

# Food Assistance Expanded, Then Contracted in the 1990's

Victor Oliveira  
(202) 694-5434  
victoro@ers.usda.gov

**U**SDA's Food and Nutrition Service administers 15 domestic food and nutrition assistance programs that differ by target populations, types of benefits provided, and size. The goals of these programs are to provide needy people with access to a more nutritious diet, to improve the eating habits of our Nation's children, and to help America's farmers by providing an outlet for the distribution of food purchased under farmer assistance authorities. These programs provide a safety net to people in need and represent our Nation's commitment to the principle that no one in our country should fear hunger or experience want. Five programs—Food Stamp, National School Lunch, WIC, Child and Adult Care Food, and School Breakfast Programs—together account for over 90 percent of all Federal expenditures for food assistance.

Total Federal expenditures for food and nutrition assistance programs in nominal terms (not adjusted for inflation) increased dramatically in the first half of the 1990's. Total nominal expenditures were \$24.9 billion in fiscal 1990 and grew by over 50 percent before peaking at \$38.1 billion in fiscal

1996. (The data on expenditures and participation cited in this article refer to fiscal years, which run from October 1 to September 30.) Total nominal expenditures for Federal food and nutrition assistance then decreased almost 14 percent from fiscal 1996 to fiscal 1999.

Nutrition assistance expenditures in nominal dollars compared over time may be a misleading measure of the resources devoted to those programs. Although the annual rate of inflation, or increases in the general level of prices over time, averaged less than 3 percent during the 1990's, price-level changes accumulate and become significant over longer periods. For example, between fiscal 1990 and fiscal 1999, average prices increased almost 29 percent.

Adjusting nominal expenditures for inflation shows that real (inflation-adjusted) expenditures for food and nutrition assistance increased by a modest 2.7 percent over the course of the decade (table 1). (By comparison, the U.S. population increased by 9.3 percent during the same period). Year-to-year real expenditures for food and nutrition assistance were unstable during this period. Real total expenditures increased dramatically during the recessionary years of 1991 (11 percent) and 1992 (13 percent), peaked in 1994, and then decreased 21 per-

cent between 1994 and 1999 (fig. 1). The Food Stamp Program drove the significant rise and fall in real total expenditures. In contrast, expenditures for other major food and nutrition programs increased during this period.

## Food Stamp Program Dominates Assistance Expenditures

The Food Stamp Program, the cornerstone of USDA's nutrition assistance programs, helps low-income households buy the food they need for a nutritionally adequate diet. The program provides monthly benefits for participants to purchase approved food items at approved retail food stores. The Food Stamp Program is an entitlement program, which means that all people who meet the eligibility requirements are automatically entitled to participate in the program. Expenditures for the program increase or decrease to meet the costs of serving the number of people who apply and are eligible for assistance. As a result, the program adjusts quickly to changes in economic conditions, expanding to meet increased need when the economy is in recession and contracting when the economy is growing and job opportunities and wages are favorable.

The author is an agricultural economist with the Food and Rural Economics Division, Economic Research Service, USDA.

Eligibility is based on a household's size, assets, and gross and net monthly income. Except for households with elderly or disabled members, gross monthly income cannot

exceed 130 percent of the poverty guidelines (\$1,782 per month for a family of four in most places in fiscal 1999). Net monthly income, which equals gross income minus

various deductions, cannot exceed the poverty guidelines. Households are permitted \$2,000 in countable assets (excluding homes)—\$3,000 if the household contains an elderly

Table 1  
**Real Expenditures for the Food Stamp Program Were Lower in Fiscal 1999 Than in Fiscal 1990, While Other Nutrition Assistance Programs Grew**

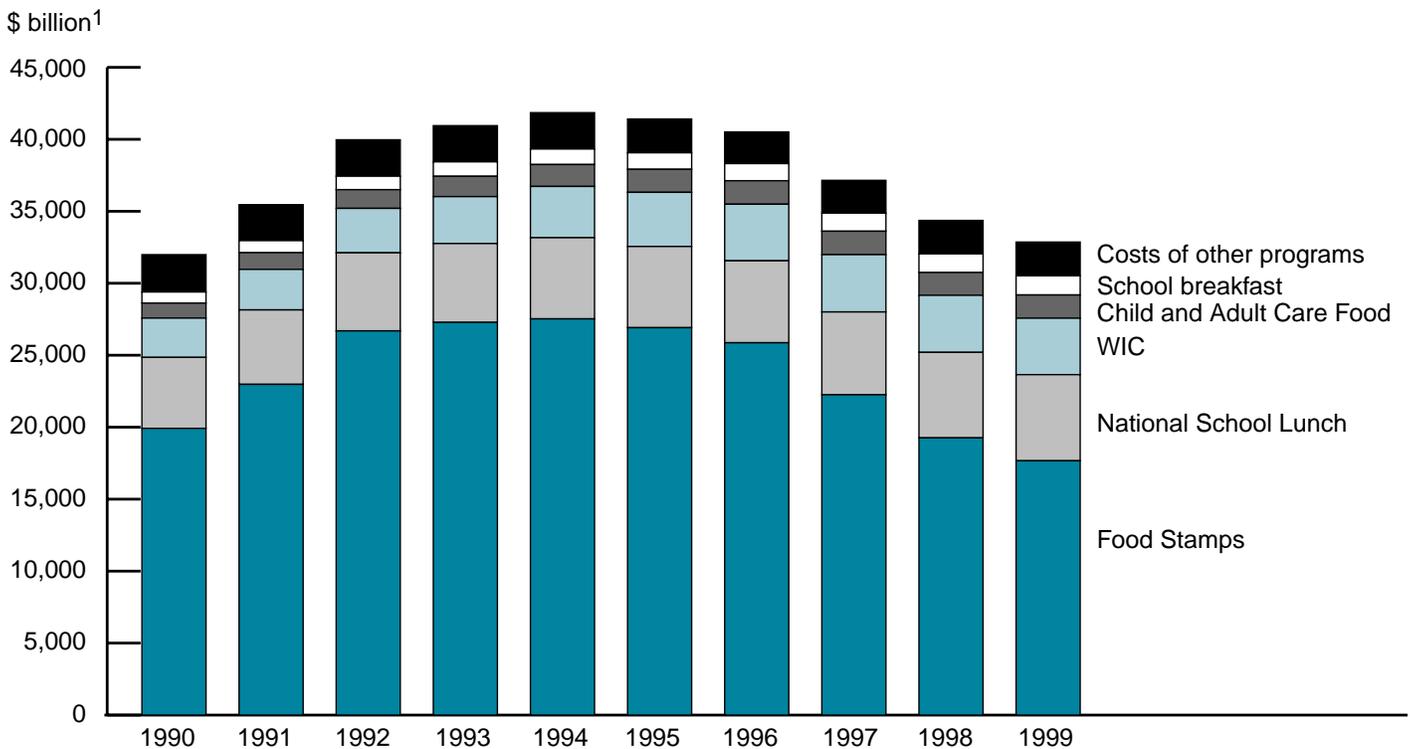
Nutrition assistance program	Nominal expenditures		Real expenditures <sup>1</sup>		
	FY 1990	FY 1999 <sup>2</sup>	FY 1990	FY 1999 <sup>2</sup>	Change, FY 1990-99
	Million dollars		Million dollars		Percent
All programs	24,874.0	32,862.3	31,986.4	32,862.3	2.7
Food Stamp	15,491.1	17,665.2	19,920.6	17,665.2	-11.3
National School Lunch	3,833.7	5,985.6	4,929.9	5,985.6	21.4
WIC	2,122.2	3,922.3	2,729.0	3,922.3	43.7
Child and Adult Care	812.9	1,613.5	1,045.3	1,613.5	54.3
School Breakfast	596.2	1,333.6	766.7	1,333.6	73.9

<sup>1</sup>Real expenditures were calculated using the Consumer Price Index for All Urban Consumers (CPI-U) and are reported in fiscal 1999 dollars.

<sup>2</sup>1999 data subject to change with later reporting.

Source: Calculated by USDA's Economic Research Service using data from USDA's Food and Nutrition Service.

Figure 1  
**Real Expenditures for Nutrition Assistance Rose then Fell During 1990-99**



Note: Real expenditures were calculated using the Consumer Price Index for All Urban Consumers (CPI-U).

<sup>1</sup>FY 1999 dollars.

Source: Calculated by ERS using data from USDA's Food and Nutrition Service.

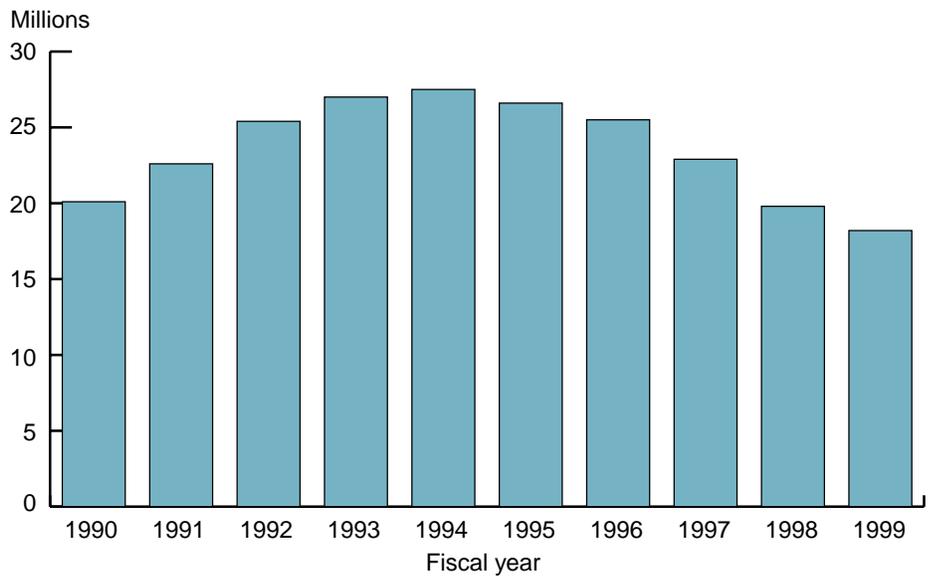
person. Monthly household food stamp benefits are based on net monthly income and household size. The maximum benefit is based on USDA's Thrifty Food Plan, a market basket of suggested amounts of foods that make up a nutritious diet and can be purchased at a relatively low cost.

Because of its size, the Food Stamp Program has a strong influence on overall trends in total expenditures for nutrition assistance. However, this influence decreased during the 1990's. In fiscal 1992, the Food Stamp Program accounted for almost 68 percent of total expenditures for nutrition assistance, by fiscal 1999, it accounted for only 54 percent. Despite its declining share, the trend in real Food Stamp Program expenditures from fiscal 1990 to fiscal 1999 drove the trend in real total nutrition assistance expenditures. Food Stamp Program expenditures increased during the early part of the decade, peaked in 1994 at \$27.5 billion in real terms (1999 dollars), and decreased every year thereafter. In fiscal 1999, real Food Stamp Program expenditures totaled only \$17.7 billion, a decrease of 36 percent from fiscal 1994.

### Strong Economy and Welfare Reform Reduce Food Stamp Rolls

Expenditures for the Food Stamp Program reflected the trend in the number of people receiving food stamps during the same period. Average monthly participation, 20.1 million in fiscal 1990, increased each year up to fiscal 1994 when it reached a historic peak of 27.5 million per month (fig. 2). In general, participation in the Food Stamp Program is inversely related to economic conditions. During the recession of the early 1990's, the numbers of unemployed people and those in poverty rose, increasing the demand

Figure 2  
Number of Food Stamp Participants Decreased After 1994



Source: USDA's Food and Nutrition Service.

for food stamps. At the program's peak in fiscal 1994, about one in nine U.S. residents received food stamps.

Average monthly participation in the Food Stamp Program decreased by almost 34 percent between fiscal years 1994 and 1999. In fiscal 1999, participation averaged only 18.2 million people per month—about 1 in 15 U.S. residents. The longest period of economic growth in American history has certainly been an important contributor to the steady decrease in participation. As people find work, their households' income increases, and they may either no longer qualify for food stamps or think they no longer need food stamps.

In addition, welfare reform legislation implemented by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 directly reduced participation in the Food Stamp Program by restricting the eligibility of some legal immigrants and by limiting the time that some nonworking able-bodied people may receive food stamp benefits.

The Act ended eligibility for some legal immigrants, although Congress later restored benefits to many children and elderly immigrants. The Act also limits benefits for able-bodied adults between 18 and 50 years of age without dependent children to only 3 months in every 36-month period if they do not work or participate in a workfare or employment and training program (this requirement may be waived in some locations based on the local labor market).

Several provisions in the Act also reduced food stamp benefits. For example, the maximum per-person food stamp benefit decreased from 103 percent to 100 percent of the Thrifty Food Plan.

People may have felt less inclined to apply for the lowered benefits. Welfare reform may also have indirectly reduced Food Stamp Program participation if, for example, people made ineligible for other welfare programs as a result of the Act incorrectly assumed they were ineligible for food stamps as well. However, we do not know all of the causes of the decline in food stamp



**Food stamp recipients in 41 States use plastic debit cards to transfer funds from Federal food stamp benefits accounts to retailers' account.**

participation. Other factors in addition to the strong economy and welfare reform may also have contributed to the decrease in food stamp participation.

The decrease in real program expenditures following fiscal 1994 is due in part to the decrease in participation and in part to a decrease in per person food stamp benefits. Real average monthly food stamp benefits per person (in 1999 dollars) decreased from a high of \$82.30 in fiscal 1992 to \$72.29 in fiscal 1999. The size of a household's food stamp benefit is negatively related to its income; that is, lower income households will receive larger food stamp benefits. Therefore, the decrease in real average food stamp benefits since fiscal 1992 may reflect improved economic conditions and higher household incomes. The welfare reform act of 1996 also contributed to this decrease by reducing food stamp benefits.

Another important trend in the Food Stamp Program during the 1990's was the wider adoption of an electronic benefits transfer (EBT) system to distribute food stamp benefits. Under an EBT system, food stamp recipients use a plastic debit card to transfer funds from a Federal food stamp benefits account to a retailer's account. At the beginning of the decade, food stamp benefits were predominantly paper coupons that a household used in approved retail food stores. By the

end of the decade, 41 States (including the District of Columbia) used EBT to some degree, with 31 of these States distributing food stamp benefits entirely through EBT.

An EBT system saves Federal dollars by eliminating printing, transporting, and distributing costs of paper coupons. EBT also improves program integrity because each EBT transaction creates an electronic record that makes fraud easier to detect. The 1996 welfare reform act requires that all States switch to an EBT system to distribute food stamp benefits by October 2002.

### **School Lunch Program Grows in the 1990's**

The National School Lunch Program, the second largest food and nutrition assistance program, provides lunch to children in public schools, nonprofit private schools, and residential child care institutions. Participating schools receive cash and some commodities from USDA to offset the cost of foodservice. In turn, the schools must serve lunches that meet Federal nutritional requirements, and they must offer free or reduced-price lunches to children from low-income families.

The program is available in almost 99 percent of all public schools and in many private schools. Any child at a participating school may enroll in the program. Children from families with incomes at or below 130 percent of the 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 poverty pay "full" price, though their meals are subsidized to some extent by the program.

Direct certification used to certify children for free school meals began in the early 1990's and increased throughout the decade. Direct certi-

fication, now used in over two-thirds of all school districts, allows school officials to use documentation from State or local welfare offices that indicates that a child's household participates in the Food Stamp Program, the Temporary Assistance for Needy Families (TANF) program, or the Food Distribution Program on Indian Reservations to certify children, thereby eliminating extra paperwork for households.

Real program costs increased by 21 percent during the 1990's, while the total number of meals served under the program increased only 12 percent. School enrollment increased moderately during the 1990's, and the percentage of students in participating schools who participated in the program remained steady at about 57 percent annually throughout the decade.

Costs grew faster than meals served during the decade primarily because more meals were served free or at reduced price, which are more heavily subsidized by USDA than are full-price meals. Free lunches increased from 41 percent in 1990 to 49 percent in 1999, while reduced-price meals increased from 7 percent to 9 percent (fig. 3). The increase in free meals served started at the same time that the number of food stamp recipients increased, and was probably largely the result of the same underlying economic conditions associated with the recession of the early 1990's. Direct certification, which simplified the application process, may have contributed to the increase in free meals. However, unlike the Food Stamp Program—in which participation has been declining since fiscal 1994—the number of free and reduced-price meals served in the National School Lunch Program has continued to increase in recent years despite improving economic conditions. USDA is currently conducting research on the reasons underlying this trend.

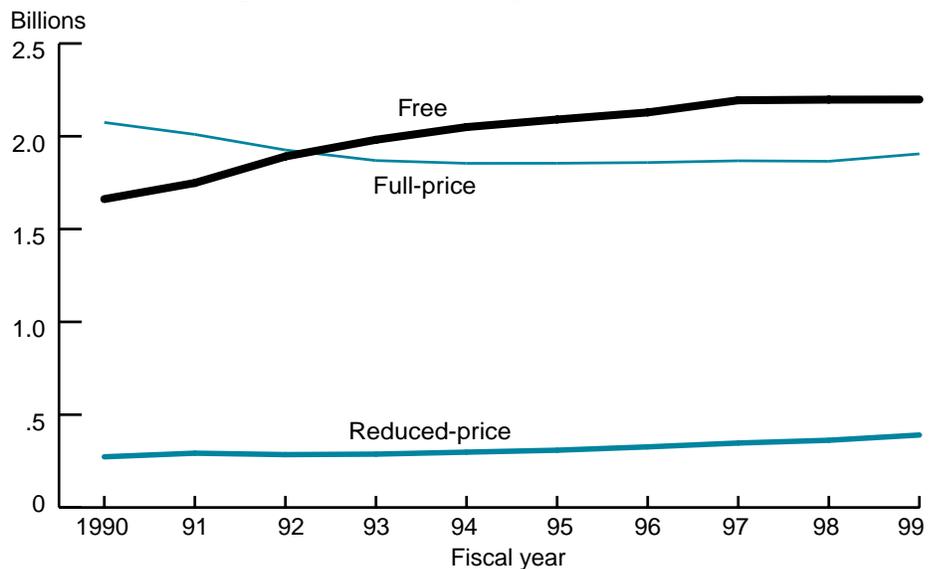
## Participation in WIC Levels Off After Dramatic Increases

The WIC program provides nutritious supplemental foods, nutrition education, and healthcare referrals at no cost to low-income pregnant and postpartum women, as well as infants and children up to their fifth birthday, who health professionals determine are nutritionally at risk. To be eligible in most States, household income must fall below 185 percent of the poverty guidelines. WIC food vouchers can be redeemed at retail food stores for specific foods that are rich in the nutrients typically lacking in the target population: iron, protein, calcium, and vitamins A and C. Almost half of all infants born in the United States participate in the program.

Unlike the Food Stamp Program, WIC is a discretionary grant program funded by Congress at a specific level annually. Therefore, the number of participants served each year depends on the annual congressional appropriation and the costs of operating the program. WIC expanded dramatically from fiscal 1990 to fiscal 1997 as a result of increased congressional appropriations, due in part to studies showing WIC's effectiveness. Real program expenditures have stabilized in recent years, as appropriations have leveled off at about \$3.9 billion per year.

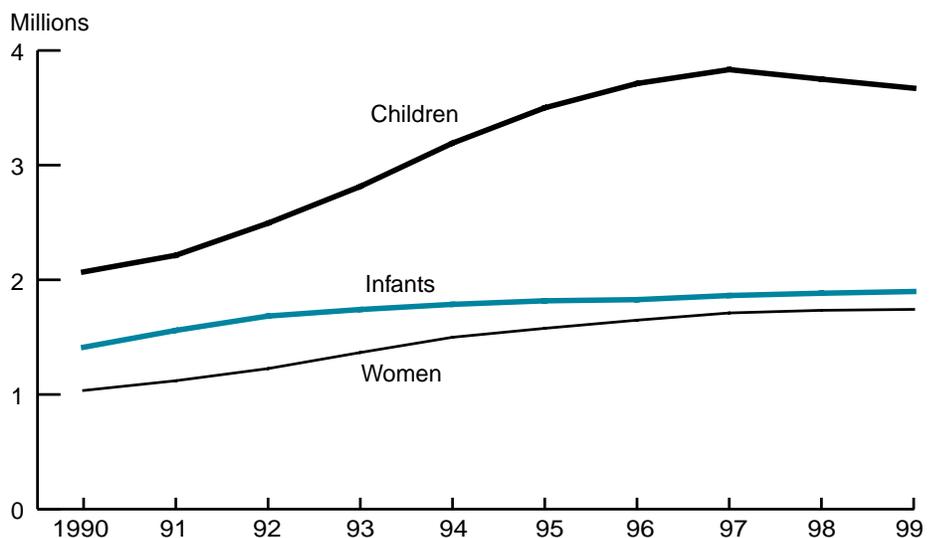
Cost containment practices, primarily rebates from infant formula manufacturers that bid for contracts to be a State's sole WIC supplier of infant formula, have reduced the real average food cost per person and allowed more people to participate in the program. Between fiscal 1990 and fiscal 1997, when WIC participation peaked at an average 7.4 million participants per month, the number of WIC participants increased almost 62 percent (fig. 4).

Figure 3  
Number of Free and Reduced-Price Meals Served in the National School Lunch Program Increased During the 1990's



Source: USDA's Food and Nutrition Service.

Figure 4  
WIC Participation Levelled Off in the Late 1990's



Source: USDA's Food and Nutrition Service.

The greatest increase was among children (77 percent), followed by women (68 percent), and infants (34 percent). The number of participants decreased slightly, by less than 1 percent, in both fiscal 1998 and fiscal 1999 as funding for WIC leveled off. In fact, fiscal 1998 marked the first decrease in the number of persons

participating in WIC since the program was established in 1974. The small declines in participation in each of the past 2 years was due solely to fewer children participating, as the numbers of women and infants increased slightly.

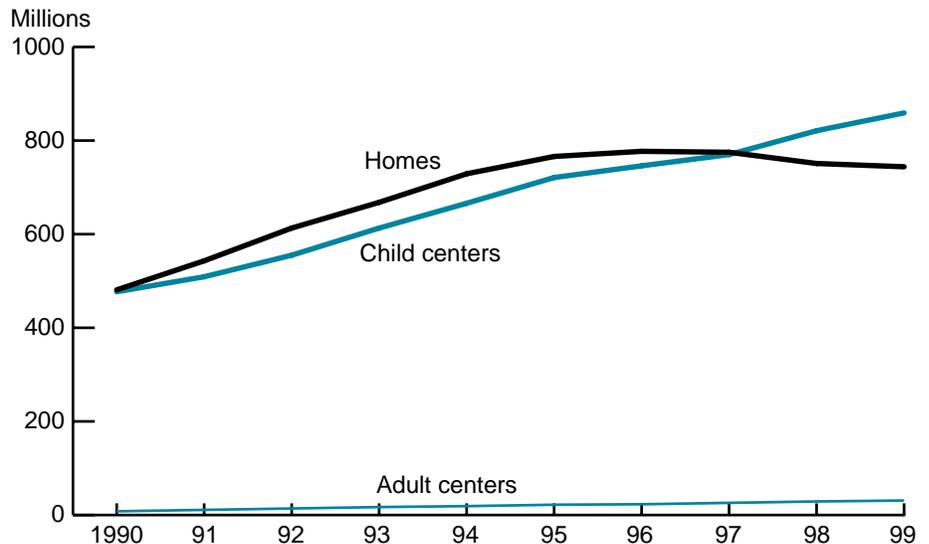
## Child and Adult Care Food Program Stabilizes

The Child and Adult Care Food Program provides healthy meals and snacks to children in participating child care centers and family and group daycare homes and to adults in adult daycare centers. The program reimburses participating centers and homes at set per meal amounts and provides them with selected foods. In fiscal 1999, about 1.6 million meals were served under the program, of which almost 53 percent were in child care centers, almost 46 percent in daycare homes, and 2 percent in adult care centers. In centers, children and adults from low-income families are eligible for free or reduced-price meals based on the same eligibility guidelines used in the National School Lunch and School Breakfast Programs.

The welfare reform act of 1996 established two sets of reimbursement rates for providers operating family daycare homes. Those located in low-income areas, or whose own households are low-income, are reimbursed at one rate (tier I), while other daycare home providers are reimbursed at a lower rate (tier II). In tier II homes, meals served to children who are identified as coming from households with income below 185 percent of poverty are reimbursed at the higher tier I rate. Prior to the welfare reform act, Federal subsidy rates for meals and snacks served to children in eligible family daycare homes did not differentiate by the family income of the child, unlike payments to child care and adult care centers.

Real expenditures for the Child and Adult Care Food Program increased 54 percent from 1990 to 1999, making it the decade's second fastest growing program in percentage terms. However, most of this growth occurred from 1990 to 1996

Figure 5  
**Child and Adult Care Food Program Meals Served in Child-Care Centers Continue To Increase**



Source: USDA's Food and Nutrition Service.

when changing demographics, including increased numbers of working mothers, fueled the expansion. After fiscal 1997, expenditures for the program leveled off due in part to the 1996 welfare reform act, which reduced the reimbursement rate for tier II providers. Since the welfare legislation was enacted, the number of child care homes that participate in the program has declined, resulting in fewer meals being served in homes (fig. 5). Meals served in child care centers and adult care centers continued to increase steadily during the decade.

## School Breakfast Program Grows Fastest

The School Breakfast Program provides breakfast to school children, with students from low-income families receiving free or reduced-price meals. Eligibility is the same as for the National School Lunch Program. USDA provides schools with cash assistance to offset the cost of foodservice. In return, the school must serve breakfasts that

meet Federal nutrition standards. As an incentive for schools in low-income areas to participate in the program, a school may qualify for higher "severe needs" reimbursement rates if a specified percentage of its meals are served free or at a reduced price and if preparation costs exceed standard reimbursement rates.

School Breakfast Program was the fastest growing nutrition assistance program in the 1990's; real expenditures increased by 74 percent from fiscal 1990 (\$767 million in 1999 dollars) to fiscal 1999 (\$1.3 billion). From fiscal 1990 to fiscal 1999, the total number of meals served in the program increased by 78 percent, and the number of free and reduced-price meals increased by 75 percent. The number of severe-need breakfasts increased by 122 percent, and they accounted for almost 65 percent of all breakfasts served in fiscal 1999. In the late 1980's, Congress enacted legislation to stimulate growth in the program, including legislation that initiated startup

and expansion grants to States. However, the 1996 welfare reform act eliminated these grants as of fiscal 1997, and since that time the program's expansion has slowed.

Despite its dramatic growth over the course of the decade, the School Breakfast Program continues to be much smaller than the National School Lunch Program. It operates in fewer schools—71,700 compared with 96,500 in the lunch program in fiscal 1999—and a much smaller percentage of students in the participating schools participate in the breakfast program compared with the lunch program—20.7 percent versus 57.4 percent. It also serves a larger proportion of free or reduced-price meals. About 85 percent of all breakfasts were free or reduced-price compared with only 58 percent of the meals served under the National School Lunch Program in fiscal 1999.

### Future Nutrition Education Strengthened

As the new century begins, total expenditures for food and nutrition assistance (in both real and nominal terms) are declining, largely as the result of the contraction of the Food

Stamp Program. Expenditures for the WIC and Child and Adult Care Food Programs have stabilized in recent years, while the School Breakfast Program and, to a lesser degree, the National School Lunch Program, are continuing to expand. However, these trends could change in years to come, as economic, legislative, and demographic changes affect the programs. For example, a downturn in the country's economy could result in an increased demand for food stamps and an increase in total expenditures for nutrition assistance.

One trend increasingly evident during the 1990's most likely to continue is the integration of nutrition education into the assistance programs. For example, in the Food Stamp Program, States have the option to develop nutrition education plans that can be reimbursed by USDA for 50 percent of State and local costs to provide the education. The number of States with approved nutrition plans increased from 7 in fiscal 1993 to 46 in fiscal 1999. In the WIC program, States are required to spend a specified share of their funding on nutrition education. USDA's child nutrition programs, including the National School Lunch and School Breakfast Pro-

grams, also contain nutrition education components.

In a recent report to Congress, USDA's Food and Nutrition Service stated that the objective for nutrition education is to use the nutrition assistance programs' ability to reach low-income people with nutrition education interventions that effectively change behaviors and improve diets. The Food and Nutrition Service recommended that nutrition education be an integral component of all nutrition assistance programs. Additional nutrition education might increase future program costs slightly, if other factors are constant.

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