

# The Food Assistance Landscape

## FY 2006 Annual Report



**Over 60 percent of USDA's annual budget supports 15 domestic food and nutrition assistance programs.** These programs provide children and needy families with better access to food and a more healthful diet. At some point during the year, about one in five Americans participates in at least one of these food and nutrition assistance programs, which vary by size, target population, and type of benefits provided. The Economic Research Service (ERS) is responsible for conducting studies and evaluations of USDA's food assistance programs. This report uses preliminary data from USDA's Food and Nutrition Service (FNS), the agency responsible for managing the programs, to examine trends in the food assistance programs through fiscal 2006 (October 1, 2005, to September 30, 2006). It also discusses a recent ERS study that examined income volatility among households with children and the implications of volatility for eligibility in the National School Lunch Program.

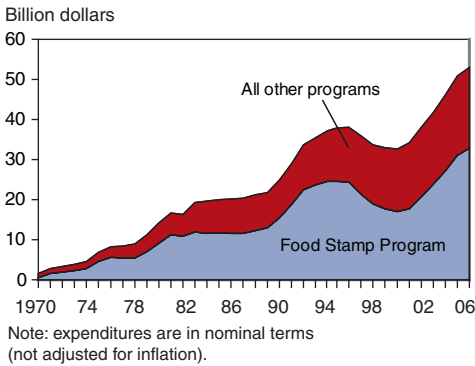


## Expenditures for Food Assistance Set Another Record High

Federal expenditures for USDA's food assistance programs totaled almost \$53 billion in fiscal 2006, a 4-percent increase over the previous fiscal year. This year was the sixth consecutive year in which food assistance expenditures increased and the fourth consecutive year in which they exceeded the previous historical record.

The five largest food assistance programs—the Food Stamp Program, the National School Lunch Program, the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), the Child and Adult Care Food Program, and the School Breakfast Program—accounted for 95 percent of USDA's total expenditures for food assistance. Most of the increase in expenditures between fiscal 2005 and 2006 was caused by expansion of the Food Stamp Program, although each of the other four major programs expanded to varying degrees during fiscal 2006.

### USDA expenditures for food assistance, FY 1970-2006



## Food Stamp Program Participation Spikes Due to Hurricanes

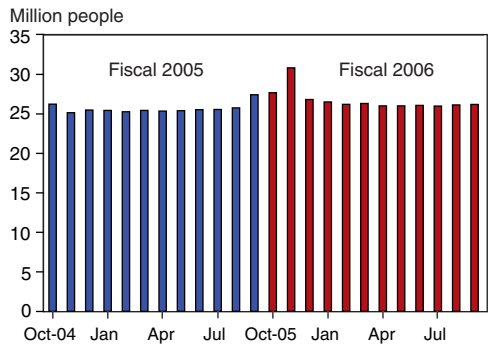
The Food Stamp Program is the cornerstone of the food assistance programs, accounting for 62 percent of all Federal food assistance spending in fiscal 2006. The program provides monthly benefits for eligible participants to purchase approved food items at authorized food stores. Unlike the other food assistance programs that are targeted toward specific categories of the population, the Food Stamp Program is available to most needy households (subject to certain work and immigration status requirements) with limited income and assets. During fiscal 2006:

- Federal spending for the Food Stamp Program reached \$32.8 billion, exceeding

the previous record high of \$31.1 billion set the previous year. The growth in expenditures, 5 percent more than the previous fiscal year, was due to an increase in participation and, to a lesser degree, an increase in the average per person benefit.

- Monthly participation increased 4 percent over the previous fiscal year to an average 26.7 million people.
- In November 2005, 30.8 million people participated in the program, the largest number of participants in a single month ever. The spike in participation in fall 2005 was due mainly to benefits provided through the Disaster Food Stamp Program for victims of Hurricanes Katrina, Wilma, and Rita in Alabama, Florida, Louisiana, Mississippi, and Texas.
- Benefits per person averaged \$94.04 per month, an increase of 1 percent over the previous year.

### Monthly food stamp participation spikes in fall 2005



## WIC Participation Stabilizes

The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) helps safeguard the health of low-income pregnant, breastfeeding, and postpartum women and infants and children up to age 5 who are at nutritional risk by providing a package of supplemental foods, nutrition education, and health care referrals. During fiscal 2006:

- Spending for WIC totaled \$5.1 billion, 2 percent more than the previous year.
- An average 8.1 million people per month participated in the program, only 1 percent more than in the previous fiscal year, which represented the smallest percentage increase in 6 years.



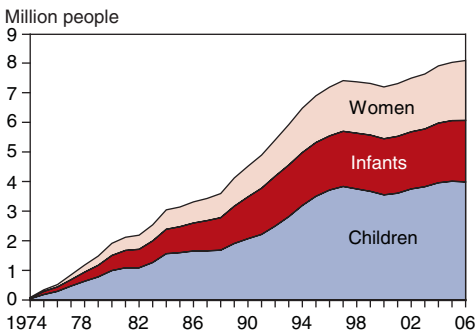
## Federal nutrition assistance at a glance

Program		FY 2005	FY 2006	Change
Food Stamp Program	Average monthly participation (millions)	25.7	26.7	4.1%
	Average benefit per person (dollars/month)	92.72	94.04	1.4%
	Total annual expenditures (\$ billions)	31.1	32.8	5.4%
WIC	Average monthly participation (millions)	8.0	8.1	0.8%
	Total expenditures (\$ billions)	5.0	5.1	1.9%
National School Lunch Program	Average daily participation (millions)	29.6	30.0	1.3%
	Total expenditures (\$ billions)	8.0	8.2	1.5%
School Breakfast Program	Average daily participation (millions)	9.4	9.8	4.2%
	Total expenditures (\$ billions)	1.9	2.0	5.4%
Child and Adult Care Food Program	Meals served in:			
	• child care centers (millions)	1,105.6	1,131.1	2.3%
	• family child care homes (millions)	670.7	640.3	-4.5%
	• adult day care centers (millions)	57.8	59.8	3.5%
	Total expenditures (\$ billions)	2.1	2.1	1.8%
All programs	Total expenditures (\$ billions)	50.9	52.9	3.9%

Note: The figures are based on preliminary data provided by the Food and Nutrition Service as of November 2006 and are subject to change. Total program expenditures includes figures from other programs not shown in table.

- Forty-nine percent of all participants were children (ages 1-4 years), 26 percent were infants, and 25 percent were women.
- After rebates, per person food costs averaged \$37.22, a decrease of \$0.20 from the previous fiscal year.

### Average monthly participation in WIC leveled off in FY 2006



### National School Lunch Program Grows Slightly

The National School Lunch Program provides nutritious low-cost or free lunches to schoolchildren. Schools that participate in the National School Lunch Program receive cash and some commodities from USDA to offset

the cost of food service. In return, the schools must serve lunches that meet Federal nutrition requirements and offer free or reduced-price lunches to needy children. Any child at a participating school may enroll in the program. Children from families with incomes at or below 130 percent of the Federal poverty guidelines are eligible for free meals, and those from families between 130 percent and 185 percent of the poverty guidelines are eligible for reduced-price meals. Children from families with incomes over 185 percent of the poverty guidelines pay full price, although their meals are still subsidized to a small extent. During fiscal 2006:

- Spending for the program reached \$8.2 billion, 2 percent more than in the previous year.
- An average of 30 million children participated in the program each school day, representing about 60 percent of all children attending a participating school or institution.
- The number of lunches served rose to 5 billion, an increase of 1 percent over fiscal 2005.



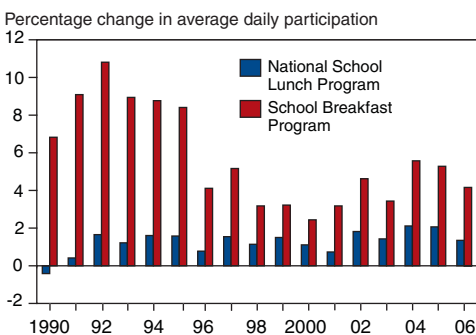
- Half of the school lunches served were provided free to students, and another 10 percent were provided at a reduced price. The number of reduced-price and paid lunches each increased 1 percent compared with the previous year, whereas the number of free lunches served stayed about the same.

### School Breakfast Program Expands

The School Breakfast Program provides low-cost breakfasts to schoolchildren, with students from low-income families receiving free or reduced-price meals (eligibility requirements are the same as those for the National School Lunch Program). During fiscal 2006:

- More than 84,000 schools and residential child care institutions operated the program, an increase of over 1,200 from the previous year.
- An average 9.8 million children participated in the program each schoolday, 4 percent more than the previous fiscal year. On a typical day, about 23 percent of all children attending a participating school or institution participated in the program.
- Spending for the program totaled \$2 billion, 5 percent more than in the previous year, making it the fastest growing food assistance program along with the Food Stamp Program.
- A total of 1.7 billion breakfasts were served, 3 percent more than in fiscal 2005.
- Almost three-quarters (72 percent) of these breakfasts were provided free to students, and another 9 percent were provided at a reduced price.

### Growth in School Breakfast Program exceeds growth in the National School Lunch Program



### Child and Adult Care Food Program Grows Modestly

The Child and Adult Care Food Program subsidizes healthy meals and snacks in participat-

ing child care centers and homes and adult day care facilities. The providers of care are reimbursed for each type of qualifying meal (breakfast, lunch/supper, or snack) they serve. During fiscal 2006:

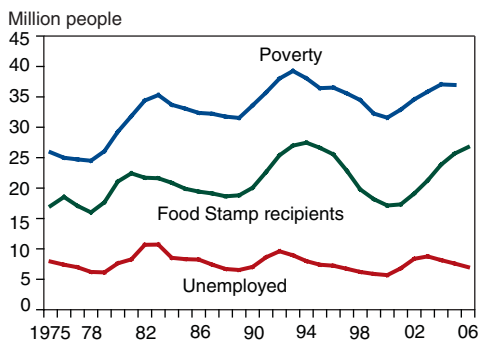
- Program expenditures totaled \$2.1 billion, 2 percent more than the previous year.
- A total of 1.8 billion meals were served, slightly fewer than in fiscal 2005.
- The number of meals served in family child care homes fell by 5 percent, whereas the number rose by 3 percent in adult day care centers and by 2 percent in child care centers.

### Economic and Social Indicators

Economic and social conditions affect participation in and spending on the food assistance programs through their influence on (1) the size of the eligible population, (2) the rate of participation among eligible people, and (3) benefit levels. Historically, changes in the country's economic conditions significantly affect participation in the Food Stamp Program. For example, the number of food stamp recipients typically rises during recessionary periods when the number of unemployed and poor people increases and falls during periods of economic growth as the number of unemployed and poor people decreases.

The unemployment rate was 4.6 percent in 2006, down from 5.1 percent in 2005. This decline marked the third consecutive year in which the unemployment rate decreased and was the lowest since 2000. Despite the decrease in unemployment, food stamp participation continued to rise in fiscal 2006. The increase has been attributed partly to continued efforts to increase program awareness and improve access to the program, along with assistance provided to hurricane victims in the Gulf Coast States.

### Number of food stamp recipients, unemployed, and people in poverty, 1975-2006





## Selected economic and social indicators, 2004-06

Indicator	2004	2005	2006
Population in July (millions)	293.6	296.5	299.4
Persons in poverty (millions)	37.0	37.0	NA
Poverty rate (%)	12.7	12.6	NA
Median household income (2005 dollars)	45,817	46,326	NA
Civilian unemployment rate (%)	5.5	5.1	4.6
Real GDP (% change) <sup>1</sup>	3.9	3.2	NA
Food-insecure households (thousands)	13,494	12,586	NA
Very low food security households (thousands)	4,449	4,428	NA
CPI for all items (% change) <sup>2</sup>	2.7	3.4	NA
CPI for food (% change)	3.4	2.4	NA
CPI for food at home	3.8	1.9	NA
CPI for food away from home	3.0	3.1	NA
TANF recipients in June (thousands) <sup>3</sup>	4,726	4,450	4,127
School enrollment (thousands)	54,964 (P)	55,148 (P)	55,460 (P)

Note: NA = Data not available. (P) = Projected.

<sup>1</sup>Gross Domestic Product. <sup>2</sup>Consumer Price Index. <sup>3</sup>Temporary Assistance for Needy Families.

### Research Update: Income Volatility and Implications for School Lunch

Federal food assistance programs are means tested: Households are eligible to receive food assistance program benefits if household income falls below a certain threshold (in some programs, household income also affects the amount of program benefits). For example, the National School Lunch Program provides free lunches to students from households with incomes at or below 130 percent of poverty and reduced-price lunches to students from households with incomes between 131 and 185 percent of poverty. Because income fluctuates, a household that is poor today may not be poor in subsequent months due to an increase in income. Which families are low income and for how long are important issues for program policy, and income volatility—month-to-month changes in a household's income—directly affects those policy decisions. Program integrity is reduced when a household continues to receive program benefits after it has lost eligibility. Understanding the implications of income volatility for food assistance program eligibility is important if the programs are to effectively serve the needy.

In the late 1990s, concerns were raised about "overcertification"—where children who are certified by local school food authorities as eligible to receive free or reduced-price lunches are actually ineligible. Recently, the Child Nutrition and WIC Reauthorization Act of 2004 amended the National School Lunch Act. One of the most

important changes to eligibility was to extend the eligibility period from 1 month to the full school year. Before that, the rules stipulated that households report income changes in excess of \$50 per month and household composition changes to school authorities. If these reported changes led to a change in a household's eligibility, school authorities were supposed to increase, reduce, or terminate benefits accordingly. Households seldom reported such changes, and the administrative burden would have been significant if they had.

A recent ERS study examined income volatility among households with children and the implications of volatility for eligibility for free and reduced-price meals in the National School Lunch Program. The study found that the lower a household's income, the more likely it is to face volatile swings in monthly income. For example, the relative income variation—monthly income changes versus usual monthly income—of households with incomes below 75 percent of poverty was double that of households with incomes above 300 percent of poverty. Almost one-third (31 percent) of households moved either above or below the 185 percent of poverty eligibility threshold for subsidized lunches at least once during the school year. Among those households with income below 185 percent of poverty for at least 1 month, two-thirds (65 percent) had one or more transitions from eligibility to ineligibility or vice versa, and one-fifth (21 percent) had three or more transitions.



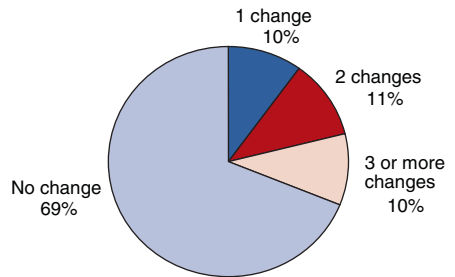


Such volatility meant that, before new rules were enacted that redefined eligibility, the children in these households moved back and forth across the eligibility threshold for the program. Over one-quarter (27 percent) of all households that were income eligible for subsidized lunches at the beginning of the school year were estimated to be no longer eligible at the same level of subsidy by December due to monthly income changes. The major determinants of changes in eligibility were changes in total household hours worked and in the number of working adults in the household. Income volatility helps explain why, in past years, many school lunch beneficiaries were found to be ineligible during verification.

The analysis suggests overall that incomes fluctuated substantially in households eligible for free or reduced-price meals from the National School Lunch Program, largely from labor market events, which were sufficient to change their eligibility status during the course of a school year. Those fluctuations may have accounted for a significant portion of overcertification error seen before the eligibility period was extended to a year. The report does not estimate the size of other types of error that could also be important, such as errors made by households or school food authorities at the time of application. But the evidence on

income volatility alone contributes an important piece to the puzzle of what caused high overcertification error rates in the past. Although the extension of the certification period from 1 month to the full school year has resolved the problem of income volatility in the National School Lunch Program, this example illustrates how income volatility can affect eligibility in all USDA food assistance programs.

**Number of changes in National School Lunch Program eligibility status among all households, 1996-97**



The complete results of this study can be found in *The Income Volatility See-Saw: Implications for School Lunch* (ERR-23, U.S. Department of Agriculture, Economic Research Service, 2006) available at <http://www.ers.usda.gov/Publications/ERR23/>.

Information on food assistance research can be found on the ERS website at [www.ers.usda.gov/briefing/foodnutritionassistance](http://www.ers.usda.gov/briefing/foodnutritionassistance) and on the FNS Office of Analysis, Nutrition, and Evaluation website at [www.fns.usda.gov/oane](http://www.fns.usda.gov/oane). Information on USDA's food assistance programs can be found on the FNS website at [www.fns.usda.gov/fns](http://www.fns.usda.gov/fns). For more information on this report, contact Victor Oliveira at [victoro@ers.usda.gov](mailto:victoro@ers.usda.gov).

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