for households and individuals. If a household head fails to meet certain work requirements, then the entire household is disqualified from receiving food stamps. However, if any member other than the household head does not comply with the work requirements, then only that person is barred from the FSP. Previously, failure of any household member to comply with the work requirements would have disqualified the entire household for 2 months.

Household heads between 16 and 18 years of age will no longer be automatically exempt from the work requirements. These persons must comply with the requirements if they are not attending school at least half-time or participating in an employment training program. Previously, the rule did not apply to persons under age 18.

Changes Affecting FSP Program Administration

The Food Security Act also addresses problems of error and fraud and establishes several pilot projects. The Act, for example, mandates verification of household income and household size, where questionable, and permits States to require verification of other information used in determining eligibility. If, because of error or fraud, participants receive more benefits

The author is an agricultural economist with the Food and Agricultural Policy Branch of the National Economics Division.

than they are entitled to, States may collect the value of the excess payment through unemployment compensation agencies. Each adult member of a food stamp household will be held liable for repaying the value of the excess food stamps.

To prevent misuse of the stamps, the Secretary of Agriculture may require States to use photographic identification cards, if they are cost effective. States may allow households to use photo identification cards issued under other public assistance programs.

The Secretary may allow States to test simplified applications for food stamps and standardized benefits in five statewide and five local sites. States may also stagger issuance of food stamp benefits throughout the entire month as long as no household goes longer than 40 days without them. This provision is designed to distribute the workload of local issuance offices throughout the month.

The existing pilot projects that provide cash rather than food coupons to households composed entirely of persons 65 or older or those eligible for Supplemental Security Income may continue through September 30, 1990, at the request of the States.

Provisions Affecting Other Food Programs

In a major program change, States may operate the Food Stamp and Commodity Distribution programs in the same area. This was not allowed under previous legislation, except to victims of natural disasters or to participants in the Commodity Supplemental Food Program, the Food Distribution Program on Indian Reservations, or the Temporary Emergency Food Assistance Program.

Table 1. Food Security Act of 1985 Brings Changes in FSP and Other Programs

	Old Law	New Law
Food Stamp Program		
Program funding	Temporary legislation which continued FSP through fiscal 1985.	FSP is extended through fiscal 1990 at higher authorization levels.
Countable income		Grants, loans, etc. used for tuition and mandatory fees are excluded. Farmers can deduct self-employment losses.
Deductions from income		
Earned income	18 percent of earned income.	20 percent of earned income.
Dependent care and shelter costs	Together could not exceed \$139 a month.	Treated separately. Maximum for dependent care is \$160 per month; shelter costs, \$147.
Asset limitations		
Nonelderly households	\$1,500.	\$2,000.
Elderly households	\$1,500 for household with one elderly person; \$3,000 for two or more.	\$3,000 for households with one or more elderly.
Eligibility disqualifications	Failure of any household member to comply with work for 2 months.	If household head fails to meet work require other member, only he or she is disqualified.
Employment and training	None.	States required to implement program by April 1, 1987.
Sales tax on food	Sales tax collected on food bought with stamps.	States taxing food stamp purchases will be prohibited from participating in program.
Puerto Rico Nutrition Assistance Program	Grant set at \$825 million annually.	Authorizes funding at \$825 million in fiscal 1986, rising to \$937 million by fiscal 1990.
Temporary Emergency Food Assistance Program	Program expired in fiscal year 1985.	Extended program through September 30, 1987.

The Act reauthorizes the Secretary to purchase and distribute commodities for these programs and for the Food Distribution Program in the Trust Territory of the Pacific Islands, summer camps, charitable institutions, and declared disaster areas. Dairy products, wheat or wheat products, rice, honey, and corn meal will be distributed at no cost and not charged against program entitlements if they are available in Commodity Credit Corporation inventories.

To provide nutrition assistance to the needy, nonprofit organizations, such as schools receiving commodities under Section 32 of the Act of August 24, 1935, can transfer their commodities to other nonprofit organizations that can use them without waste or cost. School districts that participated in the pilot project study of cash-in-lieu of commodities and commodity letter of credit under the National School Lunch Program are allowed to continue receiving one of these alternative forms of assistance through June 30, 1987.

States must encourage FSP participants to join the Expanded Food and Nutrition Education Program (EFNEP). State agencies should allow EFNEP officials, where practicable, to display information about EFNEP in food stamp offices.

The Secretary is directed to include a representative sample of low-income persons in the Department of Agriculture's continuing survey of food intake, the Household Food Consumption Survey, and Nationwide Food Consumption Survey. Data are to be collected on food purchases and other household expenditures by low-income persons.

Program Costs Could Rise

To determine the comparative cost of the new bill, ERS researchers developed baseline estimates of program expenditures for 1986-90 under the expiring legislation. The estimates were derived by using forecasts of USDA's Thrifty Food Plan (TFP) and Congressional Budget Office projections of the major economic indicators. (The TFP, the least costly of USDA's four food plans, is used with household income to calculate program benefits for a particular household size.) The baseline estimates were then compared with new spending levels authorized by the 1985 Act, which range from \$13.04 billion in fiscal year 1986 to \$15.97 billion in 1990.

Provisions of the 1985 Act increase the eligibility limit for assets and income deductions for work-related expenses. Shelter and dependent care costs are expected to boost FSP costs the most. Expenditures could increase more than \$600 million dollars above the baseline over the 5-year period as participation increases and benefits to households already in the program rise.

An increase in the block grant for Puerto Rico's Nutrition Assistance Program, to \$936 million by 1990, is intended to adjust benefits for expected food price inflation. Operated separately from the FSP since July 1982, the program has been funded at a constant level of \$825 million. The increase for the Nutritional Assistance Program will add approximately \$250 million above the baseline.

Another added Federal cost of as much as \$100 million annually may come in

response to a provision requiring States to implement employment and training programs by April 1, 1987. The Federal Government will assume 50 percent of the administrative costs associated with these programs, which will assist food stamp participants in obtaining skills, training, and experience to increase their chances of employment. If the programs are successful, however, the reduction in FSP participation may offer savings that nearly match the added administrative costs.

The reauthorization of the Temporary Emergency Food Assistance Program for 2 years will cost the Federal Government \$100 million for 1986 and 1987. Program funds will be used to assist States in meeting the costs of distributing approximately \$1 billion worth of surplus commodities each year. Beginning January 1, 1987, States are required to match Federal funds on a dollar-for-dollar basis.

Not all provisions of the 1985 Act will increase food program costs. Some savings will result from a provision to include Job Training Partnership Act earnings as part of income in determining eligibility for the FSP. This could reduce program costs over the next 5 years by \$150 to \$200 million.

The Food Security Act specifies that, after fiscal 1987, States can no longer impose sales tax on FSP purchases. Although there is no direct Federal cost involved in this provision, the amendment effectively increases benefits to FSP recipients in 17 States who presently pay about \$100 million a year in sales tax on food. □