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Domestic Food Programs

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Budget is the keyword for the Food Stamp Program (FSP) during 1980. Due to rising food costs (benefit rates) and increasing participation, the Food Stamp Program had to receive additional funding in mid-May or be discontinued temporarily. The development of this problem has been traced in previous *National Food Review* articles, but a brief review at this point can add perspective.

Indexing Food Assistance Benefits

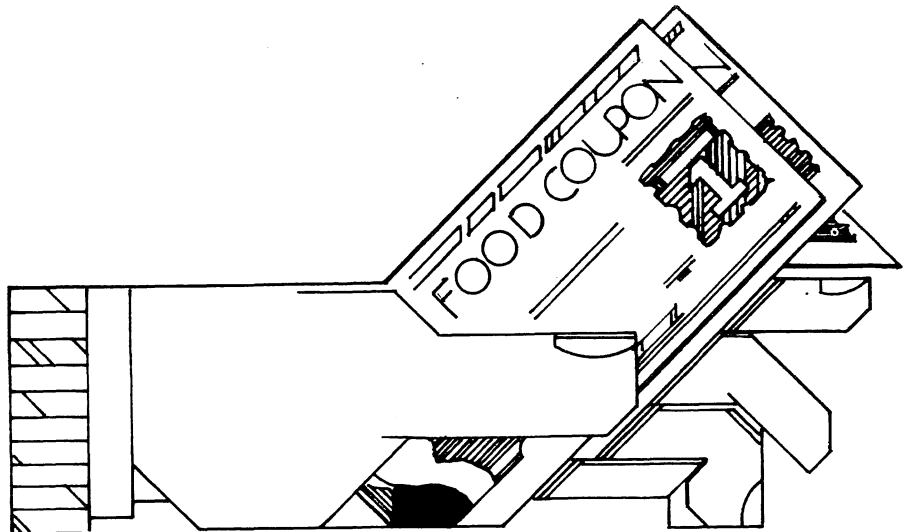
Food program expenditures can rise by either increasing the number of participants or increasing the cost per participant. Participation in the FSP rose from a most recent low of 15.3 million in September 1978 to 17.4 million in January 1979, the month in which elimination of the purchase requirement (EPR) was fully implemented. Since then participation had grown to 20.8 million by January 1980, and continued climbing.

Meanwhile the cost of the Thrifty Food Plan, on which benefits are based, rose from \$45.80 per week in January 1979 for a family of four (with children ages 6 to 8 and 9 to 11) to \$49.60 in January 1980. Overall food costs are expected to rise 7 to 11 percent in 1980, so further increases in the Thrifty Food Plan cost can be expected.

The other dimension of program costs, "unit cost," is the benefit level for participants. When the Food and Agriculture Act of 1977 was written, there was concern with the "quantity" impact of EPR and other provision changes. Thus, a cap was placed on appropriations for the FSP during the life of the act, 1977-81.

However, the planners did not anticipate that food (and other) prices would escalate so rapidly during the 1977-81 period. Food prices increased 6.3 percent from 1976 to 1977, 10 percent from 1977 to 1978, and 11 percent from 1978 to 1979. These "unit cost" increases, reflected through the FSP indexing scheme, have pushed program costs upward.

Child Nutrition, Special Milk, Food Stamp, and Elderly Feeding Programs are all indexed to reflect changing costs of food. For example, National School Lunch Program (NSLP) and Elderly Feeding Program benefits are indexed by the Consumer Price Index (CPI) for food away from home, and the commodity portion of NSLP is adjusted according to a special commodity index. Special Milk Program benefits are



linked to the Producer Price Index for fresh processed milk, and Food Stamp Program benefits are adjusted according to changes in the cost of the Thrifty Food Plan.

The Food Stamp Program funding deficiency, related to but not caused by the cap placed on expenditures by the 1977 Act, had been foreseen for months. Secretary Bergland notified food stamp offices and the media in April about the funds shortage and the possibility of a program cut-off. He also stated that the Administration had submitted legislation to Congress nearly a year before to resolve the problem.

Congress completed three tasks by May 15 to keep the Food Stamp Program operable during the remainder of the fiscal year (through September):

- adopted a third concurrent budget resolution for fiscal year 1980;
- passed the Food Stamp Act Amendments of 1980, increasing the food stamp authorization; and
- approved a supplemental appropriation.

The Food Stamp Act Amendments of 1980 authorized several changes in the FSP that are designed to save an estimated \$750 million in fiscal 1980 and 1981. One of the budget-tightening measures was the shift from semi-annual adjustments of food stamp benefits as authorized by the 1977 Act to annual adjustments. Benefits will now be adjusted each January 1 rather than on July 1 and January 1. While this will generate more of a lag between rising food costs and program benefit changes, it will move the Food Stamp Program in the direction of overall budget restraint and adherence to a balanced Federal budget.

Other cost-saving measures included in the amendments are annual rather than semi-annual adjustments of the standard and excess shelter deductions, elimination of the update of the Office of Management and Budget (OMB) poverty guideline, and a reduction in the limit on assets from \$1,750

to \$1,500. Assets are defined as liquid and nonliquid financial resources and include vacation homes, mobile homes, boats, and airplanes used for recreational purposes; and licensed vehicles (except those used to produce income) to the extent that the fair market value exceeds \$4,500. This asset ceiling applies to all households except those containing two or more persons, one of whom is age 60 or over. For these households the limit on assets remains at \$3,000. In addition, the effective date for liberalizing a separate income deduction for medical expenses incurred by the elderly and a separate income deduction for dependent care were postponed for a year. These provisions will be operative in fiscal 1982.

Child Nutrition Programs

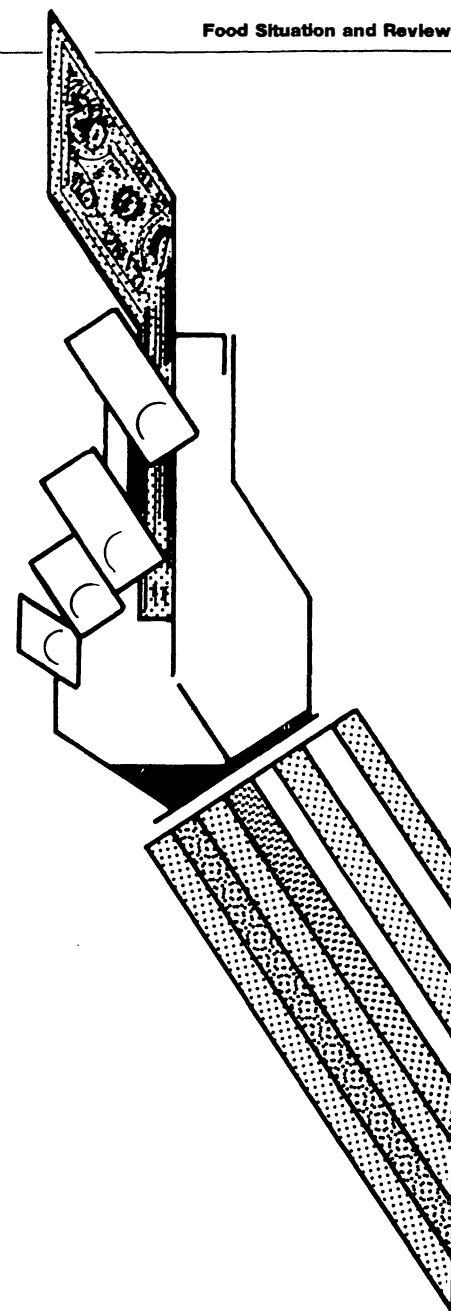
Additional funding reductions for the Child Nutrition Programs are outlined in the proposed Child Nutrition Amendments of 1980. The suggested changes are designed to meet the proposed fiscal year 1981 budget savings of \$457.5 million for the Child Nutrition Programs, while minimizing reductions in benefits for low-income recipients.

The legislation provides for a 5-cent reduction in the Federal reimbursement for paid meals. The result would be a nickel increase in the price of lunches served to students from upper- and middle-income families. Students eligible for free and reduced price lunches would continue to receive the basic subsidy of 36.4 cents in cash and commodities.

The nickel reduction would increase costs to students from upper- and middle-income families by about \$9 per year, while reducing Federal expenditures for the School Lunch Program by \$158.2 million per year. The bill, however, does provide for the restoration of uniform Federal payment rates in the event that the percentage of paid meals should fall below 50 percent of all meals served. Paid lunches currently ac-

Food Spending and Income

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count for 56 percent of all lunches served.

Eligibility for free and reduced-price lunches is based on the Federal poverty guidelines established by OMB and adjusted annually to reflect changes in the CPI. Currently the State-established income eligibility criteria for free meals must be set at a level equal to 125 percent of these guidelines. Eligibility for reduced-price meals is established at up to 195 percent of the income poverty guidelines.

The proposed Child Nutrition Amendments of 1980 would reduce the eligibility standards for free meals to 100 percent of the poverty guidelines plus the same \$75 monthly standard deduction applied in the Food Stamp Program. Similarly the reduced-price limit would be set at 175 percent of the poverty line plus the standard deduction. As a result of this provision, the eligibility limit for free meals would be \$9,000 for a family of four instead of \$10,130. The limit for reduced-price meals would be lowered from \$15,800 to \$15,080. The Federal savings associated with the lower eligibility standards are estimated at \$196.6 million. Students whose families are in the \$9,000- to \$10,130-income range would pay approximately 10 cents per day for lunch.

The proposed amendments would establish a 5-cent rate of subsidy for milk served to children ineligible for free milk in schools and other institutions where milk is provided as part of other federally-funded feeding programs. Costs to non-needy children would increase by approximately 3.5 cents. Needy children would continue to receive milk at no charge. This suggested change in the milk program could save approximately \$55 million in fiscal year 1981.

Other cost-saving provisions of the legislation include a restriction in the eligibility of private nonprofit sponsors for the Summer Food Service Program that purchase meals from private vendors. In addition, the number of daily meals served under the program would be reduced to two, except in summer camps and for sponsors serving migrant children. These proposals would result in a savings of approximately \$45 million.

The proposed 1980 legislation also allows for changes to improve program operation and extends the nutrition education programs and the Special Supplemental Food Program for Women, Infants and Children (WIC) through fiscal 1983.

American consumers sharply increased their food-at-home purchases during the first quarter of 1980. But the slowdown in the economy was felt in the Nation's restaurants and eating places where increases in expenditures were significantly below the rise in prices.

Personal Consumption Expenditures (PCE) for all food for the first quarter of 1980, based on preliminary data released by the Department of Commerce, increased to \$287 billion, about \$7.5 billion above the previous quarter. Compared with a year

Disposition of Disposable Personal Income, First Quarter

Item	1979 1980	
	Percent	
Food	16.5	16.4
at home.....	12.2	12.3
away from home.....	4.2	4.1
Other nondurable.....	19.7	21.0
Durable.....	13.5	12.6
Services	42.5	43.6
Personal consumption expenditures	92.2	93.7
Savings.....	5.4	3.7
Other.....	2.4	2.6
Disposable personal income..	100.0	100.0

Source: Derived from Department of Commerce data.

Per Person Spending on Food in 1972 Dollars

Quarters	Food at home	Away from home	Disposable personal income
1979			
1	481	173	4,536
2	485	165	4,510
3	493	163	4,501
4	500	169	4,502
1980			
1	505	165	4,499

Source: Derived from Department of Commerce Data.

earlier, PCE for all food was up \$27 billion, or 10.5 percent. Only about 7 percent of this was due to inflation. Thus, real volume of food spending was about 3.5 percent higher. By contrast, disposable income adjusted for price increases showed virtually no increase from the first quarter of 1979.

Food-at-Home Volume Increases

Personal Consumption Expenditures for food consumed at home rose to about \$214 billion, 2 percent or \$4.5 billion above the fourth quarter of 1979. Compared with the same quarter a year earlier, food-at-home expenditures were 10.5 percent or \$20 billion higher. Purchases of food in the Nation's grocery stores increased in real volume as well. Food-at-home purchases, adjusted for price increases, have increased for five consecutive quarters. Winter 1980 expenditures were 6 percent more than the