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Resources, Community, and
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February 28, 1995

The Honorable Joe Skeen
Chairman
The Honorable Richard J. Durbin
Ranking Minority Member
Subcommittee on Agriculture, Rural
Development, Food and Drug
Administration, and Related Agencies
Committee on Appropriations
House of Representatives

For fiscal year 1995, the Congress appropriated $40.3 billion to the U.S. Department of Agriculture (USDA) to provide domestic food and nutrition assistance. Funding for food assistance has grown significantly over the last several decades and now accounts for about 60 percent of the Department's budget. More than half of the federal food assistance benefits are distributed through the Food Stamp Program, which provides basic benefits to all those who meet certain income-based eligibility criteria. The remainder is provided through 13 other USDA food assistance programs that were designed to address specific needs of particular segments of the population. Some overlap exists among all 14 programs in terms of the populations targeted for benefits and/or the types of benefits provided.

Because of the growth and magnitude of the federal investment in food assistance, you asked us to provide detailed information about the food assistance programs and to identify alternative approaches that could be taken to streamline operations or reduce program costs. In recognition of the scope of the food assistance programs, you asked us to focus our initial attention on programs that target benefits to women, infants, and children; the elderly; and other programs that distribute USDA commodities to the needy.

Accordingly, we focused our review on 6 of the 14 food assistance programs. Four of these programs primarily provide benefits to women, infants, and children; and/or the elderly: the Special Supplemental Nutrition Program for Women, Infants, and Children (commonly known as WIC), including the WIC Farmers' Market Nutrition Program; the Child and Adult Care Food Program; the Commodity Supplemental Food Program; and the Nutrition Program for the Elderly. Two additional programs provide USDA commodities to the needy--The Emergency Food Assistance Program and the Soup Kitchen/Food Bank Program. Furthermore, we analyzed some information about the Food Stamp Program, which can provide basic benefits to some of the individuals served by the programs we reviewed.

As agreed, this report provides detailed information on how each of the programs operates. This information addresses the (1) nature and level of program benefits, (2) eligibility criteria and the characteristics of individuals served, (3) extent to which these individuals benefit from multiple programs, and (4) mechanisms used to distribute benefits to individuals.

As requested, a number of potential alternatives to streamline program operations and/or reduce costs have been identified. These alternatives include ways to consolidate multiple programs with similar objectives into one program, improve the targeting of benefits to low-income individuals, or eliminate programs that have not been shown to be effective. For each of the alternatives identified, we provide a rationale for considering the action, as well as potential adverse impacts. Because these alternatives represent policy judgments that are the responsibility of the Congress, this report contains no recommendations.

Enclosure I provides an overview of the food assistance programs we reviewed. Enclosure II provides detailed information on how each program operates and is structured. It also provides our major observations about these programs and describes the alternatives identified, the rationale for them, and potential adverse impacts.

In preparing the information presented in the enclosures, we performed an in-depth analysis of each program. We reviewed available program data and regulations from USDA and the Department of Health and Human Services, and reviewed major published studies on food assistance programs. We interviewed responsible program officials from USDA's Food and Consumer Service, Agricultural Marketing Service, and Consolidated Farm Service Agency. We also interviewed officials from the Federal Emergency Management Agency.

In addition, we conducted case studies of the operations of WIC; the Child and Adult Care Food Program; the Commodity Supplemental Food Program; the Nutrition Program for the Elderly; The Emergency Food Assistance Program; and the Soup Kitchen/Food Bank Program in selected states. Enclosure III lists the sites we visited as part of our case studies.

The alternatives identified for streamlining program operations and/or reducing costs also resulted from discussions with program officials, reviews of program regulations, and examinations of previous reports.

As requested, we did not obtain written agency comments on a draft of this report. However, we discussed the facts presented in this report with the Deputy and Associate Deputy Administrators of Special Nutrition Programs at USDA's Food and Consumer Service and with the Deputy Assistant Secretary for Program Operations/Intergovernmental Affairs and the Director, Division of Program Management and Analysis, Office of State and Community Programs at the Department of Health and Human Services' Administration on Aging. These officials generally agreed with the facts presented and provided some clarifying comments that we have incorporated into the report where appropriate.

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As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days from the date of this letter. At that time, we will send copies of this report to appropriate congressional committees, interested Members of Congress, the Secretary of Agriculture, and other interested parties. We will also provide copies to others on request.

We hope this information is helpful to you. Please contact me at (202) 512-5138 if you or your staffs have any questions.

John W. Harman
Director, Food and
Agriculture Issues

Enclosures - 3

OVERVIEW OF FOOD ASSISTANCE PROGRAMS REVIEWED

This enclosure presents a comparative overview of the food assistance programs we reviewed. These programs were the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), including the WIC Farmers' Market Nutrition Program (FMNP); the Child and Adult Care Food Program (CACFP); the Nutrition Program for the Elderly (NPE); the Commodity Supplemental Food Program (CSFP); The Emergency Food Assistance Program (TEFAP); the Soup Kitchen/Food Bank Program (SKFB); and the Food Stamp Program.

In reviewing these programs, we analyzed the (1) nature and level of program benefits provided, (2) eligibility criteria for the program and the characteristics of individuals served, (3) extent to which these individuals benefit from multiple programs, and (4) benefit distribution system. We reviewed four programs targeting women, infants, and children; and the elderly and two additional commodity distribution programs. We also agreed to provide some basic information on the Food Stamp Program.

In summary, we found the following:

-- The nature and level of the benefits varied dramatically across the programs we reviewed, ranging from food stamps, which are designed to ensure that households have the resources needed to obtain a nutritionally adequate diet, to small, supplementary amounts of USDA commodities distributed to households through TEFAP distributions.

-- Most of the programs we reviewed have income eligibility criteria to target their benefits to low-income individuals. However, neither NPE nor a major component of CACFP requires a means test. As a result, individuals can and do receive benefits from these two programs regardless of their income level. In addition to income, some programs have other eligibility criteria (such as a minimum age) that individuals must meet to receive benefits.

-- Benefit overlap is built into most of the programs we examined. For example, by participating in the Food Stamp Program, individuals automatically meet the income eligibility criteria for WIC. However, no uniform, national data are available to determine the extent to which individuals participate in more than one food assistance program.

-- State and local governments play a critical role in distributing program benefits for all programs. Furthermore, for each of the programs, except the Food Stamp Program, the private, nonprofit sector plays an important role in delivering food benefits.

THE NATURE AND LEVEL OF BENEFITS VARY DRAMATICALLY ACROSS PROGRAMS

The programs we reviewed provided a wide range of food and non-food benefits. Even within each category--food and non-food--the nature and level of benefit varied considerably.

Food Benefits Vary by Nature and Level

The programs we examined provide food benefits in four ways: (1) coupons or vouchers provided to individual households to purchase food from retail outlets; (2) commodities such as canned goods, dry beans, or butter distributed for household use; (3) commodities distributed to organizations for use in meals served to program participants; and (4) cash subsidies provided to organizations serving meals to program participants.

Even programs providing the same general type of benefit vary. For example, participants in the Food Stamp Program can use food stamp coupons to purchase general food items from retail outlets, while WIC participants can use vouchers only to purchase designated items of specific brands.

The value of the food benefits provided by the programs also differed significantly. The average monthly household food stamp benefit in 1994 was $179. In contrast, the retail value of commodities distributed to households in a recent monthly TEFAP distribution was approximately $4. Cash reimbursements or subsidies for meals also vary. NPE currently provides a subsidy of approximately 60.6 cents for meals served to the elderly in group settings or delivered to their homes, while CACFP currently reimburses providers of adult day care between 31 cents and $1.89 for a lunch, depending on the income level of the person receiving the meal. Table I.1 provides a description of the type and value of the food benefits for the programs we reviewed.

Table I.1: Type and Value of Benefits Provided for Seven Food Assistance Programs

Program	Basic type of food benefit	Value of food benefits to participants
Food Stamp Program	Food stamp benefits are usually distributed to recipients in the form of coupons that can be redeemed for food items at participating retail food outlets. The monthly allotment of food stamps provided to households is based on a monthly, low-cost model meal plan. The allotment level is adjusted for household income and size.	Average monthly benefit, fiscal year (FY) 1994: Individuals------------------------------$ 69 Households----------------------------$179
WIC - Special Supplemental Nutrition Program for Women, Infants, and Children	Vouchers provided to purchase specific foods items, such as milk, cheese, and infant formula, generally from retail outlets. Some states provide vouchers to purchase fresh produce from farmers' markets. Although USDA establishes the maximum prescribed amount of food that can be provided to an individual, the specific food items provided are determined by each local WIC agency according to participants' nutritional needs.	Retail value of monthly benefit, FY 1993: Pregnant women--------------------$35.18 Breast-feeding women--------------$35.19 Postpartum women-----------------$28.17 Infant------------------------------------$66.56 Children---------------------------------$31.37
CSFP - Commodity Supplemental Food Program	Packages of food provided to eligible individuals for home consumption. Packages contain specific products, depending on characteristics of individual participant (i.e., woman, infant, child, or elderly person). Types of products in package include dry milk, canned meat, canned fruits and vegetables, beans, and dry cereals.	Retail value of monthly benefit, FY 1994: Nonbreast-feeding woman or elderly-----------------$31 - $44 Infant----------------------------------$83 - $84 Child-----------------------------------$36 - $48
TEFAP - The Emergency Food Assistance Program	Commodities such as canned fruit, vegetables, and meat provided to low-income households for home consumption. These commodities are intended only to supplement the diets of low-income individuals, not to meet specific nutritional needs. In some instances, USDA commodities are combined with food from other sources.	No national or state-level data regarding the retail value of commodities distributed to individual households in a given year. At TEFAP distributions in San Francisco and Harristown, Ill., in late 1994, each household received about $4.15 and $11.58 worth of food (retail value), respectively.
SKFB - Soup Kitchen/ Food Bank Program	Commodities such as canned fruit, vegetables, and meat provided to soup kitchens to prepare meals for homeless. Commodities can also be distributed for household use or to institutions that serve meals to other needy people.	Unknown at national or state level. We found that USDA commodities typically provide only a portion of food used to prepare meals in soup kitchens.
CACFP - Child and Adult Care Food Program	Meal reimbursement provided to participating child day care homes, child day care centers, and adult day care centers. Most subsides are provided in cash (97%) and a small portion (3%) in commodities. For child day care centers and adult day care centers, the level of reimbursement depends on the household income level of individuals served meals. For home day care, one reimbursement rate applies regardless of participants' income.	A child day care home operating 5 days per week with 5 children, serving 2 meals and 1 snack per child, would have been eligible to receive $3,627 in FY 1994, or about $60 per child per month.
NPE - Nutrition Program for the Elderly	In FY 1994, subsidy of approximately 60.6 cents per meal served. Most subsides are provided in cash (96%) and a small portion (4%) in commodities.	In FY 1993: Average participant in group setting received 4.6 meals per month--------$2.85 Average participant, home-delivered, received 12 meals per month--------$7.42

Note: USDA's costs for CSFP and TEFAP commodities are lower than these retail values. WIC costs for infant packages are before rebates.

Non-food Benefits Vary in Nature

In addition to food benefits, all the programs we reviewed provided other benefits to some or all program participants, either directly or indirectly. For example, WIC directly provides health screening, referrals to health services, and nutrition education. Some program sponsors believe these additional benefits are more important than the food benefits that originally attracted the women to the program. Other programs, such as TEFAP, do not generally provide non-food benefits directly, but organizations providing TEFAP benefits can provide participants with other services, such as nutrition education. Table I.2 provides examples of non-food benefits provided by some of the programs we reviewed.

Table I.2: Non-food Benefits Varied Among Programs

Program	Examples of other benefits provided directly or indirectly
Food Stamp Program	• Job education and training • Nutrition education
WIC	• Health screening • Health referral • Nutrition education
CSFP	• Nutrition education • Information and referral services Organizations providing CSFP benefits may also provide other services, such as health screening or distribution of non-food items.
TEFAP	No additional benefits generally provided directly by TEFAP. However, food pantries that distribute TEFAP commodities may provide other benefits, such as job counseling, information about other social service programs, health screening, and nutrition education.
SKFB	No additional benefits provided directly by SKFB. However, organizations that operate soup kitchens may provide other benefits, such as showers, medical clinics, and shelter.
CACFP	• Nutrition education for child day care home providers and child and adult day care centers • Encourages licensing of centers • Sponsors conduct on-site visits of homes and centers • Subsidizes cost of day care
NPE	No additional benefits funded by NPE. However, NPE meals provided as part of program that provides other services including: • Socialization • Information and referrals • Nutrition education

ELIGIBILITY CRITERIA VARY ACROSS PROGRAMS AND CAN VARY WITHIN A PROGRAM

Most of the programs we reviewed require participants to have incomes that do not exceed a certain percentage of the federal poverty level.[1] However, neither NPE nor the child day care home component of CACFP have income eligibility requirements.[2] Also, SKFB benefits in the form of meals are not subject to a means test because people seeking these meals are presumed to be needy.

For those programs with income criteria, the level of household income for eligibility varied. For example, to be eligible for food stamps, gross monthly household income cannot be more than 130 percent of the poverty level, and net monthly household income must be at or below the poverty level. In contrast, under WIC, household income cannot exceed 185 percent of the poverty level.

Eligibility criteria can also vary within a given program. For example, CACFP uses income criteria to establish reimbursements for child and adult day care centers, but not for child day care homes (except for day care home providers' own children). The CSFP income eligibility limit for pregnant women is generally 185 percent of the poverty level. In one state, however, the level was set at 200 percent. In addition, for elderly participants who joined CSFP after September 16, 1986, the income limit is no more than 130 percent of the poverty level. Even the eligibility criteria for the Food Stamp Program differ somewhat for the elderly: Households with at least one member age 60 or over may have up to $3,000 in financial resources and still receive benefits, compared with the $2,000 limit imposed on other households.

In addition to income criteria, other factors, such as participants' age and the characteristics of the provider, are used to establish eligibility. For example, only licensed or approved child day care homes and child and adult day care centers can participate in CACFP. Table I.3 describes basic eligibility and special criteria for the programs we reviewed.

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[1]The Office of Management and Budget establishes the poverty level, which is adjusted annually by the Secretary of Health and Human Services. The poverty level varies by the number of members in the household. For example, in 1994, the poverty level for a family of four was $14,800.

[2]In child day care homes, there are no income eligibility criteria for participating children. However, the providers' children may only have their meals reimbursed if household income is less than 185 percent of the federal poverty level.

Table I.3: Basic and Special Eligibility Criteria

Program	Basic eligibility criteria	Examples of program variation
Food Stamp Program	Household gross income cannot exceed 130% of poverty level. Net income after allowable deductions cannot exceed 100% of poverty level. Resources cannot exceed $2,000. Resources include bank accounts, investments, and cash.	Households with at least one member age 60 or over may have up to $3,000 in resources. Households with at least one elderly (60 years of age or older) or disabled member are subject to the net income standard only.
WIC	Pregnant, postpartum, and breast-feeding women; and children up to age 5 determined to be at nutritional risk. Household gross income cannot exceed level established by state (between 100% and 185% of poverty level).	Twenty-four states offer Farmers' Market Nutrition Program benefits to WIC participants.
CSFP	Pregnant, postpartum, and breast-feeding women; and children up to age 6. Women, infants, and children must meet income eligibility criteria for other federal, state, or local programs requiring a means test, such as Aid to Families With Dependent Children. Individuals age 60 or older are also eligible. Elderly household gross income cannot exceed 130% of poverty level.	Income eligibility criteria for women, infants, and children vary among states. For pregnant women in California, the level is 200% of poverty level, while in New York State, it is 185% of poverty level. The income of the elderly enrolled in program prior to September 1986 could vary because they are subject to the criteria in effect at the time of certification.
TEFAP	Income eligibility as determined by state.	According to USDA, income eligibility ranges from 125% to 185% of poverty level. In the states we visited--Illinois and California--the income eligibility criteria are 125% and 130% of the poverty level, respectively.
SKFB	No means test for meals under this program. Households given SKFB commodities for home use must meet income eligibility criteria approved by state.	Income eligibility to receive commodities for household use could vary among states.
CACFP	Licensed or approved child day care homes can receive reimbursements for meals and snacks served to children up to age 12 regardless of household income of children in care (other than providers' children). Licensed or approved centers providing day care for children up to age 12, adults age 60 or older, or chronically impaired individuals age 18 or over receive reimbursements for meals and snacks served to participants. There are three reimbursement levels, depending on household income of individual receiving meal--up to 130% of poverty level, 131% to 185% of poverty level, and over 185% of poverty level.	Proprietary child and adult day care centers can participate only if at least 25 percent of participants receive Medicaid or social services under Title XX of the Social Security Act.
NPE	Individuals age 60 or older and their spouses and certain disabled adults.	There are no variations.

WHILE BENEFIT OVERLAP OCCURS AMONG PROGRAMS, ITS EXTENT IS UNKNOWN

By design, benefit overlap is built into most of the programs we reviewed. Individuals from households receiving food stamp benefits or participating in other programs requiring a means test, such as Aid to Families With Dependent Children or Medicaid, automatically meet the income eligibility criteria for WIC, CSFP, CACFP, and TEFAP. We found that while local providers may collect some information about other food benefits their clients receive, such information is usually incomplete. At the national level, current, reliable information is not available on the extent of overlapping participation in these programs.

STATE AND LOCAL GOVERNMENTS AS WELL AS PRIVATE, NONPROFIT SECTOR HAVE MAJOR ROLE IN DELIVERING BENEFITS

State and local governments play a major role in delivering the benefits of the programs we reviewed. State agencies issue program guidance and distribute funding or commodities to the organizations providing the benefits. Some of these programs give states substantial flexibility in delivering program benefits. For example, as shown in table I.3, states may set gross income for WIC participation at between 100 percent and 185 percent of the poverty level. State and local governments can also broaden program accessibility by supplementing federal funding. For example, New York State sets aside funding to supplement nutrition programs targeting those at nutritional risk, including children and the elderly. In addition, state and local governments monitor program activities to ensure compliance with federal regulations. For example, they license child day care homes--licensing is a prerequisite for participation in CACFP.

Private, nonprofit organizations play a key role in delivering benefits to recipients in all the programs we reviewed, except for the Food Stamp Program. State and local governments often contract with private, nonprofit organizations to deliver benefits to program participants. These organizations can be affiliated with such groups as religious institutions, local communities, or health organizations. For example, organizations affiliated with the Catholic Church served as the local providers for many of the CSFP and some of TEFAP and SKFB programs we visited. In other programs, such as WIC, organizations affiliated with hospitals or clinics delivered benefits to recipients.

Private, nonprofit organizations often rely on volunteers and additional donated resources to support their operations. Volunteers played an especially important role in the distribution of NPE, CSFP, TEFAP, and SKFB benefits. For example, in NPE, volunteers often serve meals to the elderly in group settings or deliver meals to their homes. Private, nonprofit organizations can also generate additional donations, like rental space, to reduce administrative expenses or provide supplemental benefits, such as other donated foods, to local providers.

GAO'S ANALYSIS OF FOOD ASSISTANCE PROGRAMS AND ALTERNATIVES TO REDUCE COSTS AND/OR STREAMLINE OPERATIONS

This enclosure presents in detail our analysis of the food assistance programs we reviewed. For each program, we discuss the (1) eligibility criteria, (2) system for distributing benefits, (3) nature and extent of program benefits, and (4) characteristics of the participants. We also present major observations we made during the course of our review, the alternatives identified to reduce costs and/or streamline program operations, and the potential adverse impacts of these alternatives. The programs we reviewed are discussed on the following pages:

CHILD AND ADULT CARE FOOD PROGRAM (CACFP)

Fiscal Year 1995 Appropriation: $1.64 Billion

PROGRAM DESCRIPTION

CACFP was initiated as a pilot program in 1968 and authorized as a permanent program in 1978. This program was originally intended to assist children attending day care centers in areas that (1) were economically depressed or (2) had high concentrations of working mothers. Since then, the program has undergone 10 major legislative changes, including the addition of child day care homes in 1975 and the participation of certain adult day care centers in 1987. Currently, the program provides nutritious meals and snacks to children, the elderly, and chronically impaired adults in nonresidential day care facilities. The program is administered by the U.S. Department of Agriculture (USDA). State agencies, usually departments of education or human services, provide oversight of program operations at the local level. CACFP reimburses eligible child day care centers, adult day care centers, and the sponsors of child day care homes (organizations that have applied to and been licensed or approved by the state to administer the program) for meals served with cash and/or commodities.

Child day care centers provide care for a large number of children. These facilities are located at various sites, such as the facility in which a parent works or the school that the child attends. Adult day care centers provide care for a large number of the elderly or chronically impaired adults who live in nonresidential day care facilities. In contrast, child day care homes operate in the home of the day care provider, who is usually restricted by state and/or local regulations to caring for a small number of children.

ELIGIBILITY CRITERIA

CACFP has different eligibility criteria for day care centers and child day care homes. This section describes the types of centers and homes that are eligible for CACFP benefits.

Child and Adult Day Care Centers

Under CACFP regulations, eligible child day care centers include licensed or approved nonresidential, public or private, nonprofit child day care centers; Head Start centers; settlement houses; and neighborhood centers. Eligible adult day care centers include licensed or approved, nonresidential centers that are operated by public agencies for the elderly (age 60 and older) or chronically impaired adults. Children and adults who attend participating day care centers are subject to a means test to determine the level of the CACFP meal reimbursement.

For-profit child and adult day care centers can also receive CACFP benefits if at least 25 percent of center participants receive Medicaid or social services provided with title XX funds under the Social Security Act.

Child Day Care Homes

To participate in CACFP, child day care homes must be licensed or approved and be sponsored by a state-approved organization that monitors their compliance with federal and state regulations and prepares their monthly claim for reimbursement of meals served. Unlike child care centers, there are no means tests for children in participating day care homes, except for the providers' own children, whose family income cannot exceed 185 percent of the federal poverty level to receive meal reimbursements.

BENEFIT DISTRIBUTION SYSTEM

The CACFP distribution system varies among the 54 state-level agencies (the 50 states, District of Columbia, Commonwealth of Puerto Rico, Guam, and the U.S. Virgin Islands) providing CACFP benefits and involves multiple layers of distribution. Currently, the state agencies provide funds to about 27,000 child day care centers (about 34 percent are Head Start). Approximately 1,300 adult day care centers receive CACFP funds. While some states, such as California, have only nonprofit day care centers participating in CACFP, other states, such as Texas, have participating for-profit centers. (In Texas, 23 percent of all child day care centers and 62 percent of adult day care centers are for-profit.) In addition, the state agencies distribute funds through organizations sponsoring child day care homes, which then reimburse about 184,000 child day home providers.

NATURE AND MAGNITUDE OF BENEFITS

CACFP benefits are provided either as cash reimbursements for meals (about 97 percent of all reimbursements) or as commodities (3 percent). The magnitude of the benefit depends on a variety of factors, particularly whether the provider is a day care center or child day care home. These reimbursements go directly to the day care provider, not to the participant. In fact, participants are generally unaware that they are receiving a federal benefit. This section (1) describes how the CACFP benefit is calculated for day care centers and child day care homes and (2) discusses what the magnitude of this benefit is nationwide and what the range of benefits were for the day care facilities we visited.

Reimbursement Calculations for Child and Adult Day Care Centers

The meal reimbursement rates for child and adult day care centers are based on the income level of the individuals served meals. The rates are the same as those for the school lunch and breakfast programs and are adjusted annually. Table II.1 shows the meal reimbursement rates for July 1994 through June 1995.

Table II.1: Meal Reimbursement Rates for CACFP Child and Adult Day Care Centers, July 1994-June 1995

Type of meal	Level of payment		
	Free--up to 130% of the federal poverty level	Reduced--131% to 185% of the federal poverty level	Paid--above 185% of the federal poverty level
Breakfast	$0.975	$0.675	$0.1925
Lunch and dinner	$1.7575	$1.3575	$0.17
Snacks	$0.4825	$0.24	$0.045

Note: Separate rates apply to Alaska and Hawaii.

In addition to the per meal reimbursement, centers receive 14 cents, either in cash or commodities, for each lunch or dinner they serve.

For children being cared for up to 8 hours a day and adults in care for less than 24 hours a day, centers may receive reimbursements for up to two meals and one snack. For children in care for more than 8 hours a day, centers receive reimbursements for up to two meals and two snacks, or three meals and one snack.

CACFP does not provide additional funds for centers' administrative costs. However, if a center is sponsored by another organization, the sponsoring organization can retain a portion of the meal reimbursement to cover administrative costs.

Reimbursement Calculation for Child Day Care Homes

Currently, child day care homes receive reimbursements for up to two meals and one snack served to each eligible child in care. Child day care home providers are reimbursed 83 cents for breakfast, 45 cents for a snack, and $1.51 for lunch or dinner.

Sponsors of child day care homes also receive a monthly reimbursement for their administrative costs, which vary by the number of homes they oversee. The reimbursement rates for July 1, 1994, through June 30, 1995, are (1) $69 per home, for the first 50 homes; (2) $53 per home, for the next 150 homes; (3) $41 per home, for the next 800 homes; and (4) $36 for each additional home.

Magnitude of the Total CACFP Benefit Provided

Table II.2 shows the magnitude of the fiscal year 1994 benefit provided under CACFP.

Table II.2: Average Daily Participation, Total Meals Served, and Total USDA Meal Reimbursement, Fiscal Year 1994

Type of setting	Average daily participation	Total meals served	Total USDA meal reimbursement
Adult day care centers	35,987	18,843,812	$ 19,410,829
Child day care centers	1,192,073	727,304,462	$495,902,275
Child day care homes	910,616	662,907,737	$677,421,969
Total	2,138,676	1,409,056,011	$1,192,735,073

For participating adult and child day care centers, the total annual benefit varies by the mix of participants' income level, length and frequency of attendance, and types of meals served. For example, one Illinois child day care center we visited served an average of 58 children a day and had an annual average benefit of $537 per child, or about $45 per month. In fiscal year 1993, its total CACFP reimbursement was $31,133. This support accounted for about 7 percent of the center's total operating expenses. In contrast, an adult day care center serving about 19 adults per day in California had an average annual benefit of $359 per adult, for a total CACFP reimbursement of $6,829. This benefit accounted for approximately 2 percent of the center's total operating expenses.

While CACFP reimbursements generally constitute a relatively small part of overall day care operating expenses, they often represent a significant portion of total meal costs--about 50 percent for both the Illinois and California centers we visited. However, for all centers we visited, the portion of total meal costs that CACFP reimbursed ranged from 18 percent for a small Illinois adult day care provider serving kosher meals to 99 percent for a large Texas provider operating 59 child care centers.

For child day care homes, the magnitude of the CACFP benefit also varies according to the number of children in care and the number of days that care is given. For example, if a child day care home had five children, each receiving breakfast, lunch, and one snack 5 days a week throughout the year beginning June 1, 1994, the total annual CACFP reimbursement to the provider would be $3,627, or about $60 per child each month. We could not determine the annual nationwide contribution of the CACFP reimbursement to total operating and meal costs in child day care homes because providers do not report this information.

CHARACTERISTICS OF PROGRAM RECIPIENTS

This section describes the characteristics of adults in day care centers and children in centers and in child day care homes.

Adults in Participating Day Care Centers

According to a 1993 study prepared by Mathematica Policy Research, Inc. for USDA, most adults attending CACFP centers were women (62 percent); white (57 percent), and 60 years of age or older (54 percent). These centers served a substantial proportion of chronically impaired adults under the age of 60 (32 percent were between the ages of 18 and 45). While virtually all CACFP adult participants had at least one chronic health condition, multiple conditions were also common. The most prevalent conditions were mental disorders, arthritis, hypertensive disease, heart ailments, and vision impairments. The 1993 study also found that most adult participants had restricted diets--low-salt, diabetic, and low-cholesterol.

Eighty-four percent of adults attending CACFP centers had household incomes that were less than 130 percent of the federal poverty level, according to this study. Approximately 30 percent of the CACFP adults eligible for food stamp benefits actually received food stamps. Our review also indicated that most adult CACFP participants were eligible for Medicaid.

Children in Participating Day Care Centers and Homes

According to USDA, CACFP-subsidized day care centers were more likely to serve minority and low-income families than were CACFP-subsidized child day care homes.

In addition, a 1988 study prepared by Abt Associates, Inc. for USDA reported that 80 percent of the children in these child day care homes were white, compared with less than 40 percent in participating centers. African-American children represented 13 percent of the children in homes and 40 percent of those in centers. Hispanic children made up 5 percent of the children in homes and 16 percent of those in centers. USDA's 1988 study found that 16 percent of children in homes and 64 percent of children in centers had families with an income at or below 130 percent of the federal poverty level.

According to several CACFP providers, it is apparent that families are struggling to make ends meet and that more children depend on food assistance programs such as CACFP. For example, one New York State CACFP provider observed that many of the children who had recently entered the program were from working families who had suffered financially from downturns in the economy and the loss of jobs. CACFP child care sponsors and providers generally do not collect information on participation in multiple food programs.

MAJOR OBSERVATIONS

We made the following observations on the basis of our review of CACFP, including our case studies of CACFP operations in five states.

CACFP Does Not Effectively Target Low-Income Recipients

CACFP does not target low-income recipients as well as some other food assistance programs, such as the Food Stamp Program and WIC. USDA's 1991 study reported that about 71 percent of the children participating in child day care homes receiving CACFP funds had family incomes above 185 percent of the federal poverty level. USDA officials told us that this percentage has remained unchanged. Our review also found that many of the children attending child day care homes that receive CACFP funds are not low-income. For example, day care home sponsors in Texas and Louisiana estimated that one-third to two-thirds of the meals provided to children in their care would no longer be eligible for CACFP reimbursements if the low-income criteria used to determine reimbursement eligibility for day care center meals were applied to day care homes. Before 1978, children served meals in child day care homes were subject to a means test.

CACFP Is Administratively Burdensome

CACFP rigorously regulates the type and quantity of each CACFP meal served. Day care homes and centers must report the contents of each meal served to qualify for reimbursement. CACFP meal reporting requirements are stringent. For example, USDA has determined that the crusts of fruit pies can be credited as a bread alternate for CACFP snacks when, among other conditions, whole-grain, enriched meal, or flour is the predominant ingredient by weight as specified on the label or according to the recipe. A recently revised CACFP listing of approved cheese alternative products is 17 pages long, including the ingredient formulations for each product.

Also, because CACFP sets different reimbursement rates in day care centers for different types of recipients by income, type of provider, and type of meal, it is administratively burdensome and complex. For example, according to an adult day care provider in Illinois, very few of the center's clients qualified for fully or partially paid meals, yet the income verification workload was the same for all clients. In addition, the income of clients must be verified annually, although adult clients often live on a fixed income and their financial circumstances rarely change. Furthermore, the CACFP requirement that sponsoring organizations request bids for contracted meals once every 2 years is costly and time-consuming. For example, according to a California adult day care provider who was satisfied with her current meal contractor, advertising for bids cost $250 for two notices and resulted in one response from an ethnic restaurant whose food products would not be acceptable to her clients. This provider receives about $500 per month in CACFP benefits.

CACFP Subsidizes Day Care Providers Instead of Low-Income Families

CACFP benefits go directly to day care providers instead of participants. CACFP providers receive reimbursements for the eligible meals they serve to their day care participants. However, these providers may not pass on the reimbursements to the participants in the form of reduced fees for day care or meals. We found, instead, that day care centers may intermingle their CACFP reimbursements with their general operating funds. These general operating funds are used to pay the cost of providing meals as well as other center costs, such as staff salaries and utilities. As a result, CACFP reimbursements may lower the fees that are charged across the board to all center participants, including individuals with a household income exceeding 185 percent of the federal poverty level. We found that some centers we visited charged all families the same rate, regardless of family income. For example, a child day care center in New York State received CACFP funding of about $1,957 in July 1994 (a typical month) for reimbursement of meals served to 63, or about 48 percent, of the center's 132 enrolled children. The center's fees to families were not proportionately reduced by the reimbursements received for the children who qualified for them. Instead, the center charged the same monthly fee for all children by age grouping. In practice, these CACFP reimbursements are subsidizing the center's overall operating costs.

Furthermore, since CACFP's benefits are primarily tied to the characteristics of day care providers, children from low-income households would not be eligible to receive a CACFP-funded meal if they were attending an ineligible day care center. For example, proprietary centers providing meals to low-income children cannot receive CACFP meal reimbursements unless they receive compensation for child care under Medicaid or title XX of the Social Security Act for at least 25 percent of the children in their care.

Program Officials Expect CACFP Costs to Rise

CACFP has had the largest growth of all food assistance programs since the early 1980s. Between fiscal years 1981 and 1994, total program costs increased four-fold, from about $340 million to about $1.35 billion. Since CACFP functions as an entitlement program, with no limit set on the number of participants or cap on program funds, and since day care programs for children and adults are continuing to expand, program officials believe costs will continue to increase. California officials told us that CACFP participation in their state is expected to expand greatly during the next 3 to 5 years, primarily because of an increase in the number of children from low-income, working households and increases in the number of elderly persons entering adult day care facilities. Several of the adult day care providers that we visited in New York State told us that they expect a greater nationwide demand for senior services as the population ages. They also said that as the elderly continue to live longer, the elderly will become more frail and in greater need of day care facilities--an important aspect of future program operating costs.

ALTERNATIVES TO REDUCE COSTS AND/OR STREAMLINE OPERATIONS

The following alternatives were identified to reduce CACFP costs and/or streamline program operations.

Alternative 1

Improve program targeting of low-income individuals by applying a means test to the child day care homes component of CACFP; eliminating reimbursement to centers for meals served to individuals with household incomes over 185 percent of the federal poverty level; and/or requiring centers to reflect meal reimbursements in rates charged to low-income individuals.

Rationale

CACFP ineffectively targets low-income individuals. Over 40 percent of current program resources are used to subsidize meals provided to individuals with an income above 185 percent of the federal poverty level. This is due in large part to the fact that the child day care home component--the largest part of the program in terms of participation and expenditures--does not require a means test. USDA estimates that about 71 percent of participating children in the child day care home component of CACFP are from households with an income above 185 percent of the federal poverty level. USDA has estimated that about $697 million of CACFP's fiscal year 1995 funding will be used to reimburse meal costs for program participants with an income above 185 percent of the federal poverty level. In addition, while the child and adult center components of the program are subject to a means test, some reimbursement is provided for meals served to all participants, including those with an income over 185 percent of the federal poverty level.

Also, as currently structured, there is no assurance that the value of CACFP benefits are directly transferred to low-income individuals in centers. There is no direct tie-in between the meal reimbursement received for a low-income individual and the day care fee charged to that individual. In effect, the CACFP meal reimbursement functions as a general subsidy to day care centers, helping to contain fees charged to all clients, including those with an income above 185 percent of the federal poverty level.

The cost savings achieved from the adoption of this alternative will depend on the specific changes implemented to better target low-income individuals. For example, the administration has a proposal to subject child day care homes to a means test. In essence, this proposal would apply a means test to the geographic area (e.g., neighborhoods, precincts, boroughs, or districts) of providers. Providers residing in these or other designated low-income areas would automatically qualify for meal reimbursement for all participants. However, under the administration's proposal, a reduced level of reimbursement would still be available for all children in licensed or approved child day care homes. According to USDA, congressional enactment of the administration's proposal would result in fiscal year 1997 savings of about $200 million (assuming that the new requirements have no effect on participation). Some additional reductions in day care center costs could be achieved by eliminating reimbursements for individuals with an income above 185 percent of the federal poverty level.

Potential Adverse Impacts

(1) Improved targeting could increase administrative costs, which are already substantial. Under the administration's proposal to apply a means test to child day care homes, sponsors that serve these homes in low-income areas would be reimbursed an extra $10 per month for ongoing administrative costs, and an extra $5 million set-aside would help such homes to become licensed or registered.

(2) Increased administrative costs and reduced benefits could reduce participation. Currently, all participating child day care homes receive the same reimbursement for all participants. Any attempt to subject these benefits to a means test would impose additional administrative requirements on sponsors and/or providers of these homes. Participation in day care centers would probably decline if reimbursements were eliminated for individuals in centers with incomes above 185 percent of the federal poverty level and/or centers were required to tie meal reimbursements to fees charged individuals. This could result in some providers/sponsors' leaving the program.

(3) Day care costs for households with an income above 185 percent of the federal poverty level could increase. Better targeting could mean that benefits currently flowing to individuals from households with an income above 185 percent of the federal poverty level would be reduced or eliminated.

Alternative 2

Replace CACFP with a new grant program to states. Such a program could provide funds to states in order to subsidize day care for low-income individuals in licensed or approved homes and centers that serve meals meeting minimal nutrition standards. The Department of Health and Human Services (DHOWS) could be given administrative responsibility for the program.

At a minimum, the adult care component of CACFP could be transferred to DHOWS' Administration on Aging as a grant program.

Rationale

CACFP is an administratively complex program that does not effectively target low-income individuals. (See rationale for alternative 1 above.) Because CACFP is an entitlement program, program officials expect its costs to increase. In fiscal year 1993, program expenditures were about $1.22 billion; they are estimated to rise to $1.64 billion in fiscal year 1995, a 2-year increase of about $420 million, or 35 percent. State and program officials told us that they expect continued program growth because of projected growth in the use of both child and adult day care facilities.

Our work also demonstrates that, as currently configured, CACFP is functioning as a day care subsidy program that interacts with Head Start and other federally funded day care programs, such as Medicaid, title XX, and Community Development Block Grants. As a subsidy program, CACFP provides no assurance that the value of its meal reimbursement benefits are directly transferred to low-income individuals in centers.

As the program is now structured, any attempt to better target CACFP benefits to low-income individuals will make an administratively complex program even more complex. Therefore, a grant program could offer a more efficient and administratively less complex way of providing day care benefits. Given the current structure of CACFP, providers must adhere to complex regulations regarding the content of meals served and provide detailed documentation of every meal served. A grant program requiring providers to meet minimal nutrition standards could greatly reduce complexity and reporting requirements.

It should be possible to develop a grant program that would only reimburse for day care given by licensed or approved providers that serve meals meeting minimal nutrition standards. USDA could develop such standards.

A grant program administered by DHOWS could streamline government operations and congressional committee oversight of day care. While CACFP is administered by USDA, most federal day care programs are administered by DHHS. In the House of Representatives, congressional legislative oversight is performed for both CACFP and most day care programs by the House Committee on Economic and Educational Opportunities. In the Senate, however, congressional oversight of CACFP and day care programs is split between the Committee on Agriculture, Nutrition, and

Forestry and the Committee on Labor and Human Resources, respectively. Both the Senate and House Committees on Appropriations have budget oversight of CACFP and DHOWS' day care programs.

Potential Adverse Impacts

(1) Could dilute nutritional benefits if day care reimbursements are not tied directly to some nutrition standard that is monitored by the states.

(2) Could diminish the overall quality of day care. CACFP has served as a catalyst for licensing day care providers. Licensing helps to ensure that providers meet minimum health and safety standards.

(3) USDA commodities would not be automatically available to providers. However, a mechanism could be established to allow for the purchase of USDA commodities.

NUTRITION PROGRAM FOR THE ELDERLY (NPE)

Fiscal Year 1995 Appropriation: $150 Million

PROGRAM DESCRIPTION

Through NPE, USDA provides subsidies--cash and/or commodity food reimbursements--to nutrition programs that provide meals to the elderly in a group setting or in their home. NPE supplements a large nutrition and social services program administered by DHHS. NPE is authorized under titles III (Grants for State and Community Programs on Aging) and VI (Grants for Native Americans) of the Older Americans Act of 1965, as amended.[1]

Under title III of the Older Americans Act, also known as the Elderly Nutrition Program, USDA provides reimbursements on a per meal basis to designated state-level agencies on aging. These state agencies coordinate with local area organizations on aging to provide nutritionally sound meals that are intended to promote better health and reduce the isolation that may occur in old age by making meals a focal point for activities. All people age 60 and over are eligible to receive NPE benefits regardless of their income. In fiscal year 1994, the level of NPE reimbursement was 60.6 cents per meal.

ELIGIBILITY CRITERIA

Under title III, people age 60 or older, and their spouses of any age, are eligible for NPE. Disabled individuals below the age of 60 (who reside in residences primarily occupied by older adults at which group meals are available) are also eligible. NPE does not require participants to meet income eligibility criteria. Each participant may voluntarily contribute towards the cost of a meal, but meals are free to those who choose not to contribute.

BENEFIT DISTRIBUTION SYSTEM

State agencies on aging have overall responsibility for providing nutrition services authorized by title III of the Older Americans Act. Nationwide, there are 57 state-level agencies on aging located in the 50 states, the District of Columbia, American Samoa, Guam, Commonwealth of Northern Mariana Islands, Republic of Palau, Commonwealth of Puerto Rico, and the U.S. Virgin Islands. These state-level agencies are assisted by local area agencies on aging, which oversee the activities of nutrition

[1]Since USDA distributed only about 1 percent of NPE benefits to Indian tribal organizations through title VI, we did not include this program as a part of our review.

providers located in their area. Nutrition providers are directly responsible for providing group or home-delivered meal services to the elderly. Nationally, in 1994, there were 657 area agencies on aging and at least 2,202 local nutrition providers.

The cash reimbursement USDA provides directly to the state agency is based on the number of meals qualifying for NPE support in each state. The state agency distributes the NPE cash reimbursement to the area agencies on aging. These agencies in turn reimburse the local nutrition providers for the number of meals they serve to eligible NPE participants. When a state or area agency on aging requests commodities, USDA ships the commodities to a designated state warehouse.

In 1994, nutrition providers arranged for meals at 15,728 group sites. In the states we visited, these providers were primarily private, nonprofit organizations and county and local governments. Nutrition providers arranged for meal service at a variety of locations, including churches, low-income senior citizen housing complexes, and senior citizen centers. Most of these providers also prepared meals for home delivery and arranged for volunteer or paid drivers to transport the meals.

NATURE AND MAGNITUDE OF BENEFITS

NPE reimburses providers for at least one hot or other appropriate nutritious meal a day, for 5 or more days per week. At the meal sites we visited, nutrition providers generally served one group meal on week days. Meals must meet a specified percentage of the recommended dietary allowance in order to qualify for NPE support.

In fiscal year 1994, USDA provided state agencies on aging with about $146 million in cash reimbursements and $6.1 million in commodities, such as canned applesauce and peaches, from NPE-appropriated funds. In addition, USDA provided $1.2 million in commodities, such as grape juice and canned salmon, obtained through its surplus removal and price support legislative authorities. State agencies or local area agencies qualify for these additional commodities when they request 20 percent or more of their NPE reimbursement in commodities rather than cash.

In terms of the USDA benefit per meal, the exact amount of the reimbursement varies from year to year, depending on the number of meals served and the annual appropriation level. USDA's per meal level of support was 60.6 cents in cash and/or commodities in fiscal year 1994. While no national, comparable data on the average cost of a meal are available, our review shows that USDA's contribution to the total meal cost was relatively small.

At the meal sites we visited, meals cost different amounts, with home-delivered meals generally costing slightly more than group meals. For group meals, these costs ranged from $7.53 at one site in California to $3.20 at a site in Texas; in these instances, the USDA contribution ranged from 8 percent to 19 percent, respectively.

In fiscal year 1993 (the most recent available data), NPE provided a per meal reimbursement of 62.1 cents. The reimbursement supported about 244 million meals,[2] about half of which were delivered to a person's home and half were served in a group setting, such as a senior citizen center. Approximately 2.4 million persons received meals in a group setting and about 800,000 persons received meals in their home. As these data indicate, a higher number of meals per person were served to the homebound.

These data also suggest that individuals in group settings received an average of 55 meals during the course of a year (or 4.6 meals per month), while individuals receiving home-delivered meals averaged about 143 meals during the year (or 12 meals per month). On the basis of these estimates, the average annual benefit of the USDA subsidy for persons receiving meals in a group setting was about $34 (or $2.85 per month), compared with about $89 (or $7.42 per month) for those receiving meals at home. Assuming that a participant received one group or home-delivered meal per day, 5 days a week, the annual benefit of this USDA subsidy would be about $161. If participants received more than one meal per day, or five meals per week, this amount could be even higher.

CHARACTERISTICS OF INDIVIDUALS SERVED

In fiscal year 1993, 45 percent of the participants in group settings and 55 percent of those receiving these meals at home had a household income at or below the federal poverty level. In the states we visited, the percent of low-income participants varied. A provider in Illinois reported that 22 percent of participants were low-income, while a provider in Texas reported that 95 percent of participants were low-income.

According to DHHS officials and some providers we visited, the average age of program participants has increased over the past 10 years. A 1983 DHHS study concluded that the average age of

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[2]These data on the number of meals served include the relatively few meals served under title VI. Therefore, some of our estimates on the level of meals received per person may be slightly high.

group participants was 73 and of participants receiving home-delivered meals was 78. Although no more recent data are available to indicate the current average age of participants, DHHS officials and some providers we spoke with suggested that participants receiving group meals are now in their late seventies and participants receiving home-delivered meals are even older. Older participants are more likely to be frail and in greater need of home-delivered meals or other support services. In addition, some providers reported that the group meal program is not attracting a new generation of 60-year old adults because this group is in better health, has other activities, and/or can take advantage of senior meal discounts offered by restaurants.

DHHS also reported that nationwide, about 18 percent of all participants were members of a minority group and about 40 percent were rural residents. For the group meal program, about 27 percent were frail or disabled, and for the home-delivered meal program, about 73 percent were frail or disabled. Program guidance designates these types of recipients as some of those in the greatest need for the program's benefits.

MAJOR OBSERVATIONS

We made the following observations on the basis of review of NPE, including our case studies of NPE operations in five states.

Only a Small Percentage of Program Benefits Are Provided in USDA Commodities

In fiscal year 1994, USDA provided 96 percent of program benefits in cash and 4 percent in commodities. USDA and DHHS program officials indicated that the use of commodities was not widespread because local area agencies on aging preferred the flexibility of purchasing food with cash and sometimes considered the use of commodities to be too labor-intensive.

Our visits to local area agencies gave us some insight into why providers might prefer cash. One provider, who last used commodities in 1989, said that when commodities were unavailable, the state warehouse would substitute available commodities, and not all available commodities were suitable for the elderly. This provider concluded that the administrative effort involved in obtaining commodities exceeded the benefits they offered. The few providers we visited who received commodities liked them because they believed commodities stretched food dollars. However, even these supporters pointed out that the same commodities were not consistently available from month to month, making meal planning difficult.

While USDA Provides a Meal Subsidy Through NPE, DHHS Has Overall Responsibly for Meal Service Programs

USDA has a minor role in administering the meal service programs that receive NPE support. It essentially relies on DHHS to provide NPE benefits through the Elderly Nutrition Program, which is authorized by the Older Americans Act of 1965, as amended. USDA's NPE funding--$150 million in fiscal year 1995--is only a small portion of overall program funding. In comparison, DHHS' funding for group and home-delivered meal services was $470 million and $307 million for additional support services, such as transporting the elderly to meal sites. In addition, DHHS is responsible for program evaluation, has oversight responsibilities, and tracks the number of program beneficiaries and their characteristics. USDA's main administrative task is associated with ordering and delivering commodities, and providing the cash reimbursement to participating states.

Other Funding Sources Exceed USDA Support

Most of the funding nutrition providers receive for meals comes from sources other than USDA. We estimate that USDA contributes only an average of 14 percent of the meal cost. The balance comes from a variety of sources, including other federal programs (such as DHHS' Elderly Nutrition Program and the Social Service Block Grant), state and local governments, and participant and private donations. Data are not available to determine the relative contributions of these funding sources nationwide. However, we found that the percentage of funding from each of these sources varied from provider to provider. For the providers we visited, it appears that DHHS funding is often the single largest source of funding and, in these cases, can amount to 41 percent to 55 percent of total funding for the meal program.

Participant contributions are also important in defraying the cost of a meal. In fiscal year 1993, participant contributions of $170 million nationwide exceeded USDA contributions of $151 million. Participant contributions are voluntary and varied among the providers we visited. For example, one California provider reported an average contribution of $2.07 per meal, while a Texas provider reported an average contribution of 13 cents. Various factors influence a person's decision to contribute, including income and peer pressure, according to program providers. Providers in Illinois and New York State said that if people were not allowed to contribute, they would consider the program "welfare" and not participate. In contrast, according to a provider in Texas, the manager of one site told participants in the group meal program that they did not have to make a contribution because they had earned the free meal with the many years they had worked.

NPE also relies heavily on volunteers to reduce program costs. According to many of the providers we visited, volunteers were important in preparing, serving, and delivering meals. California and Illinois providers reported a ratio of nine volunteers to one paid staff member. In rural New York State, the provider used at least 68 volunteers a week, many of whom were program participants.

In addition, local governments and communities frequently donate space to prepare or serve meals. Typically, churches and community centers provide free rental space and utilities. Occasionally, corporations also make donations at the local level. For example, a major foreign car maker has donated 18 cars throughout the United States, as well as maintenance and insurance, over the past 3 years.

Home-Delivered Meals Are Becoming More Important

Available data and changes in the composition of the elderly population indicate that home-delivered meals are becoming increasingly important. From fiscal years 1985 to 1993, home-delivered meals increased by 36 percent nationwide, while meals in group settings declined by 16 percent. An official from DHHS' Administration on Aging told us that as the elderly live longer and become increasingly frail, their need for home-delivered meals will increase. In addition, local agencies often use home-delivered meals as a way to ensure that the homebound elderly receive the social services they need.

The need for expanded home-delivered meal service was evident at several locations we visited. Almost all these providers had waiting lists for home-delivered meals but none for group meals. A Louisiana provider had between 600 to 800 people on a waiting list for home-delivered meals. To accommodate those who were most in need, she denied home-delivered meals to about 40 percent of those who had been receiving them. Several providers observed that the need for home-delivered meals was especially acute in rural areas, where isolated small towns make outreach and transportation especially difficult.

Some states have recognized the importance of home-delivered meals. For example, several of the states we visited, including Illinois, Texas, and New York, have provided additional subsidies for home-delivered meals. Furthermore, a DHHS official reported that 13 states, including California and New York, have home-delivered meals as part of their agreement with the Medicaid program to keep the elderly in their homes. This approach is less costly than placing the elderly in nursing homes or prolonging their hospital stay because they cannot prepare meals at home.

ALTERNATIVES TO REDUCE COSTS AND/OR STREAMLINE OPERATIONS

The following alternatives were identified to reduce NPE costs and/or streamline program operations.

Alternative 1

Minimally reduce the NPE funding level.

Rationale

The proposal USDA made last year to reduce the NPE funding level by about 6 percent ($9 million) has some merit. USDA suggested that such a reduction would not jeopardize the nutritional needs of the population NPE serves because USDA contributes only a small portion of meal funds. We found that, overall, USDA's reimbursements through NPE represent only about 14 percent of the resources used to pay for program meals. Therefore, a 6-percent reduction would represent less than a 1-percent reduction in total resources available to cover meal costs. If the reduction was about 6 percent, and the number of meals served remained constant, the NPE benefit would decline from 60.6 cents to 56.9 cents.

We did not include means-testing of program benefits as an alternative because, unlike other food and nutrition assistance programs that primarily target beneficiaries on the basis of economic need, NPE is also designed to serve those with a need for services caused by noneconomic factors (i.e., physical and mental disabilities, language barriers, and cultural or social isolation). Furthermore, program officials and local providers told us that if this program subjected its applicants to a means test, local communities could attach a "welfare stigma" to it and its participants. They told us that such a stigma could result in reduced program participation, even by those whose lower income might qualify them for program benefits. Program officials added that a means test might result in a loss of the resources derived from participant contributions, volunteer time, and donations of space in which meals are served. Furthermore, means-testing could result in a substantial administrative burden on NPE providers.

Potential Adverse Impacts

(1) Local providers would have to rely more heavily on other funding sources or try to reduce meal costs. However, these sources may face their own fiscal constraints and may be unable to compensate for reduced federal funding.

(2) Providers without access to additional support or unable to reduce meal costs may have to cut back on the number of people or the number of meals served. The effect of meal reductions on the elderly would depend on whether reductions were made primarily in the group or in home-delivered meal programs. For the elderly no longer served in a group setting, the opportunity to socialize and obtain other support services may be diminished. For those depending on home-delivered meals, a reduction could result in longer hospital stays or earlier institutionalization, which could result in higher Medicaid costs. However, if the overall reduction in NPE was small, it is unlikely that a reduction in the number of meals served would be extensive.

(3) To compensate for reduced NPE support, local governments may decide to shift other sources of funding (e.g., Social Services Block Grant) to support the meal program for the elderly. These shifts could occur at the expense of other needy populations. For example, in Louisiana, such discretionary resources are now more often channeled to support child services.

Alternative 2

Consolidate meal programs for the elderly in DHHS.

Rationale

Consolidating meal programs for the elderly in DHHS would give funding responsibility to the agency that currently provides the most funding and has overall oversight responsibilities for meal programs for the elderly. In fiscal year 1995, DHHS had $470 million for group and home-delivered meal services to the elderly, and $307 million for additional support services, compared with USDA's $150 million for the same meal services.

Such a consolidation could also simplify program administration, provided that DHHS was allowed to use its current system of allocating money to each state. USDA and DHHS use two different systems to provide meal subsidies to the elderly. DHHS awards grants to state-level agencies, while USDA provides meal reimbursements that are based on the number of meals served. Moreover, consolidating the program in DHHS would result in a consolidation of congressional budget and oversight responsibilities. For example, the House Committee on

Appropriations, Subcommittee on Labor, Health and Human Services, and Education, proposes appropriation levels for DHHS services to the elderly, while the Committee's Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies proposes appropriation levels for NPE.

Potential Adverse Impacts

(1) USDA commodities would not be automatically available to providers. However, since only 4 percent of the NPE meal reimbursement is provided in commodities, this impact is not likely to be a major problem. For states that want USDA commodities, a mechanism could be established to make them available.

(2) DHHS would probably experience minimal operational impact, provided that NPE funding were combined with the funding that DHHS uses to support the Elderly Nutrition Program in the states.

THE EMERGENCY FOOD ASSISTANCE PROGRAM (TEFAP)

Fiscal Year 1995 Appropriation: $65 Million ($25 million for food and $40 million for administrative funding)

PROGRAM DESCRIPTION

Authorized in 1981, TEFAP was established to reduce USDA inventories and storage costs of surplus dairy commodities, primarily cheese, by providing these commodities to low-income households at no charge. Because these surplus commodities had declined, the Congress began appropriating funds in fiscal year 1989 to purchase food to supplement the surplus commodities being distributed. TEFAP food varies from year to year and includes such items as canned fruits and vegetables, canned meats, and butter.

USDA distributes these commodities to state agencies, such as departments of social services, using a formula that takes into account each state's population of low-income households and unemployed persons as percentages of the national totals. These state agencies have overall responsibility for managing the program in their state, including establishing income-based eligibility criteria and selecting the local organizations that will distribute the food. These organizations generally distribute these commodities either periodically at a specific location, such as a town hall, or on a continuing basis through food pantries.

Authorization for this program was extended under the 1990 farm bill through September 30, 1995.

ELIGIBILITY CRITERIA

Each TEFAP state agency sets eligibility criteria, including income level, that households must meet to receive TEFAP commodities. According to USDA officials, state-established TEFAP income eligibility criteria range from 125 percent to 185 percent of the federal poverty level. For example, in the two TEFAP programs we visited, in Illinois and California, households with an income that did not exceed 125 percent and 130 percent of the federal poverty level, respectively, were eligible to participate in TEFAP.

According to USDA, households can demonstrate income eligibility for TEFAP by showing that they participate in other programs that have a means test, such as the Food Stamp Program. Alternatively, participants can sign a form declaring that their income falls within the state requirements for receiving TEFAP commodities. USDA officials told us that TEFAP does not require the states to verify eligibility.

BENEFIT DISTRIBUTION SYSTEM

USDA allocates TEFAP commodities to 54 designated state-level agencies (50 states plus the District of Columbia, Guam, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands) using a formula that takes into account each state's population of low-income households and unemployed persons as percentages of the national totals. Specifically, each state's share of commodities is based on a formula that considers the number of persons in households within the state that have an income below the federal poverty level (60 percent of the formula weight) and the average monthly number of unemployed persons within the state (40 percent of the formula weight).

State agencies have overall responsibility for the program. The agencies managing TEFAP vary from state to state and include agencies responsible for education, social services, administrative services, agriculture, jobs and training, and economic opportunity. State agencies determine the method and frequency of food distribution and select the emergency feeding organizations (EFO), which can be any public or private nonprofit organization, such as a county office or a food bank.

According to USDA officials, some EFOs distribute the commodities to local organizations (called distribution sites), such as a food pantry or a senior citizens center, that provide TEFAP commodities to recipients; other EFOs distribute these commodities directly to the recipients. TEFAP commodities are provided either (1) on an ongoing basis through food pantries or (2) periodically, such as once a month. Both methods rely on volunteers, who generally assemble the packages of food and assist with distribution.

The extent of this distribution system is not known nationwide, but states have some data on EFOs, distribution sites, and methods of distribution. For example, in Illinois, during fiscal year 1994, 54 EFOs, most of which were charities, distributed TEFAP commodities to 1,559 distribution sites. Three EFOs in Illinois were food banks. In contrast, most of California's 50 EFOs, which distributed TEFAP commodities to 1,866 distribution sites, were food banks. In both states, EFOs had defined service areas. Taken together, these service areas covered the entire state. The two states we visited used both periodic and continuous distribution methods. For example, in Illinois in fiscal year 1994, approximately 85 percent of TEFAP commodities were distributed through periodic distributions and approximately 15 percent through food pantries.

NATURE AND MAGNITUDE OF PROGRAM BENEFIT

TEFAP provides a range of commodities to low-income households at no charge. These commodities are expected only to supplement the diets of low-income individuals, not to meet specific nutritional needs. The type of food distributed under TEFAP can vary because USDA purchases TEFAP food to support different agricultural markets and to remove surplus commodities to stabilize prices. For example, the $25 million appropriated for TEFAP commodities in fiscal year 1995 will purchase such food as canned fruits and vegetables, canned pork, oats, pasta, dehydrated potatoes, and rice. As of January 1995, the only surplus commodity available was butter.

According to USDA, the value of TEFAP commodities per household per distribution averaged $6.85 in fiscal year 1994. About 23.4 million distributions were made to households nationwide in that year. Although USDA knows how many TEFAP distributions were made in a year, it does not know how many different households or individuals received them. This is because a household is counted each time it receives TEFAP commodities, resulting in a duplicated household count.

The amount and value of the TEFAP commodities may vary by distribution location. This was clearly evident at some sites we visited where TEFAP food is given out periodically. For example, at a November 1994 distribution in Harristown, Illinois, a bag of TEFAP food contained one 46-ounce can of orange juice, one 2-pound can of peanut butter, one 16-ounce can of applesauce, one 14.5 ounce can of green beans, one 2-pound bag of rice, and 3 pounds of butter. USDA estimates its cost at $5.70 for these commodities. The retail price of these commodities was $11.58 at one store we contacted in nearby Decatur, Illinois. In contrast, at a community center in San Francisco in December 1994, a bag of TEFAP food contained one 16-ounce can of pears, two 14.5-ounce cans of tomatoes, and one 32-ounce bag of dry kidney beans. USDA estimates its cost at $2.08 for these commodities. The retail price of these commodities was $4.15 at one store we contacted in San Francisco.

In addition to commodities, TEFAP provides administrative funds to the states. These funds have remained relatively constant over time--between $40 million and $50 million--although the value of the food has fluctuated. Administrative funds are used primarily for costs associated with distributing TEFAP commodities, such as transportation and storage. TEFAP administrative funds may also be used for transporting, storing, and handling USDA commodities provided through the Soup Kitchen Food Bank Program (SKFB) and for other non-USDA donated foods. States can keep up to 60 percent of these funds, but they must match what they retain with cash or in-kind contributions. They pass the balance on to EFOs, which use the funds primarily to store, handle, and transport the commodities to distribution sites.

For example, in fiscal year 1994, California received about $5.1 million and Illinois about $1.8 million in TEFAP administrative funds. Both states used the majority of the funds to pay for transporting, storing, handling, repacking, processing, and distributing commodities. California retained 8 percent of these funds and Illinois retained 11.4 percent for state expenses. The remainder went to EFOs. Distribution sites did not receive any administrative funding but did receive TEFAP commodities at no cost.

While TEFAP funds do not generally provide benefits other than commodities and administrative funds, we observed that some food pantries provided related services, such as job counseling, information about other social service programs, health screening, and nutrition education. Also, at the state level in fiscal year 1992, Illinois spent some of its TEFAP administrative funds to support a series of nutrition education workshops for clients and community providers. Later, a series of three short nutrition education videos and related materials were funded with about $120,000 of TEFAP administrative funds. According to USDA officials, TEFAP administrative funds can be used for nutrition education.

CHARACTERISTICS OF INDIVIDUALS SERVED

Neither USDA nor the two states we visited know the number or characteristics of the people receiving TEFAP commodities. Some of the food pantries we visited collected information from clients about such things as income, age, and participation in other assistance programs, but did not systematically report it.

Some of the organizations we visited were able to describe their own TEFAP population, which varied by organization. For example, at one rural location, according to the lead volunteer, most of those who received TEFAP were retired on Social Security pensions. He added that the elderly who participate in this program came out of habit. One state TEFAP official said that the elderly prefer TEFAP to food stamps because they do not view TEFAP as a "welfare" program. In contrast, one Chicago provider told us that the population he serves comes from a 6-mile area that could be described as a "war zone" because of all the abandoned buildings in it. He said that he is seeing an increase in the number of homeless, working poor, and younger men and women (under age 40).

MAJOR OBSERVATIONS

We made the following observations on the basis of our review of TEFAP, including case studies in two states.

Pantry Distribution More Effectively Targets Emergency Needs

The distribution of TEFAP commodities through food pantries appears to target crisis hunger needs better than periodic distributions. Food pantry packages provide a more complete package of food for needy households because they combine TEFAP commodities with other food. Furthermore, food pantries can screen applicants to determine if they have an emergency need for food. In contrast, periodic distributions appear to serve the same people at each distribution and do not provide enough food to prepare complete meals.

For example, one food pantry in Springfield, Illinois, provides temporary food assistance to individuals and families in crisis, such as those suffering from hunger or abuse, who are referred by social service agencies. The food pantry's clients are county residents who cannot provide food for themselves and who have not received groceries from any pantry in the last 2 months. Generally, clients did not receive TEFAP commodities more than 3 times a year from this pantry. In contrast, at one urban site that distributes TEFAP commodities periodically, an official told us that more than 80 percent of the people receiving TEFAP commodities are repeat clients.

This difference in the effectiveness of distribution methods is being recognized in the two states we visited. Because the volume of TEFAP commodities is declining, Illinois has decided to reduce and then eliminate periodic distributions of TEFAP commodities at 1,000 sites by July 1, 1995. TEFAP commodities will then be distributed through a food pantry system in order to respond to the neediest populations. California state officials also told us they would like to reduce or eliminate the number of periodic distributions because they do not really help the community. They prefer to distribute commodities through food pantries.

TEFAP Administrative Funds Do Not Always Support SKFB

The two states we visited differed in whether they used TEFAP administrative funds to support SKFB. These differences occur because the federal government does not require, but does allow, TEFAP funds to cover similar costs for SKFB. In addition, when states allocate TEFAP administrative funds to SKFB, there is no federal formula to determine the amount of funds SKFB should receive. TEFAP state officials determine whether to allocate these funds to the SKFB program and, if so, how much. There are no national data on how much TEFAP administrative funding has been used to support SKFB in the past.

This flexibility in funding for SKFB administration can result in inequities for soup kitchens between states. For fiscal years 1991-94, Illinois annually allocated 13 percent of TEFAP administrative funds to SKFB. In contrast, for the same period, California did not allocate any TEFAP administrative funds to SKFB. As a result, California soup kitchens had to pay $2.70 per case for SKFB commodities to cover the state's costs of storing, handling, and delivering them, while Illinois soup kitchens paid nothing for these commodities. According to the manager of one California soup kitchen, the organization paid the state approximately $41,500 for $216,400 worth of SKFB commodities during a 10-month period in fiscal year 1994.

Different management arrangements in Illinois and California help account for the differences in the allocation of TEFAP administrative funds. In Illinois, one state agency manages TEFAP and SKFB, and in California, two separate agencies manage these programs. Illinois EFOs participating in one or both programs were reimbursed with TEFAP administrative funds at the same rate in fiscal year 1994--4 cents a pound for TEFAP commodities and 4 cents a pound for SKFB commodities. In contrast, in California, although the SKFB agency has requested TEFAP administrative funds, the state TEFAP agency has not allocated TEFAP administrative funding to SKFB.

It is unclear how states will spend available TEFAP administrative funds in fiscal year 1995. The value of commodities under TEFAP has been reduced significantly, but the level of TEFAP administrative funding has remained the same. As a result, states have more administrative funds for a smaller program. In the past, most of the administrative money in California and Illinois was used to pay for the storage, handling, and transporting of TEFAP commodities. California had not fully decided how it would spend its fiscal year 1995 TEFAP administrative funds at the time of our visit in late November 1994. However, officials told us they plan to increase private food donations by reimbursing EFOs for distributing these other donated foods. At that time they were not planning to allocate fiscal year 1995 TEFAP administrative funds to the SKFB program. In contrast, Illinois TEFAP officials said that they plan to use fiscal year 1995 TEFAP administrative funds in part to increase the reimbursement rate to EFOs for TEFAP and SKFB commodities from 4 cents to 6 cents a pound.

Non-USDA Programs Provide Benefits Similar to TEFAP

Non-USDA programs provide food assistance that is similar to TEFAP. Some organizations receiving this assistance may also receive TEFAP commodities.

For example, under the Emergency Food and Shelter National Board Program, the Federal Emergency Management Agency (FEMA) provides grants to purchase food to many of the food banks and food pantries we visited. This program is intended to help meet the needs of hungry and homeless people by providing food and shelter. Of the approximately $132 million FEMA estimates that it spent for this program in fiscal year 1994, about $52 million, 39 percent, was spent on food assistance.

One large food bank we visited in Illinois used its fiscal year 1994 FEMA grant to purchase about 7 percent of its food for that year. In addition, about 6 percent of the food bank's food came from USDA (3 percent TEFAP and 3 percent SKFB), about 86 percent was donated, and the remaining 1 percent was purchased with its own funds. The food bought with FEMA funds went to emergency programs at food pantries, shelters, and soup kitchens. The food purchased included rice, beans, canned meats, tuna fish, macaroni and cheese, fruits and vegetables, and peanut butter. Many of these are the same items provided under TEFAP to the same types of organizations.

These food bank officials also told us about a local food box program, which provides a box of food that will provide three meals a day for 2 to 3 days for a family of four. This food bank packs about 100,000 boxes per year for the city of Chicago. Each box has a retail value of $18 to $22. This local program is partially funded by the federal Community Development Block Grant Program.

In addition, an Illinois town of about 2,200 has funds available to assist people in emergency situations. This relief fund is supported by local property taxes and is available to help people who cannot get other assistance, pay bills, or buy food.

ALTERNATIVE TO STREAMLINE OPERATIONS AND REDUCE COSTS

The following alternative was identified to streamline operations and reduce the costs of the three commodity programs we reviewed. These commodity programs--TEFAP, SKFB, and CSFP--are described separately in the appropriate section of this enclosure. Because this alternative involves the consolidation of three separate programs into one, it is repeated for each of these commodity programs.

Alternative

Create one supplementary food assistance program by consolidating the resources available to purchase commodities for TEFAP, SKFB, and CSFP--$132.6 million in fiscal year 1995. Administrative funds currently available for these programs, approximately $56.9 million in fiscal year 1995, could be combined, reduced, or eliminated; or a portion of these funds could be used to purchase additional commodities. Furthermore, commodities currently made available by USDA to charitable institutions under USDA's price-support and surplus removal legislative authorities could be incorporated into the consolidated commodity food assistance program. This combined program could distribute commodities to a single designated state agency on the basis of an allocation formula that could meet the hunger needs of designated low-income target groups, such as the homeless and the elderly.

Rationale

Consolidation of these commodity programs would have multiple benefits. By consolidating program management under one state agency in each state, the states would have greater flexibility to more effectively target resources to alleviate hunger. For example, if states believed that homeless people needed more food assistance than other low-income individuals, more of their allocation could be targeted toward this population. Moreover, the establishment of one program would provide the opportunity to set measurable goals for the program, which could be used to evaluate its effectiveness at the federal and state level. Currently, this type of analysis is not conducted for these commodity programs.

Consolidation of these commodity programs could also help streamline federal, state, and local administration of the food assistance programs that rely on USDA commodities. Under the current structure, each of these three programs has its own set of federal regulations and is not always managed by the same state agency in each state. With one program, federal regulations could be consolidated and USDA could provide commodities to one designated state agency. These changes would consolidate federal operations and could consolidate state operations. At the state level, one distribution system could be established to replace the multiple distribution systems now in place that are distributing many of the same USDA foods in the same size containers. In addition, if each state had only one state agency, local organizations currently participating in more than one program would only have to coordinate with and receive USDA commodities from one source and could reduce their paperwork burden.

Moreover, a consolidated program, using a standard allocation formula, would more equally distribute available commodities and administrative funds to the states. A single allocation formula would end the limited distribution of CSFP commodities--the most expensive of these programs--to only portions of 17 states, the District of Columbia, and two Indian tribal organizations. It would also address the inequities in the allocation of administrative funds between and within these food assistance programs. For example, CSFP sets aside 20 percent of its appropriation for administrative costs, TEFAP receives more money for administration than for food, and SKFB does not receive any direct appropriation for administration. As a result, organizations in some states have to pay for USDA commodities, while similar organizations in other states do not. In addition, while states must match some of TEFAP's administrative costs, they do not have to do so for CSFP.

Finally, a consolidated commodity distribution program would continue to support USDA's price support and surplus removal activities. It would also continue to (1) provide an outlet for commodities as surpluses arise and (2) make commodities available to help victims of natural disasters.

In addition, a consolidated food commodity program could be designed to operate with or without administrative funds provided by the federal government. While TEFAP and CSFP currently receive appropriated administrative funds directly, SKFB does not. Moreover, there are no appropriated administrative funds to distribute USDA commodities made available to charitable institutions under price support and surplus removal authorities. In California, we observed that the state office operated SKFB without any federal administrative funding by charging fees to participating organizations for these commodities to cover administrative costs.

Potential Adverse Impacts

(1) Current populations being served under these three programs may not receive the same level of benefits. It is possible that

states receiving CSFP may choose not to serve the target populations that they are now serving. For example, Louisiana, which sometimes places the elderly on a waiting list, could target the elderly instead of women, infants, and children. It is also possible that all current TEFAP participants receiving commodities through periodic distributions may not continue to receive benefits because eligibility and verification requirements could be tightened.

(2) At the local level, the allocation of commodities could shift, depending on how states target benefits. It is possible that some soup kitchens may receive less USDA commodities.

(3) At the state level, allocation of total resources may change. For example, states currently receiving CSFP may receive less commodities; and states not receiving CSFP may receive more. For example, Louisiana and Michigan, which currently receive 43 percent of CSFP commodities, could receive substantially less, depending on the allocation formula. If the current TEFAP commodity allocation were used, these two states would have received only 6 percent of CSFP program benefits in 1994.

(4) If administrative funds are eliminated or reduced, states will either have to pay the cost of storing and transporting commodities to local providers or charge providers to cover all or part of these costs. Some states may not be willing to provide any or all of the administrative funding necessary to do this. Only a few states currently participating in CSFP supplement federal administrative funds with state funds. In addition, costs could be shared more equally among participating organizations and states under the consolidated approach.

(5) More demand may be placed on WIC if current CSFP participants lose their benefits. Current cost estimates for a fully funded WIC assume that participation in CSFP remains constant.

THE SOUP KITCHEN/FOOD BANK PROGRAM (SKFB)

Fiscal Year 1995 Appropriation: $40 million

PROGRAM DESCRIPTION

Authorized in 1988, SKFB's primary purpose is to provide USDA commodities to organizations, such as soup kitchens, that prepare meals for the homeless. These commodities include such items as canned fruits and vegetables, canned meats, and frozen poultry. Once the needs of these organizations are met, this program allows SKFB commodities to be distributed to needy households and then to institutions that serve meals to other needy people.

USDA distributes these commodities to state agencies, such as departments of education, using a formula that takes into account each state's population of low-income households and unemployed persons as percentages of the national totals. These agencies have overall responsibility for managing the program in their state, including approving the eligibility criteria organizations use to determine if a household is eligible to receive SKFB food for home consumption, and selecting the local organizations that will prepare the meals or distribute the food, such as soup kitchens or food pantries.

Authorization for this program was extended under the 1990 farm bill through September 30, 1995.

ELIGIBILITY CRITERIA

Under federal regulations, any individual can receive a meal prepared with SKFB commodities, regardless of income or other criteria. People seeking a meal at a soup kitchen are presumed to be needy. However, states must approve income eligibility criteria that organizations use to determine a household's eligibility to receive SKFB commodities for home consumption.

BENEFIT DISTRIBUTION SYSTEM

USDA allocates SKFB commodities to 54 designated state-level agencies (50 states plus the District of Columbia, Guam, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands) using a formula that takes into account each state's population of low-income households and unemployed persons as percentages of the national totals. Specifically, each state's share of commodities is based on a formula that considers the number of persons in households within the state that have an income below the federal poverty level (60 percent of the formula weight) and the average monthly number of unemployed persons within the state (40 percent of the formula weight).

Federal legislation sets the priority order in which various types of organizations are allocated SKFB commodities. Soup kitchens or other organizations that serve meals to the homeless or food banks that distribute food to these organizations should be the first to receive the commodities. The next priority is food banks that distribute food to institutions (such as food pantries) that provide food to low-income recipients for home consumption. Finally, food banks can distribute any remaining commodities to other institutions that serve meals to the needy, such as child care centers and alcohol treatment centers.

State agencies have overall responsibility for administering the program, including approving eligibility criteria for individuals receiving SKFB commodities for home consumption and selecting local organizations, such as soup kitchens and food banks, to make meals or distribute commodities. The type of state agency varies by state, as our visits to California and Illinois showed. In California, the Department of Education is the state agency for SKFB, and in Illinois, the Department of Public Aid manages the program.

Distribution methods for SKFB commodities can also vary by state. For example, in California, the state allocates SKFB commodities only to soup kitchens to feed the homeless--146 soup kitchens received commodities directly from the state in fiscal year 1994. In contrast, Illinois uses the same distribution system for SKFB as it does for TEFAP. It allocates SKFB commodities to public and private nonprofit organizations, such as a county office or a food bank. These EFOs in turn allocate the commodities to local distribution sites, such as soup kitchens and food pantries. In fiscal year 1994, Illinois allocated SKFB commodities to 30 EFOs (27 of the 54 TEFAP EFOs and 3 SKFB EFOs), which then distributed the SKFB commodities to 341 organizations.

Furthermore, the extent to which all groups in the distribution priority chain receive SKFB commodities can vary by state. Because California only allocates SKFB commodities to soup kitchens, it only addresses the first SKFB priority. Illinois, in contrast, addressed multiple priorities. For example, one Illinois EFO serving 11 counties distributed SKFB commodities to 21 organizations in fiscal year 1994: 2 soup kitchens; 16 food pantries, 2 of which provided on-site meals; one shelter for the homeless; and 2 organizations for battered women. The two soup kitchens received a large portion of the SKFB food, about 33 percent in fiscal year 1994. This EFO allocated the remaining 67 percent of the SKFB commodities by regulatory requirements--57 percent went to organizations that serve the needy exclusively, and 10 percent went to other institutions.

NATURE AND MAGNITUDE OF BENEFITS

USDA provides states with a range of commodities obtained with SKFB-appropriated dollars and commodities made available from USDA's surplus removal and price support legislative authorities. While SKFB does not receive funds for administration, state TEFAP officials can allocate TEFAP administrative funds to SKFB. National data are not available on how much TEFAP administrative funding is used for this purpose.

In fiscal year 1994,[3] SKFB allocated about $40.4 million in commodities, including canned fruits and vegetables, dehydrated potatoes, canned beef and pork, poultry, and butter to the state agencies. California and Illinois were allocated about $5.1 million and $1.8 million, respectively, in SKFB commodities.

While national data are not collected on the number of meals or people served under this program, soup kitchens and food pantries were able to tell us about the importance of SKFB commodities to their operations. For example, in fiscal year 1994, one Illinois soup kitchen, which serves over 400 meals a day, obtained between 25 percent and 28 percent of its food from SKFB. A California soup kitchen, serving 2,100 meals a day, obtained between 27 percent and 36 percent of its food from SKFB. According to the four food pantries we visited in Illinois that received SKFB commodities, between about 1 percent and 20 percent of their food comes from SKFB.

The SKFB program does not provide any direct non-food benefits. However, some of the soup kitchens we visited had other available services. For example, one organization in California that operated a soup kitchen also provided many other services, including housing, a children's playground and school, a medical clinic, showers, and a library.

CHARACTERISTICS OF INDIVIDUALS SERVED

Data are not uniformly collected on the characteristics of people receiving meals at soup kitchens or commodities under this program. However, soup kitchen managers we visited generally knew the characteristics of the population they served. For example, according to one California soup kitchen director, the recipients were (1) generally between ages 25 and 40; (2) 70 percent men and 30 percent women and children; (3) 60 percent white, 30 percent black, 5 percent Latino, and 5 percent other; (4) 25 percent Vietnam veterans; and (5) 85 percent to 90 percent homeless.

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[3]Data are as of Nov. 14, 1994.

MAJOR OBSERVATIONS

We made the following observations on the basis of our review of SKFB, including case studies in two states.

Soup Kitchens Serve the Most Impoverished

The five soup kitchens we visited used SKFB commodities to prepare meals for the most needy in their areas. As one soup kitchen director stated, "people on the bottom come here." According to officials at these facilities, meal recipients include the homeless; the mentally, socially, and physically disabled; unemployed people or people who cannot sustain long-term employment; the elderly on fixed income; transients; single parents with children; families in crisis; and the working poor.

Some of the soup kitchens reported an increase over the last 3 years in the number of women and children, working poor, and substance abusers. One soup kitchen official has seen a 25-percent increase in the number of women and children in the last year, which he attributes to high rents in the area. In contrast, one soup kitchen manager told us that the population her organization serves has remained relatively consistent because it is tied to a way of life, a culture that is not really affected by economic conditions.

Soup Kitchens Have Other Sources of Food, Including Other USDA Commodities

In addition to SKFB commodities, soup kitchens can receive commodities from USDA through its surplus removal and price support legislative authorities. USDA makes commodities obtained through these authorities available to states for distribution to charitable institutions. To participate, charitable institutions must be private or public nonprofit institutions that serve meals on a regular basis. According to USDA, butter will be the only commodity available to charitable institutions in fiscal year 1995 under these legislative authorities. Four of the five soup kitchens we visited that received SKFB commodities also received these other USDA commodities.

In addition, the soup kitchens we visited relied on sources of food other than USDA commodities. For example, one soup kitchen in California used volunteer groups to provide the main entree for the 1,000 to 1,300 meals served daily and USDA food to supplement this entree. For one soup kitchen in Illinois, the nearby hospital cafeteria provided 30 percent of the food. Only one soup kitchen we visited relied on SKFB and USDA charitable institution commodities for most of its food (75 percent); most of this was SKFB commodities. This California soup kitchen has been serving meals for the last 18 years and serves about 1,000 meals a day.

Some Soup Kitchens Do Not Accept Federal Funds

Officials from two soup kitchens we visited in California said they would accept federal commodities but would not accept federal funds. One of these officials told us that accepting cash from the federal government was against the organization's philosophy--its founder did not want government bureaucracy involved in the organization's operations. This soup kitchen has been in operation for 45 years and serves 2,100 meals daily.

Benefits Provided Under SKFB Can Duplicate Those Under TEFAP, Resulting in Increased Administrative Burden

Legislative changes to SKFB[4] have made it similar to TEFAP--both programs can supply similar commodities to the same organizations, such as food banks or food pantries, for home consumption. Many of the commodities provided to these organizations under the two programs are exactly the same--both in the food product and in the size available. For example, in fiscal years 1993 and/or 1994, the following canned foods were provided to each program: green beans, vegetarian beans, peas, orange juice, fruit cocktail, applesauce, peaches, pears, and pork. Both programs also received dehydrated potatoes and rice. Therefore, it is possible for the same commodities from each of these programs to go to the same organization serving the same group of needy people.

We observed the administrative burden that can result from this program overlap in Illinois. According to three of four Illinois pantry directors participating in both programs, receiving the same product (such as cans of green beans) from each program increases the administrative burden for their largely volunteer organizations. These pantries account for commodities for each program separately and therefore store them separately. In addition, SKFB commodities are only tracked to the pantry, while TEFAP commodities are tracked to a specific grocery bag.

One pantry director handles the USDA commodities in the following way. USDA commodities are marked with colored stickers--blue for TEFAP and yellow for SKFB--so that they can be tracked separately. When food orders are packed for distribution, volunteers note on a prepared form the SKFB and TEFAP commodities contained in the bag. Clients sign two forms--one for TEFAP and one for SKFB. Another pantry director said that it was burdensome for her staff to track

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[4]Technical amendments to the 1990 farm bill established the priority system for SKFB allocation, which includes distributing SKFB to individuals for home consumption.

the 3,000 to 5,000 cans received each month. Tracking cases of food would be easier, she pointed out.

SKFB Does Not Always Receive Administrative Funds From TEFAP

The two states we visited differed in whether they used TEFAP administrative funds to support SKFB. These differences occur because the federal government does not require, but does allow, TEFAP funds to cover similar costs for SKFB. In addition, when states allocate TEFAP administrative funds to SKFB, there is no federal formula to determine the amount of funds SKFB should receive. TEFAP state officials determine whether to allocate these funds to the SKFB program and, if so, how much. There are no national data on how much TEFAP administrative funding has been used to support SKFB in the past.

This flexibility in funding for SKFB administration can result in inequities for soup kitchens between states. For fiscal years 1991-94, Illinois annually allocated 13 percent of TEFAP administrative funds to SKFB. In contrast, for the same period, California did not allocate any TEFAP administrative funds to SKFB. As a result, California soup kitchens had to pay $2.70 per case for SKFB commodities to cover the state's costs of storing, handling, and delivering them, while Illinois soup kitchens paid nothing for these commodities. According to the manager of one California soup kitchen, the organization paid the state approximately $41,500 for $216,400 worth of SKFB commodities during a 10-month period in fiscal year 1994.

Different management arrangements in Illinois and California help account for the differences in the allocation of TEFAP administrative funds. In Illinois, one state agency manages TEFAP and SKFB, and in California, two separate agencies manage these programs. Illinois EFOs participating in one or both programs were reimbursed with TEFAP administrative funds at the same rate in fiscal year 1994--4 cents a pound for TEFAP commodities and 4 cents a pound for SKFB commodities. In contrast, in California, although the SKFB agency has requested TEFAP administrative funds, the state TEFAP agency has not allocated TEFAP administrative funding to SKFB.

It is unclear how states will spend available TEFAP administrative funds in fiscal year 1995. The value of commodities under TEFAP has been reduced significantly, but the level of TEFAP administrative funding has remained the same. As a result, states have more administrative funds for a smaller program. In the past, most of the administrative money in California and Illinois was used to pay for the storage, handling, and transporting of TEFAP commodities. California had not fully decided how it would spend its fiscal year 1995 TEFAP administrative funds at the time of our visit in late

November 1994. However, officials told us they plan to increase private food donations by reimbursing EFOs for distributing these other donated foods. At that time they were not planning to allocate fiscal year 1995 TEFAP administrative funds to the SKFB program. In contrast, Illinois TEFAP officials said that they plan to use fiscal year 1995 TEFAP administrative funds in part to increase the reimbursement rate to EFOs for TEFAP and SKFB commodities from 4 cents to 6 cents a pound.

ALTERNATIVE TO STREAMLINE OPERATIONS AND REDUCE COSTS

The following alternative was identified to streamline operations and reduce the costs of the three commodity programs we reviewed. These commodity programs--TEFAP, SKFB, and CSFP--are described separately in the appropriate section of this enclosure. Because this alternative involves the consolidation of three separate programs into one, it is repeated for each of these commodity programs.

Alternative

Create one supplementary food assistance program by consolidating the resources available to purchase commodities for TEFAP, SKFB, and CSFP--$132.6 million in fiscal year 1995. Administrative funds currently available for these programs, approximately $56.9 million in fiscal year 1995, could be combined, reduced, or eliminated; or a portion of these funds could be used to purchase additional commodities. Furthermore, commodities currently made available by USDA to charitable institutions under USDA's price-support and surplus removal legislative authorities could be incorporated into the consolidated commodity food assistance program. This combined program could distribute commodities to a single designated state agency on the basis of an allocation formula that could meet the hunger needs of designated low-income target groups, such as the homeless and the elderly.

Rationale

Consolidation of these commodity programs would have multiple benefits. By consolidating program management under one state agency in each state, the states would have greater flexibility to more effectively target resources to alleviate hunger. For example, if states believed that homeless people needed more food assistance than other low-income individuals, more of their allocation could be targeted toward this population. Moreover, the establishment of one program would provide the opportunity to set measurable goals for the program, which could be used to evaluate its effectiveness at the federal and state level. Currently, this type of analysis is not conducted for these commodity programs.

Consolidation of these commodity programs could also help streamline federal, state, and local administration of the food assistance programs that rely on USDA commodities. Under the current structure, each of these three programs has its own set of federal regulations and is not always managed by the same state agency in each state. With one program, federal regulations could be consolidated and USDA could provide commodities to one designated state agency. These changes would consolidate federal operations and could consolidate state operations. At the state level, one distribution system could be established to replace the multiple distribution systems now in place that are distributing many of the same USDA foods in the same size containers. In addition, if each state had only one state agency, local organizations currently participating in more than one program would only have to coordinate with and receive USDA commodities from one source and could reduce their paperwork burden.

Moreover, a consolidated program, using a standard allocation formula, would more equally distribute available commodities and administrative funds to the states. A single allocation formula would end the limited distribution of CSFP commodities--the most expensive of these programs--to only portions of 17 states, the District of Columbia, and two Indian tribal organizations. It would also address the inequities in the allocation of administrative funds between and within these food assistance programs. For example, CSFP sets aside 20 percent of its appropriation for administrative costs, TEFAP receives more money for administration than for food, and SKFB does not receive any direct appropriation for administration. As a result, organizations in some states have to pay for USDA commodities, while similar organizations in other states do not. In addition, while states must match some of TEFAP's administrative costs, they do not have to do so for CSFP.

Finally, a consolidated commodity distribution program would continue to support USDA's price support and surplus removal activities. It would also continue to (1) provide an outlet for commodities as surpluses arise and (2) make commodities available to help victims of natural disasters.

In addition, a consolidated food commodity program could be designed to operate with or without administrative funds provided by the federal government. While TEFAP and CSFP currently receive appropriated administrative funds directly, SKFB does not. Moreover, there are no appropriated administrative funds to distribute USDA commodities made available to charitable institutions under price support and surplus removal authorities. In California, we observed that the state office operated SKFB without any federal administrative funding by charging fees to participating organizations for these commodities to cover administrative costs.

Potential Adverse Impacts

(1) Current populations being served under these three programs may not receive the same level of benefits. It is possible that states receiving CSFP may choose not to serve the target populations that they are now serving. For example, Louisiana, which sometimes places the elderly on a waiting list, could target the elderly instead of women, infants, and children. It is also possible that all current TEFAP participants receiving commodities through periodic distributions may not continue to receive benefits because eligibility and verification requirements could be tightened.

(2) At the local level, the allocation of commodities could shift, depending on how states target benefits. It is possible that some soup kitchens may receive less USDA commodities.

(3) At the state level, allocation of total resources may change. For example, states currently receiving CSFP may receive less commodities; and states not receiving CSFP may receive more. For example, Louisiana and Michigan, which currently receive 43 percent of CSFP commodities, could receive substantially less, depending on the allocation formula. If the current TEFAP commodity allocation were used, these two states would have received only 6 percent of CSFP program benefits in 1994.

(4) If administrative funds are eliminated or reduced, states will either have to pay the cost of storing and transporting commodities to local providers or charge providers to cover all or part of these costs. Some states may not be willing to provide any or all of the administrative funding necessary to do this. Only a few states currently participating in CSFP supplement federal administrative funds with state funds. In addition, costs could be shared more equally among participating organizations and states under the consolidated approach.

(5) More demand may be placed on WIC if current CSFP participants lose their benefits. Current cost estimates for a fully funded WIC assume that participation in CSFP remains constant.

COMMODITY SUPPLEMENTAL FOOD PROGRAM (CSFP)

Fiscal Year 1995 Appropriation: $84.5 Million

PROGRAM DESCRIPTION

Initiated in 1969, CSFP was originally designed to provide USDA commodities to supplement the diets of low-income pregnant, breast-feeding, and postpartum women and their children. As a result of legislative changes, CSFP has also distributed benefits and provided nutrition education to the elderly (age 60 or over). Distribution to the elderly began in 1981, and by the end of fiscal year 1994, all but two states offered CSFP to the elderly. The program now operates in only parts of 17 states, as well as the District of Columbia and two Indian reservations. Through this program, USDA provides commodities such as nonfat dry milk, cereal, juice, and canned meat. These commodities are intended to provide the nutrients typically lacking in the diets of the target populations.

CSFP provides commodities and administrative funds to the 20 CSFP state-level agencies, including those administering the program on two Indian reservations and in the District of Columbia. These state-level agencies establish eligibility criteria for program participants, store the food, and distribute it to local public and private nonprofit agencies that directly provide the food as well as nutrition education to program participants.

Authorization for this program was extended under the 1990 Farm Bill through September 30, 1995.

ELIGIBILITY CRITERIA

Eligibility requirements for women, infants, and children differ from those for the elderly. Program regulations specify that to receive CSFP benefits, pregnant and postpartum women, infants, and children (up to age 6) must qualify for another federal, state, or local program offering welfare, food, medical, or other benefits to low-income persons. In the states we visited, these other qualifying programs for women, infants, and children generally limit participation to those with income up to 185 percent of the federal poverty level. However, in California, pregnant women and infants with an income up to 200 percent of the federal poverty level are eligible for CSFP because they qualify for state health care benefits. Individuals receiving WIC benefits cannot simultaneously participate in this program; however, different individuals within a household can receive benefits from WIC and CSFP. For example, a pregnant woman could receive WIC benefits while her 5-year old child receives CSFP benefits.

In contrast, program regulations require that the elderly have an income at or below 130 percent of the federal poverty level. (Elderly individuals who joined the program prior to September 17, 1986, can participate in CSFP, subject to the terms in effect on their date of certification.) States can also choose to add an additional eligibility requirement of nutritional risk for all participants. In fiscal year 1994, no state determined nutritional risk.

BENEFIT DISTRIBUTION SYSTEM

CSFP benefits are not distributed nationwide. In fiscal year 1994, USDA distributed commodities to designated state-level agencies in Arizona, California, Colorado, Illinois, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Nebraska, New Hampshire, New Mexico, New York, North Carolina, Oregon, and Tennessee; the District of Columbia; and on two Indian reservations--the Oglala Sioux Reservation in South Dakota and the Red Lake Indian Reservation in Minnesota.

State-level agencies, which have overall responsibility for administering CSFP, are typically located in departments of health, social services, education, and agriculture. State-level agencies distribute CSFP commodities to either public or private nonprofit local agencies. In total, 76 local agencies provide CSFP benefits. In the four states we visited, the local agencies were private nonprofit organizations. For example, in Louisiana, New York, and Illinois, the local agencies were affiliated with the Catholic Church. Local agencies distribute CSFP benefits through various types of outlets, including permanent sites and mobile distribution units.

The CSFP state agencies distribute food packages differently. In New York and Illinois, the program offers CSFP outlets that are like grocery stores--each participant receives a shopping cart and a shopping list. Participants may select from a range of commodities within specific food categories. In contrast, the California and Louisiana local agencies offer only prepackaged CSFP commodities, with some allowance made for special dietary needs. In all the states we visited, local agencies also use mobile units to deliver food packages to different locations, such as community centers and churches. Local agencies considered mobile units very important for reaching people without access to transportation. In Illinois, a local agency distributes packages to the elderly who are homebound.

NATURE AND MAGNITUDE OF BENEFITS

CSFP provides recipients with a monthly food package to supplement their diets. Food packages can include items such as cereal, nonfat dry and evaporated milk, juice, rice, egg mix, peanut butter and dry beans or peas, and canned meats, canned fruits and vegetables, and pasta. Women, infants, children, and the elderly receive packages that vary according to their nutritional needs. For example, packages for infants include infant formula.

In fiscal year 1994, CSFP provided $86 million in commodities to 20 state-level agencies. While $76 million of these commodities were bought with dollars appropriated for CSFP, USDA provided CSFP with an additional $10 million in commodities through its surplus removal and price support legislative authorities.

In addition to providing food benefits, CSFP provides nutrition education through cooking demonstrations, recipe booklets, and other printed materials. CSFP local agencies also provide referrals to other health and social service agencies. CSFP participants may also receive benefits from non-USDA sources, and these benefits vary by location. For example, in Illinois, the CSFP local agency distributes donations, such as deodorant and soap, received from large companies or corporations; in New York State, one local agency provides gift-wrapped books to children to stimulate an interest in reading; and in Louisiana, home health agencies provide eye screenings, blood and glucose tests, and dental exams.

In fiscal year 1994, the average CSFP commodity food package for women, infants, and children cost USDA about $20.93, while the average package for the elderly cost about $18.64. The retail value of these packages was much higher, depending on the items included and the area in which they would have been purchased. For example, the average monthly retail value of an infant package in Illinois and New York State was about $83 and $84, and the average value of a child's package was $36 and $48, respectively, during fiscal year 1994. The average monthly retail value of a package for both a postpartum nonbreast-feeding woman and an elderly recipient in Illinois was about $31, while the same package in New York State retailed at about $44.

In fiscal year 1994, USDA also provided $21 million in administrative funding to the states, accounting for about 20 percent of each state's CSFP allocation. By law, USDA cannot distribute more than 20 percent of the annual appropriation for administrative costs. These administrative funds cover such expenses as nutrition education, food warehousing, food delivery, and participant certification. Most of this funding is passed along to the local agencies; the state may retain no more than $30,000 to cover its own administrative expenses.

While states are not required to provide any additional funding for CSFP, some states do. For example, in fiscal year 1994, New York State provided $1.6 million for administrative funding, while USDA provided $1.2 million.

In addition, some local agencies receive additional funds from other sources. Louisiana reported that the Catholic Archdiocese of New Orleans provided $580,000 in fiscal year 1992 to purchase a second warehouse and cover operating expenses, and California reported that Community Service Block Grant funds (provided by DHHS) are used to defray expenses.

PARTICIPANT CHARACTERISTICS

In fiscal year 1994, most CSFP participants were women, infants, and children--55 percent (200,434) of the 363,000 participants in the program. Of this group, 75 percent were children; 12 percent, nonbreast-feeding women; 10 percent, infants; and 3 percent, pregnant or breast-feeding women. According to a 1994 USDA survey, about 60 percent of these participants would be eligible for benefits under WIC if they were not already participating in CSFP. The majority of those ineligible for WIC were 5-year old children, ineligible on the basis of age; nonbreast-feeding women who gave birth 7 to 12 months earlier; or women, infants, or children who did not meet WIC's nutritional risk requirement.

In addition, 162,624 participants (45 percent) were elderly. In the states we visited, elderly participation ranged from about 7 percent in New York to 63 percent in Louisiana. (New York State only implemented its service for the elderly in fiscal year 1994.)

Nationwide, 45 percent of program participants were African-American, 35 percent were white, 16 percent were Hispanic, 3 percent were Asian-Pacific Islanders, and 1 percent were American Indians/Alaskan Natives.

MAJOR OBSERVATIONS

We made the following observations on the basis of our review of CSFP, including case studies in four states.

Program Not Widely Available

CSFP is available in only 17 states, the District of Columbia, and on 2 Indian reservations. CSFP benefits are limited to relatively few parts of the country because program regulations give funding preference to state agencies requesting to maintain or increase their caseload rather than to nonparticipating states requesting program benefits for the first time. As a result, CSFP funding has not been sufficient to cover the increased costs of program expansion into additional states since 1988. Over the past few years, USDA has denied requests from Ohio, Pennsylvania, and Texas to participate in CSFP.

Furthermore, program benefits are concentrated in only two states: Michigan receives 27 percent and Louisiana receives 16 percent of total program benefits. Program benefits were also limited within states. For example, CSFP was available in only 2 of 58 California counties; 23 of 64 Louisiana counties; and only 1 of 102 Illinois counties.

Program Relies Heavily on Volunteer Assistance and Donations

In the states we visited, CSFP relied heavily on volunteers to distribute CSFP benefits. Volunteers provided such services as packaging food, performing clerical tasks, and delivering food. For example, volunteers in rural Louisiana delivered CSFP commodities to members of the Dulac Indian Tribe, a community in a remote location. CSFP officials in Louisiana reported that their program received about 83,000 hours of volunteer time in fiscal year 1993. One provider in New York State reported that about 300 different people volunteered their time to support CSFP activities.

CSFP local agencies also reported that donations of space to distribute CSFP benefits were important. For example, the CSFP local agency in Illinois stated that 37 of its 42 distribution sites used donated space, for an estimated annual rental value of $200,000. Similarly, the local CSFP agency in Louisiana reported receiving $338,000 in free building space.

Populations Being Served Are Changing

The percent of women, infants, and children receiving CSFP benefits is declining, while the percent of elderly receiving CSFP benefits is growing. In fiscal year 1990, 61 percent of CSFP recipients were women and their children and 39 percent were elderly adults. By fiscal year 1994, the percent of women and their children participating in CSFP had decreased to 55 percent, while the percent of elderly adults had increased to 45 percent. Moreover, projections for fiscal year 1995 indicate that women and their children will account for only 51 percent of CSFP recipients.

The participation of women, infants, and children in CSFP has declined in part because the number of those eligible to participate has decreased in the areas where CSFP is available. USDA officials believe that women and their children who could participate in CSFP are choosing instead to participate in WIC. The total package of WIC benefits are more extensive than those provided under CSFP because WIC offers participants health screenings and health referrals, which are both generally unavailable under CSFP.

As opportunities to extend CSFP benefits to women and their children have decreased, states have requested that USDA grant them permission to extend CSFP benefits to the elderly. Louisiana officials reported that the growth of the CSFP elderly component is limited only by caseload and logistical constraints. In June 1994, Louisiana had 2,500 elderly on a waiting list for CSFP before USDA gave the state permission to convert its allotment for women, infants, and children to an allotment for the elderly. A local agency on Long Island faced a similar situation because relatively few women, infants, and children were seeking program benefits, and it was allowed to convert its allocation.

ALTERNATIVE TO STREAMLINE OPERATIONS AND REDUCE COSTS

The following alternative was identified to streamline operations and reduce the costs of the three commodity programs we reviewed. These commodity programs--TEFAP, SKFB, and CSFP--are described separately in the appropriate section of this enclosure. Because this alternative involves the consolidation of three separate programs into one, it is repeated for each of these commodity programs.

Alternative

Create one supplementary food assistance program by consolidating the resources available to purchase commodities for TEFAP, SKFB, and CSFP--$132.6 million in fiscal year 1995. Administrative funds currently available for these programs, approximately $56.9 million in fiscal year 1995, could be combined, reduced, or eliminated; or a portion of these funds could be used to purchase additional commodities. Furthermore, commodities currently made available by USDA to charitable institutions under USDA's price-support and surplus removal legislative authorities could be incorporated into the consolidated commodity food assistance program. This combined program could distribute commodities to a single designated state agency on the basis of an allocation formula that could meet the hunger needs of designated low-income target groups, such as the homeless and the elderly.

Rationale

Consolidation of these commodity programs would have multiple benefits. By consolidating program management under one state agency in each state, the states would have greater flexibility to more effectively target resources to alleviate hunger. For example, if states believed that homeless people needed more food assistance than other low-income individuals, more of their allocation could be targeted toward this population. Moreover, the establishment of one program would provide the opportunity to set measurable goals for the program, which could be used to evaluate its effectiveness at the federal and state level. Currently, this type of analysis is not conducted for these commodity programs.

Consolidation of these commodity programs could also help streamline federal, state, and local administration of the food assistance programs that rely on USDA commodities. Under the current structure, each of these three programs has its own set of federal regulations and is not always managed by the same state agency in each state. With one program, federal regulations could be consolidated and USDA could provide commodities to one designated state agency. These changes would consolidate federal operations and could consolidate state operations. At the state level, one distribution system could be established to replace the multiple distribution systems now in place that are distributing many of the same USDA foods in the same size containers. In addition, if each state had only one state agency, local organizations currently participating in more than one program would only have to coordinate with and receive USDA commodities from one source and could reduce their paperwork burden.

Moreover, a consolidated program, using a standard allocation formula, would more equally distribute available commodities and administrative funds to the states. A single allocation formula would end the limited distribution of CSFP commodities--the most expensive of these programs--to only portions of 17 states, the District of Columbia, and two Indian tribal organizations. It would also address the inequities in the allocation of administrative funds between and within these food assistance programs. For example, CSFP sets aside 20 percent of its appropriation for administrative costs, TEFAP receives more money for administration than for food, and SKFB does not receive any direct appropriation for administration. As a result, organizations in some states have to pay for USDA commodities, while similar organizations in other states do not. In addition, while states must match some of TEFAP's administrative costs, they do not have to do so for CSFP.

Finally, a consolidated commodity distribution program would continue to support USDA's price support and surplus removal activities. It would also continue to (1) provide an outlet for commodities as surpluses arise and (2) make commodities available to help victims of natural disasters.

In addition, a consolidated food commodity program could be designed to operate with or without administrative funds provided by the federal government. While TEFAP and CSFP currently receive appropriated administrative funds directly, SKFB does not. Moreover, there are no appropriated administrative funds to distribute USDA commodities made available to charitable institutions under price support and surplus removal authorities. In California, we observed that the state office operated SKFB without any federal administrative funding by charging fees to participating organizations for these commodities to cover administrative costs.

Potential Adverse Impacts

(1) Current populations being served under these three programs may not receive the same level of benefits. It is possible that states receiving CSFP may choose not to serve the target populations that they are now serving. For example, Louisiana, which sometimes places the elderly on a waiting list, could target the elderly instead of women, infants, and children. It is also possible that all current TEFAP participants receiving commodities through periodic distributions may not continue to receive benefits because eligibility and verification requirements could be tightened.

(2) At the local level, the allocation of commodities could shift, depending on how states target benefits. It is possible that some soup kitchens may receive less USDA commodities.

(3) At the state level, allocation of total resources may change. For example, states currently receiving CSFP may receive less commodities; and states not receiving CSFP may receive more. For example, Louisiana and Michigan, which currently receive 43 percent of CSFP commodities, could receive substantially less, depending on the allocation formula. If the current TEFAP commodity allocation were used, these two states would have received only 6 percent of CSFP program benefits in 1994.

(4) If administrative funds are eliminated or reduced, states will either have to pay the cost of storing and transporting commodities to local providers or charge providers to cover all or part of these costs. Some states may not be willing to provide any or all of the administrative funding necessary to do this. Only a few states currently participating in CSFP supplement federal administrative funds with state funds. In addition, costs could be shared more equally among participating organizations and states under the consolidated approach.

(5) More demand may be placed on WIC if current CSFP participants lose their benefits. Current cost estimates for a fully funded WIC assume that participation in CSFP remains constant.

THE SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC)

Fiscal Year 1995 Appropriation: $3.47 Billion ($6.75 million is set-aside for the WIC Farmers' Market Nutrition Program (FMNP))

PROGRAM DESCRIPTION

First created as a pilot project by the Congress in 1972, and authorized as a national program in 1975, WIC is a nutrition program that provides supplemental food benefits, nutrition education, and referral to health care to certain low-income people who are at nutritional risk: pregnant, breast-feeding, and postpartum women; and infants and children up to age 5. USDA administers and regulates the program in cooperation with state and local health departments and related agencies.

Associated with the WIC program is the Farmers' Market Nutrition Program (FMNP). The Hunger Prevention Act of 1988[5] authorized federal funding (a set-aside of the annual WIC appropriation) to provide coupons that WIC participants can redeem for fresh fruits and vegetables at participating farmers' markets. These coupons are in addition to their regular WIC benefit. FMNP is intended to benefit both the coupon recipient, through food supplements, and local farmers who sell produce at farmers' markets.

ELIGIBILITY CRITERIA

The states establish WIC eligibility criteria that are based on USDA guidelines. In addition to having to meet income eligibility criteria, participants must be judged by a health professional to be at nutritional risk. Income eligibility criteria are set by the states within the limits of the federal poverty guideline. Nutritional risk criteria are established by the states on the basis of a broad range of diet-related health conditions. Women, infants (over 4 months old), and children who are certified to receive WIC benefits or who are on a waiting list for WIC are eligible to participate in FMNP. State agencies may create further service categories among participants within these groups. For example, a state may choose to provide FMNP coupons only to pregnant and breast-feeding WIC participants because its FMNP funds are limited.

Under WIC's income eligibility criteria, a participant's gross household income must be below a limit of between 100 percent and 185 percent of the federal poverty level. Each state selects the specific household income limit within this range, with most using the limit of 185 percent of the federal poverty level. If a state

[5]Public Law 100-435, Sept. 1988.

limit, for example, was set at 185 percent of the 1994 federal poverty level, a family of four could have earned up to $27,380 and still qualified for WIC participation. Individuals who participate in Aid to Families With Dependent Children (AFDC), the Food Stamp Program, or Medicaid automatically meet the WIC income eligibility criteria.

WIC participants must also be judged by a health professional to be at nutritional risk. Some nutritional risk conditions include abnormal weight gain during pregnancy for women, low birth weight for infants, and growth problems, such as stunted growth for children. Women can enter the program when they are pregnant, up to 6 months after childbirth if they are not breast-feeding, or up to 12 months after childbirth if they are breast-feeding. Children can be enrolled in the program up to the age of 5.

Unlike AFDC or food stamps, WIC is not an entitlement program. That is, states serve as many eligible persons as possible up to the limit of their WIC grant. When limits are reached, applicants for WIC benefits are placed on waiting lists. As vacancies occur, applicants are certified on the basis of a priority system that directs benefits to those at the highest nutritional risk.

BENEFIT DISTRIBUTION SYSTEM

USDA distributes WIC cash grants (the program is 100 percent federally funded) to the states, which allocate the grants to local agencies, clinics, and others that provide WIC food benefits, nutrition education, and other program services. WIC benefits are available in all 50 states, the District of Columbia, Guam, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, and Indian reservations through 86 state-level agencies, 1,900 local agencies, 9,000 clinics, and 46,000 food retailers. FMNP benefits are issued to eligible recipients, separately from their regular WIC food vouchers, in the District of Columbia, the Cherokee Nation of Oklahoma, and 24 states.

In the five states we visited, WIC was administered by the state department of health, which is typically the state administering agency. Local WIC agencies are often city or county health departments but may also include hospitals, maternal and child health agencies, and community action agencies. We found that WIC clinics in a variety of locations--Carlinville, Illinois; Lutcher, Louisiana; Arlington, Texas; San Francisco, and New York City--were held in permanent, satellite, and mobile sites. Satellite locations included hospitals, churches, and county storage facilities.

Overall, the private sector's role in delivering clinic services is limited. While WIC clinics receive some in-kind contributions of space, the program has few volunteers. Volunteers that do assist take clients to WIC clinics and perform simple administrative tasks. The private sector is involved in retail food delivery of WIC foods through 46,000 authorized retailers.

NATURE AND MAGNITUDE OF PROGRAM BENEFITS

The supplemental foods that WIC provides include milk, cheese, fruit and vegetable juices, iron-fortified cereals, dry beans, peanut butter, eggs, and infant formula, which are rich sources of the nutrients frequently lacking in the diets of low-income women and children. Special formulas are also available to meet unusual health-related conditions. The WIC food benefit, commonly referred to as a "food package," is usually provided in the form of a voucher that participants can redeem for specific food items in retail grocery stores. Although USDA prescribes the maximum amount of food that can be included in each food package, each local WIC provider determines the specific contents of food packages according to the participant's nutritional needs.

In addition, some states provide food products, instead of vouchers, directly to recipients. For example, Illinois recently approved a demonstration project in Chicago to distribute WIC foods directly to inner-city participants. This project is intended to provide food directly to participants who find it difficult and dangerous to redeem their vouchers at retail stores. Nationwide, 88 percent of WIC benefits are given as vouchers for use in retail grocery stores and 12 percent as commodities (9 percent are home-delivered food and 3 percent are picked up by the participant). In some states, such as Texas and New York, fresh fruits and vegetables are also available to certain WIC participants through FMNP.

WIC nutrition education is provided both individually and in group settings. Instruction focuses on the benefits of a nutritionally balanced diet and breast-feeding. We found a range of methods used to provide nutrition education--cooking demonstrations, classroom quizzes, videos, and lectures. Some WIC clinics, such as one we visited in New York City, scheduled participants to attend nutrition education sessions whenever they picked up vouchers. Other clinics offered nutrition education whenever a person's eligibility was certified or recertified.

In addition, WIC provides health screenings and referrals to health services. According to a New York State WIC official, the case management, or "tracking," of a participant's health status is probably the most important WIC benefit. This tracking allows the program to monitor each participant's health.

In fiscal year 1994, average monthly WIC participation was about 6.5 million (1.5 million women, 1.8 million infants, and 3.2 million children). Participants' average annual WIC benefit nationwide was about $362. For FMNP, participation levels and the average benefit are much smaller. FMNP participation was about 530,000 in fiscal year 1993 (the most recent year for which participation data are available) and the annual federal benefit per WIC household ranged from $10 to $20. While still small, this program's funding ($6.75 million in fiscal year 1995) has grown rapidly, increasing from $2.75 million to $6.75 million, or 145 percent, in 4 years.

The average monthly value of a WIC food package in fiscal year 1993 varied by recipient: $35.18 for pregnant women, $28.17 for postpartum women, $35.19 for breast-feeding women, $66.56 for infants, and $31.37 for children. The cost of WIC food packages can vary among states because of differences in retail food prices and state-negotiated rebates for infant formula. For example, we found that the cost of a food package for children one to 5 years old was $36.42 in Illinois and $30.71 in Texas.

CHARACTERISTICS OF INDIVIDUALS SERVED

According to USDA's 1992 report on WIC participants, (the latest participant data available for WIC), 47.5 percent of WIC participants were children; 30.1 percent were infants; and 22.4 percent were women (13.6 percent pregnant, 3.6 percent breast-feeding, and 5.2 percent postpartum). Eighty-three percent of the pregnant women participating in WIC were between the ages of 18 and 34. Three-quarters of all WIC infants were certified for WIC benefits during the first 3 months following birth. Children's participation decreases as age increases--44 percent were 1 year of age. USDA data indicate that about 63 percent of FMNP recipients in fiscal year 1993 were children, about 32 percent were women, and about 6 percent were infants.

The 1992 report found that whites made up the largest percentage of WIC participants (44 percent), followed by African-Americans (28 percent), Hispanics (23 percent), Asian or Pacific Islanders (2 percent), and American Indians or Alaskan Natives (2 percent). The mean household size of WIC participants in April 1992 was 3.8, a decrease from the 4.4 average USDA reported in 1988. The percentage of pregnant women certified as one-person households rose from 6 percent in 1988 to 17 percent in 1992. Local Louisiana and New York State WIC officials told us that the number of pregnant teenagers enrolling in WIC has also been increasing.

The 1992 USDA study also reported that two-thirds of WIC participants were at or below the federal poverty level. Illinois and Texas WIC officials told us that an increasing number of working poor (people with an income above the federal poverty level but under WIC's guideline of 185 percent of the federal poverty level) participate in WIC. Furthermore, a WIC official in a rural Texas community said that families from a higher socioeconomic class have dropped to a lower socioeconomic class and are now eligible for WIC benefits. (The drop is due to a depressed oil industry.) Similarly, another WIC official in an urban Texas area said that her clinics are serving more people who do not fall below the poverty line (the working poor). A Louisiana WIC official said that more of that state's clients are the working poor, teenagers, and older women.

WIC officials generally do not track the number of program participants who also participate in other federal food and nutrition assistance programs. However, some of the WIC officials we contacted estimated that 20 percent to 70 percent of WIC participants also received benefits from the Food Stamp Program, 30 percent to 60 percent from AFDC, 50 percent to 76 percent from Medicaid, up to 5 percent from Supplemental Security Income, and 5 percent to 50 percent from Head Start.

MAJOR OBSERVATIONS

We made the following observations on the basis of our review of WIC, including case studies in five states.

WIC Is Seen as a Health, Not a Welfare Program

WIC participants see the program as a health, not a welfare, program. According to WIC officials, this perception, unlike the perception that the Food Stamp Program is a welfare program, enables women and their children to participate without the stigma associated with accepting welfare. As a result, many of the working poor in all parts of the country participate in WIC. A New York State Department of Health official told us that WIC has avoided the welfare stigma partly because it is administered by state health agencies (not social service offices as is the case for food stamps) and partly because it provides on-site health screening. According to the official, WIC's avoidance of a welfare stigma is very important. The official said that if such a stigma were present, many eligible persons would not participate in the program, forfeiting an important opportunity to improve their nutrition.

In addition to health screening, WIC provides other important health-related services. For example, the typical certification process, such as the one we observed at a New York City clinic, requires a health screening for each participant. The screening provides personal contact with a medical professional. It also provides clients with access to an array of health care services, such as immunizations, laboratory services, medical assessments, and screening for lead poisoning. The New York City clinic also offers referrals to organizations for minority populations, persons with special needs, and the homeless. In addition, it has established linkages with major area employers to develop strategies for enrolling working women in WIC.

According to a San Francisco Department of Public Health official, WIC often serves as a "gateway" for poor women and children to receive other health services. She said that about 50 percent of the health benefits obtained by WIC recipients are obtained from private physicians. If this is not feasible, then these recipients receive health care on site at one of San Francisco's public health clinics. The frequency of health care contacts varies according to the health care status of each participant. For example, the official noted that relatively healthy children are routinely examined once every 6 months, with hematocrit (iron deficiency testing) procedures performed once a year. Pregnant women, on the other hand, may be seen by a health professional once each trimester, or more often if necessary.

FMNP Benefits Are Not Uniformly Available or Fully Utilized

FMNP benefits are not available nationwide to families participating in WIC. FMNP is currently available in the District of Columbia, the Cherokee Nation of Oklahoma, and 24 states (California, Connecticut, Indiana, Iowa, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Texas, Vermont, Washington State, and West Virginia). In addition, the availability of FMNP to participating WIC families may be further restricted within these areas. For example, only 31 percent of the participating New York State WIC population received FMNP benefits in fiscal year 1993. The New York State FMNP coupons were distributed only to local WIC providers that were located near a participating farmers' market.

Furthermore, recipients do not fully use FMNP benefits. According to fiscal year 1992 data, the average FMNP coupon redemption rate was about 70 percent. (In contrast, WIC vouchers had a nationwide redemption rate of about 90 percent in fiscal year 1992.) In the two states included in our review that distributed FMNP coupons, redemption rates were very close to the national rate reported in 1993. In New York State, coupons worth about $1.38 million, about 70 percent of a total coupon distribution of $1.99 million, were redeemed in fiscal year 1993. Similarly, in Texas, about $1.09 million in coupons, or about 68 percent, were redeemed from a total distribution of $1.6 million FMNP coupons during fiscal year 1993.

Providers Perceive Unfunded Mandates as a Burden

WIC providers must perform unfunded functions that are not part of their original mission, such as voter registration and childhood immunization. Louisiana, New York State, and Texas officials told us that unfunded mandates have placed a strain on state and local WIC operations and have hampered their ability to provide quality basic WIC program services.

Officials at different WIC locations we visited noted that the new "motor voter" legislation[6] will increase the workload of the WIC staff. For example, in registering voters, WIC staff must spend time assisting applicants in completing voter registration forms, transmitting completed forms to the appropriate state election officials, and retaining records for all applicants who decline to register. Some WIC staff must be deputized to certify voter registration. A WIC official in rural Illinois said motor voter and other requirements, which mandate responsibilities for WIC staff without providing additional funds, make it difficult to continue delivering quality WIC benefits to clients.

According to a WIC official in an urban Texas location, more money should be available for administrative costs. She said that local agencies are being asked to do more without additional funds. For example, the new breast-feeding education requirements will double the amount of breast-feeding education that must be conducted, but clinics will not receive additional funds.

In addition, WIC also must immunize children, which some providers regard as a stopgap measure to make up for the deficiencies in other public health services.

Lack of Health Care Coverage Can Limit Benefits of Screening

Lack of health care coverage is a major problem for WIC clients. The WIC program screens participants and refers them to appropriate health service providers. However, because participants often rely on Medicaid, the quality of the care they receive is determined by the availability of physicians accepting Medicaid patients. For example, a local Texas WIC official said that many women consider WIC to be their primary source for health benefits, relying on WIC staff to refer any medical problems to other medical providers for treatment. However, in rural areas, physicians generally will not take Medicaid patients, and there are few other places these WIC participants can go. Therefore, a medical problem may be identified but remain untreated.

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[6]P.L. 103-31, "National Voter Registration Act of 1993".

ALTERNATIVE TO REDUCE COSTS

The following alternative was identified to reduce WIC costs.

Alternative

Eliminate FMNP.

Rationale

FMNP diverts $6.75 million from the total WIC program. It tends to distribute benefits not on the basis of need but on the basis of accessibility to farmers' markets. If this program is intended to encourage WIC participants to purchase fresh produce in season when costs are low, then limiting participants' purchasing ability to farmers' markets is not an effective approach because these markets are not widely available. For example, a Texas official said that transportation to farmers' markets and their limited hours of operation are barriers to participation. Since the FMNP benefits are geographically limited, are small relative to WIC benefits, and have a lower redemption rate than WIC's regular benefit, neither WIC participants nor farmers fully benefit from the program. Elimination of FMNP would result in more federal funds being available to serve those eligible for WIC benefits.

Potential Adverse Impacts

(1) Some WIC participants will no longer receive fresh produce as a WIC benefit.

(2) Local farmers participating in this program may lose some sales.

THE FOOD STAMP PROGRAM

Fiscal Year 1995 Appropriation: $28.8 Billion (including $1.1 billion for the Nutrition Assistance Program in Puerto Rico and $165 million for the Employment and Training Program (E&T)

PROGRAM DESCRIPTION

The Congress initiated the Food Stamp Program in 1961 on a pilot basis. Under the Food Stamp Act of 1964, the Congress made the program permanent. The program was designed to improve nutrition among low-income households and enable them to purchase more food. The program was also intended to strengthen the agricultural economy by increasing food sales. The Food Stamp Program is jointly administered by USDA and state and local social service agencies.

The Food Security Act of 1985 required all states to implement an Employment and Training Program (E&T) component of the Food Stamp Program by April 1, 1987. The E&T program provides services to help food stamp participants (1) improve their ability to gain employment, (2) increase their earnings, and (3) reduce their dependence on public assistance.

ELIGIBILITY CRITERIA

Food stamp benefits are available to all households that meet federally established eligibility criteria. To participate, households must meet two income standards. First, a household's gross monthly income cannot exceed 130 percent of the federal poverty level. Second, a household's net income (gross income minus specific allowable deductions) cannot exceed 100 percent of the federal poverty level. Households with at least one elderly (60 years of age or older) or disabled member are subject to the net income standard only.

In addition to the income standards, households may not participate in food stamps if they have cash and other liquid assets that total more than $2,000; households with elderly members are limited to $3,000. Households composed entirely of recipients of Aid to Families With Dependent Children, Supplemental Security Income, or General Assistance automatically meet the asset eligibility requirement for food stamp benefits. Most able-bodied food stamp participants between the ages of 16 and 59 are required to register to work, participate in the E&T program, and accept suitable employment if it is offered.[7]

BENEFIT DISTRIBUTION SYSTEM

USDA fully funds the cost of the food stamp benefit and reimburses states for at least 50 percent of their costs to administer the program. USDA is also responsible for developing specific program criteria and monitoring the states' implementation of the program. State and local food stamp offices distribute food stamp benefits directly or by mail to participants. The Food Stamp Program operates in all 50 states, the District of Columbia, Guam, and the U.S. Virgin Islands. Fifty-three state-level agencies, usually social welfare or human services agencies, and more than 3,000 local offices administer the program, including its E&T component.

USDA funds 100 percent of E&T operations and provides a 50-percent match for additional state service costs, and a 50-percent match to reimburse participants' cost of participating in E&T. State and local food stamp agencies are responsible for designing and administering the day-to-day operations of E&T.

Food stamp participants may receive E&T program benefits if the state agency does not exempt them from working. If they are not exempt, caseworkers automatically place them in one of the E&T service categories.

NATURE AND MAGNITUDE OF PROGRAM BENEFITS

Food stamp benefits are usually distributed to recipients in the form of coupons or "stamps" that can be redeemed for food items at participating food outlets. Some states or localities also distribute food stamp benefits in the form of cash or an electronic medium, such as an Electronic Benefit Transfer card that contains the household's monthly benefit from which purchases can be electronically deducted.

The monthly allotment of food stamps provided to households is based on a monthly, low-cost model meal plan. The allotment level is adjusted for household size. During fiscal year 1994, 27.5 million

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[7]Those exempted from work requirements include persons caring for dependents who are disabled or under age 6, persons subject to work requirements under another program, persons working 30 hours per week or earning the minimum wage equivalent, students complying with applicable food stamp eligibility rules, participants of drug addiction or alcoholic treatment programs, persons age 16 or 17 who are either not a head of household or attending school or a training program, and persons receiving unemployment compensation.

persons participated in the Food Stamp Program each month. The average benefit per person was about $69 per month; per household, about $179 per month.

Federal law permits the states, with the approval of the Secretary of Agriculture, to design and implement an E&T program best suited to the state's particular needs. As a result, the E&T services offered to food stamp participants vary from state to state. According to a 1990 study on the implementation of the E&T program, states typically provide four categories of E&T service, as described below, to assist food stamp participants to obtain employment:

- Job Search. This service provides participants considered ready to work with assistance in locating employment opportunities. Participants are required to continuously search for employment by contacting a specified number of employers within a given time (typically 24 contacts within 8 weeks). In fiscal year 1993, 795,800 participants received job search services.

- Job Search Training. Participants placed in this category have either been unsuccessful in locating employment when they were in the job search category or require minimal training before entering the job search market. This service provides such training as developing job leads and resumes, completing job applications, and developing job interview and career exploration techniques.

- Workfare and Work Experience. In exchange for their food stamp benefits, participants in this category get paid employment and on-the-job training for a specified period of time so that they can develop their work skills.

- Education and Vocation Skills Training. Participants benefiting from this service usually require a substantial amount of training to prepare for employment. Educational services provided by E&T usually consist of adult basic education, General Education Degree (GED) preparation, and English language instruction. Vocational training services are usually provided in cooperation with local sponsors participating in the Job Training Partnership Act (JTPA)[8] administered by the Department of Labor.

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[8]The Congress enacted the Job Training Partnership Act of 1982 to provide block grants to states to fund training and related services for disadvantaged individuals, including those participating in the food stamp E&T program.

During fiscal year 1993 (the latest year data were available), about 1.2 million of the food stamp participants who were required to work received E&T service through one or more of these categories.

E&T participants were reimbursed for training-related expenses, such as transportation for their job search and commuting to training sites or sites at which they had work experience. E&T participants who required child care services in order to participate in the program were either reimbursed for child care or provided with child care services by the local food stamp office.

During fiscal year 1993, USDA's cost of E&T operations and activities was about $136 million. The states contributed another $48 million for E&T operations. USDA spent $17 million to reimburse E&T participants for training-related expenses.

CHARACTERISTICS OF INDIVIDUALS SERVED

Children (under age 18) represented about 51 percent of food stamp participants; persons between ages 19 and 59, about 42 percent; and the elderly, about 7 percent. According to USDA data, the majority of food stamp households contained children. About 67 percent of the households containing children were single-parent homes. About 27 percent of food stamp households contained an elderly or disabled person.

With respect to the E&T component of the Food Stamp Program, a USDA study of 1988 participants (those required to participate in E&T whether or not they had received services) found that most were poorly educated--about half of the participants had not completed high school. The study also reported that about one-third of the E&T participants had no previous work experience, and one-fourth had not worked in the 12 months preceding their certification for food stamp eligibility. E&T participants were predominately between ages 22 and 40. They were most likely to be single males (50 percent), and about two-thirds of the participants reported an annual income of less than $3,000.

MAJOR OBSERVATIONS

The Food Stamp Program's E&T component is one of nine federal programs that provide employment and training services to the economically disadvantaged. Many of the existing employment and training programs provide the same services as E&T, raising concerns about program overlap.

A comprehensive 1990 study of the initial implementation of E&T, conducted by Abt Associates for USDA, found that the program had "no discernable effect on participants' aggregate earning, probability of finding work, amount of time worked, or average wages." The study reported that "although the data from this study did not permit conclusions about specific changes that should be made to make E&T more effective, the results certainly indicate a need for some changes." A more limited 1992 USDA study concluded that there was still a need "to provide a catalyst for changing the orientation of the Food Stamp E&T program on a nationwide basis." The 1992 study cited several available alternatives designed to improve E&T.

In addition, because USDA is not a social service organization, it may not provide employment and training assistance as effectively as some other federal/state employment and educational program that provide these services full-time.

These observations are based on a limited assessment of the Food Stamp Program. Additional information on food stamp program alternatives is contained in our report entitled Food Assistance: Potential Impacts of Alternative Systems for Delivering Food Stamp Program Benefits (GAO/RCED-95-13, Dec. 16, 1994).

ALTERNATIVE TO REDUCE COSTS

The following alternative was identified to reduce the cost of the Food Stamp Program.

Alternative

Eliminate the E&T component of the Food Stamp Program.

Rationale

The services provided by the Food Stamp Program's E&T could be provided by other existing employment and training programs, such as the Department of Labor's JTPA. E&T is one of nine federal programs with overlapping goals that specifically target the economically disadvantaged. All nine programs are designed to enhance clients' participation in the workforce, and four programs--the Department of Labor's JTPA, DHHS' Job Opportunities and Basic Skills, the Department of Housing and Urban Development's Family Self Sufficiency Program, and the Food Stamp Program's E&T--specifically mention reducing welfare dependency as a primary goal. Many of the existing employment and training programs provide the same categories of service (such as career counseling and skills assessment, remedial education, vocational skills training, placement assistance, and support services) through parallel but separate structures, raising concerns about program duplication and waste. For example, in 1991, JTPA served more than 100,000 food stamp recipients and a 1994 GAO study[9] found that E&T overlaps with JTPA in 18 services.

In its 1990 study, USDA concluded that E&T was ineffective. The study found that the program provided no services to about half of those determined to be eligible to participate. For the most part, persons receiving service were placed in the job search category. That is, they were required to contact a certain number of employers during a given period and report back to the food stamp office. According to the study, the job search component was primarily oriented towards monitoring participants' compliance with contacting the specified number of employers, rather than helping them conduct effective job searches. As a result, E&T had little, if any, effect on participants' ability to gain employment and end dependence on federal assistance. Although no study since then has comprehensively examined E&T's effectiveness, a more limited 1992 USDA study concluded that there was still a need "to provide a catalyst for changing the orientation of the Food Stamp E&T program on a nationwide basis." The 1992 study suggested that several alternatives were available to improve E&T, including supporting national efforts to consolidate and coordinate delivery of services now separately administered by a number of different programs.

Finally, because USDA is not a social service organization, it is not fully equipped to provide employment assistance effectively. E&T's employment assistance could be better managed by other federal and state employment and educational programs that provide these services full-time. USDA could provide limited employment and training services by referring food stamp participants to these other programs. For example, the 1990 USDA study concluded that most E&T vocational and educational training participants are served through referrals to other local programs that provide training to the general public.

According to the administration's fiscal year 1996 budget submission, eliminating the E&T component would result in a potential reduction of $167.5 million.

Potential Adverse Impact

States would have to use some state funds to refer clients to other employment and job training programs.

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[9] Multiple Employment Training Programs: Overlap Among Programs Raises Questions About Efficiency (GAO/HEHS-94-193, July 11, 1994).

LIST OF ORGANIZATIONS CONTACTED

CACFP

California

Butte Child Development, Inc., Gridley
California Department of Education, Sacramento
Community Child Care Programs, North Highlands
Easter Seal Society of Superior California, Inc., Sacramento
Peg Taylor Center for Adult Day Health Care, Chico

Illinois

Almost Home Child Care, Linchfield
Central Illinois Economic Development Corporation, Lincoln
Council for Jewish Elderly, Chicago
Illinois Department on Aging, Springfield
Illinois State Board of Education, Springfield
South Harper Montessori, Chicago

Louisiana

Capital City Providers, Baton Rouge
Children's Book of Knowledge, St. Rose
Kingsley House, New Orleans
Louisiana Department of Education, Baton Rouge

New York

Child Care Council of Finger Lakes, Inc., Waterloo
Creative Choices Child Care Center, Seneca Falls
Loretto Rest Nursing Home, Syracuse
New York State Department of Social Services, Albany
Nuestros Ninos, Brooklyn
The Jewish Guild for the Blind, New York City

Texas

CareNetwork Inc., Garland
Our Place Adult Day Care Center, San Antonio
Parent Child Inc., San Antonio
Texas Department of Human Services, Austin

CSFP

California

California Department of Education, Sacramento
Economic Opportunity Council of San Francisco, Inc., San Francisco

Illinois

Catholic Charities, Chicago
Illinois Department of Public Health, Springfield

Louisiana

Food for Families/Food for Seniors, New Orleans
Louisiana Department of Health and Hospitals, New Orleans

New York

Builders for the Family & Youth of the Dioceses of Brooklyn, Inc., Jamaica
Catholic Charities-Food & Nutrition Program, Hicksville
New York State Department of Health, Albany

NPE

California

Area 4 Agency on Aging, Sacramento
California Department of Aging, Sacramento
Senior Citizens Foundation of Western Nevada County, Grass Valley
Senior Nutrition Services, Sacramento

Illinois

Illinois Department on Aging, Springfield
Illinois Valley Economic Development Corporation, Jerseyville
Project Life Area Agency on Aging, Springfield
Senior Citizens of Sangamon County, Inc., Springfield

Louisiana

Capital Area Agency on Aging, Baton Rouge
East Baton Rouge Area Agency on Aging, Baton Rouge
Louisiana Governor's Office of Elderly Affairs, Baton Rouge
St. Helena Council on Aging, Greensburg

New York

Department for the Aging, New York City
New York State Office for the Aging, Albany
Oswego County Aging Services, Oswego
Oswego County Opportunities, Fulton
Stanley M. Isaccs Neighborhood Center, Inc., New York City

Texas

Amigos del Valle, Inc., Mission
Area Agency on Aging of the Lower Rio Grande Valley, McAllen
Texas Department on Aging, Austin

SKFB

California

California Department of Education, Sacramento
Loaves and Fishes, Sacramento
St. Anthony's Foundation Dinning Room, San Francisco
St. Vincent De Paul, Oakland

Illinois

Catholic Charities, Decatur
Catholic Urban Programs, East St. Louis
Chicago Anti-Hunger Federation, Chicago
Greater Chicago Food Depository, Chicago
Illinois Department of Public Aid, Springfield
Irving Park Community Food Pantry, Chicago
Kumler Church Neighborhood Ministries, Springfield
St. John's Breadline, Springfield
Second Harvest, Chicago
The Urban Center at St. Barnabas, Chicago

TEFAP

California

Alameda County Community Food Bank, Oakland
California Department of Social Services, Sacramento
California Emergency Food Link, Sacramento
Del Paso Food Closet, Sacramento
Economic Opportunity Council of San Francisco, Inc., San Francisco
Esparto Community Center, Esparto
Telegraph Community Center, Oakland
Yolo County Coalition Against Hunger, El Macero

Illinois

Catholic Charities, Decatur
Catholic Urban Programs, East St. Louis
Chicago Anti-Hunger Federation, Chicago
Greater Chicago Food Depository, Chicago
Harristown Town Hall, Harristown
Illinois Department of Public Aid, Springfield
Irving Park Community Food Pantry, Chicago

ENCLOSURE III

Kumler Church Neighborhood Ministries, Springfield
Second Harvest, Chicago
The Urban Center at St. Barnabas, Chicago

WIC/FMNP

California

California Department of Health Services, Sacramento
City and County of San Francisco Department of Public Health, San Francisco
Placer County Health Department, Auburn

Illinois

Chicago Department of Health, Chicago
Illinois Department of Public Health, Springfield
Macoupin County Public Health Department, Carlinville

Louisiana

Louisiana Department of Health and Hospitals, New Orleans
St. James Parish Health Unit, Lutcher
Terrebonne Parish Health Unit, Houma

New York

Bellevue Hospital Center, New York City
New York State Department of Health, Albany
Oswego County Opportunities, Fulton

Texas

Border Street WIC Clinic, Arlington
Outreach Health Services, Amarillo
Texas Department of Health, Austin

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